

Notice is hereby given that an ordinary meeting of the Finance, Audit & Risk Subcommittee will be held on:

Date: Wednesday 29 June 2016
Time: 3.30 pm
Meeting Room: Council Chambers
Venue: Horowhenua District Council
Levin

Finance, Audit & Risk Subcommittee

OPEN AGENDA

MEMBERSHIP

Chairperson	Cr W E R Bishop	
Members	Mayor B J Duffy	
	Mr B J Jackson	
	Cr C B Mitchell	
	Cr A D Rush	
	Cr P Tukapua	
Reporting Officer	Mr D Law	(Group Manager – Finance)
Meeting Secretary	Mrs K J Corkill	

Contact Telephone: 06 366 0999
Postal Address: Private Bag 4002, Levin 5540
Email: enquiries@horowhenua.govt.nz
Website: www.horowhenua.govt.nz

Full Agendas are available on Council's website
www.horowhenua.govt.nz

Full Agendas are also available to be collected from:
Horowhenua District Council Service Centre, 126 Oxford Street, Levin
Foxton Service Centre/Library, Clyde Street, Foxton,
Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takere/Library, Bath Street, Levin

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	Notification to speak is required by 12 noon on the day of the meeting. Further information is available on www.horowhenua.govt.nz or by phoning 06 366 0999.	
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Financial Report for the eleven months to 31 May 2016

File No.: 16/247

1. Purpose

To present to the Finance, Audit & Risk Subcommittee the financial report for the eight months to 31 May 2016.

2. Recommendation

- 2.1 That Report 16/247 Financial Report for the eleven months to 31 May 2016 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Issues for Consideration

As included in the **attached** report.

Attachments



No.	Title	Page
A	Financial Reporting - Monthly Report - 31 May 2016 - Agenda copy	7

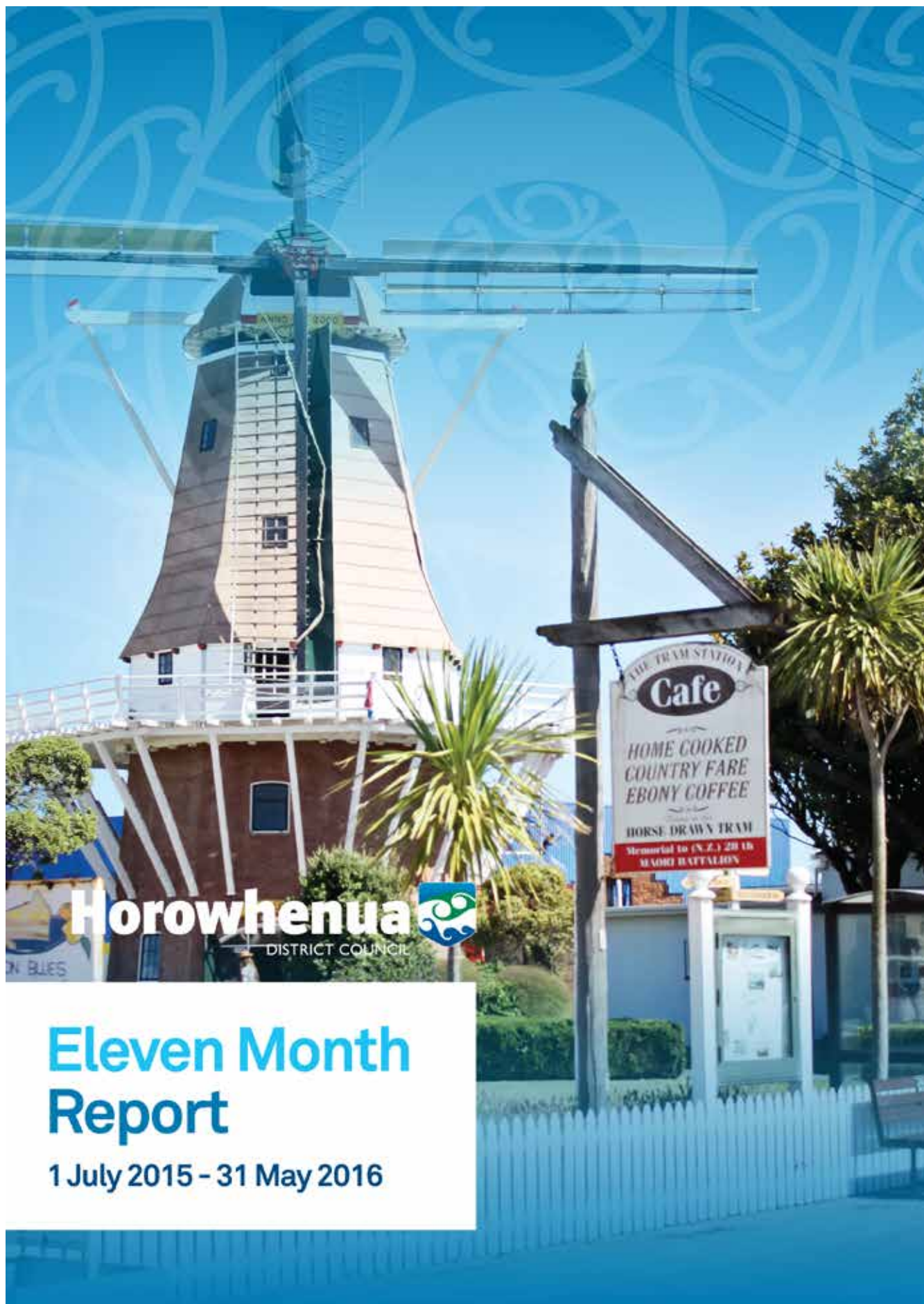
Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Tracey Whitehouse Management Accountant	
Approved by	Doug Law Group Manager - Finance	



Horowhenua
DISTRICT COUNCIL

Eleven Month Report

1 July 2015 - 31 May 2016

Executive Summary

A. All key **Financial Sustainability key performance indicators** are being met.

	<u>Actual</u> 31 May 2016	<u>Target</u>	
Balance Budget ratio	100.24%	100%	P
Essential Services ratio	124.00%	100%	P
Debt Affordability Ratio (Debt no more than 175% of projected revenue)	124.00%	175%	P
Interest to Rates Revenue	10.00%	25%	P

B. **Operating surplus/(deficit)**

May YTD Council achieved \$413,000 surplus against a budgeted deficit of (\$1,121,000).

Reasons for the variance:

- i. Activity revenue below budget by \$82,000
- ii. Activity expenditure below budget by \$1,266,000. Key variances include:
 - a) Community Facilities & Services (\$445,238)
 - b) Planning & Regulatory Services (\$478,464)
 - c) Property \$302,436
 - d) Wastewater Management \$482,259.

C. **Full Year Operating surplus/(deficit)**

Council is forecasting an operating surplus of \$136,862.

	<u>Forecast</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$45,519,851	\$47,148,285	(\$1,628,434)
Expenditure	\$45,382,989	\$45,870,637	\$487,648
Surplus/(Deficit)	\$136,862	\$1,277,648	(\$1,140,786)

D. **Full Year Forecast surplus/(deficit)**

Council is forecasting a deficit of \$(451,000) as at 30 June 2016 against a budgeted surplus of \$1,596,000.

Reasons for the variance:

- i. Forecast activity revenue above budget by \$242K.
- ii. Forecast activity expenditure below budget by \$220K.
- iii. Swaps valuation loss (\$888K)
- iv. Capital funding for Te Awahou project not received due to project delay (\$1.8m)

Sundry debtors: The total Outstanding Debtors have decreased in the month. The total Outstanding Debtors is \$576K and have reduced by 49% since June 2015.

Major variances

	30 June 2015	31 May 2016	Variance
On charges	\$138,788	\$80,634	(\$58,154)
Development Contribution	\$353,371	\$139,656	(\$213,715)
90 day outstanding	\$639,089	\$349,061	(\$290,028)

Treasury: Our weighted average interest rate has decreased to 4.73% at May 2016, decreasing from 5.15% at June 15 and 5.15% at May 2015. This is a potential saving of \$462K in interest payable compared to the LTP interest rate assumption of 5.5% for 2015/16.

Interest Rate Swap: Our current swaps have been valued at a loss of \$1,455K as at 12 April 2016. This may change depending on movements in the swap interest rate between 12 April and 30 June 2016. At this valuation there is a negative impact of \$888K on this year's accounts.

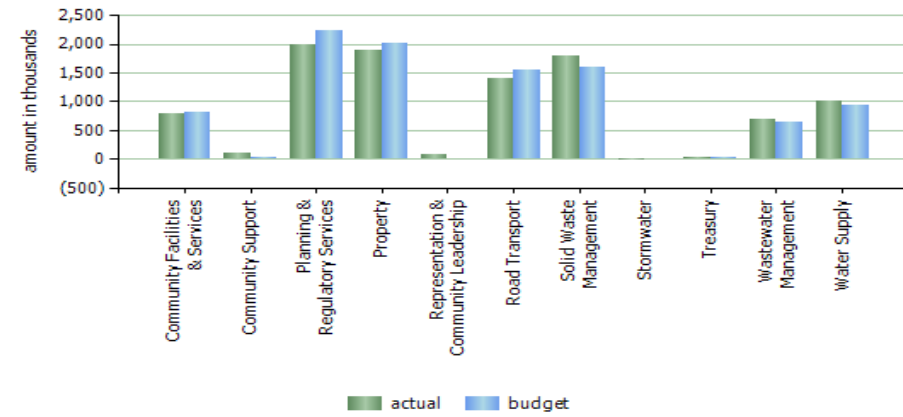
Doug Law
Group Manager Finance
29 June 2016

Organisation Summary

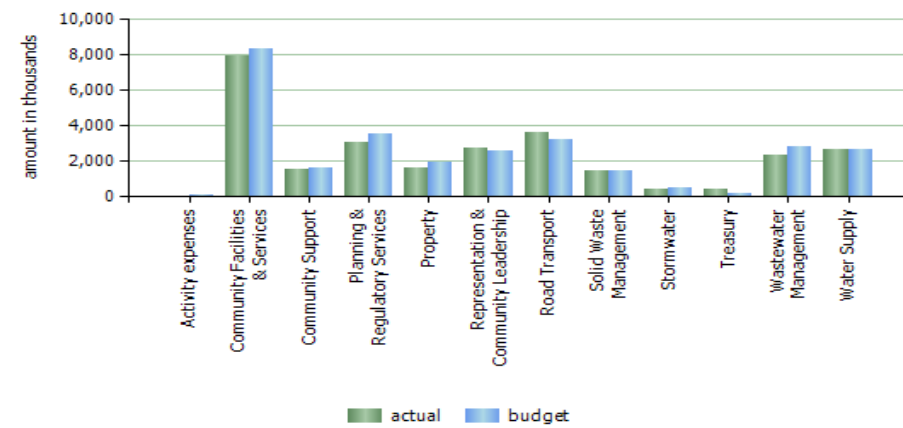
Financial operation

Operational revenue \$40.83 m against the total budget of \$40.95m 0% less than budget	Operational expenditure \$40.73 m against the total budget of \$42.15m 3% less than budget	Operational surplus/(deficit) \$105 k to the budgetted deficit of (\$1.21) 109% more than budget
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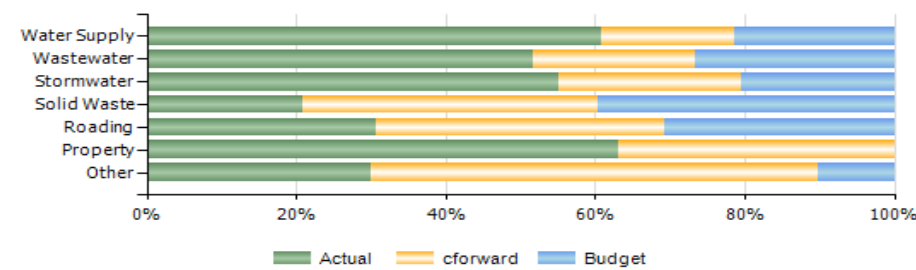
Operational revenue by activity



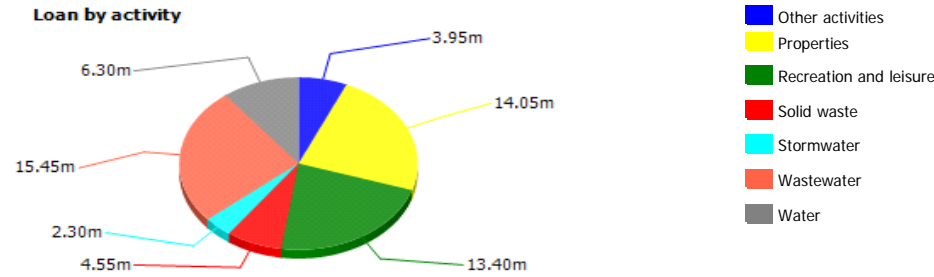
Operational expenditure by activity



Capital expenditure



Loan by activity

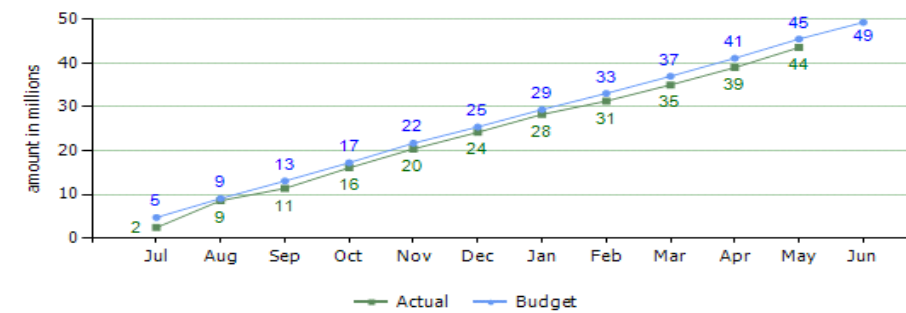


Financial trends

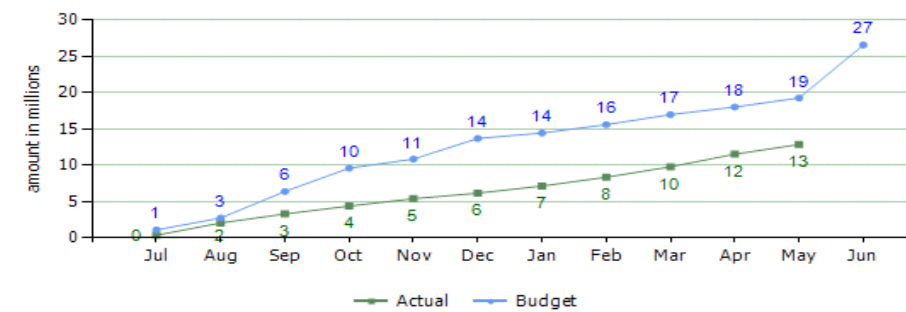
Total revenue



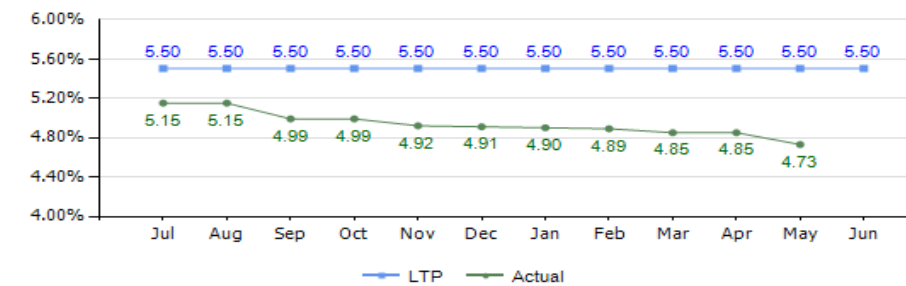
Total expenditure



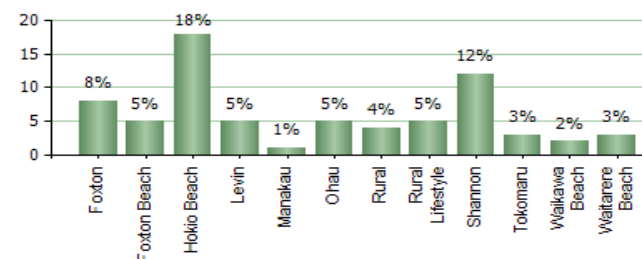
Total capital expenditure



Interest rate movement



Rates debtors % with arrears



Financial sustainability

Rates to operating revenue 71%

Rates revenue	\$29.00 m
Operating revenue	\$40.83 m

71% of operating revenue is derived from rates revenue

Fees and charges to operating revenue 24%

User fees and charges	\$9.75 m
Operating revenue	\$40.83 m

24% of operating revenue is derived from user fees and charges

Balance budget ratio 100%

Operational revenue	\$40.83 m
Operational expenditure	\$40.73 m

Operational revenue should be equal or more than operational expenditure. Year to date revenue is more than 0%

Essential services ratio 124%

Capital expenditure	\$10.78 m
Depreciation	\$8.72 m

Capital expenditure should be equal or more than depreciation for essential services, for year to date capex is 124% more than depreciation.

Debt affordability ratio - (LGFA Cov.) 124%

Total borrowing	\$60.00 m
Total projected revenue	\$48.42 m

With the total borrowing of \$60m we are still under the set limit of 175% of projected revenue

Debt to total assets - (LGFA Cov.) 12%

Total borrowing	\$60.00 m
Total assets	\$491.00 m

Net debt should not be more than 15% of total assets. With 60m we are still under the set limit

Interest to rates revenue (LGFA Cov.) 10%

Interest paid	\$2.95 m
Rates revenue	\$29.00 m

10% of rates revenue is paid in interest. Our set limit is 25% of total rates revenue.

Interest cover ratio - (LGFA Cov.) 7%

Interest paid	\$2.95 m
Operating revenue	\$40.83 m

7% of operating revenue is paid in interest. Our set limit is 20% of operating revenue.

Available financial accommodation to external indebtedness - (LGFA Cov.) 107%

Net debt	\$59.00 m
Undrawn committed facilities	\$4.00 m

Committed bank facility to enable us to borrow atleast 10% of our current external debt immediately, currently we can borrow 7% more than our current debt

Statement of Income and Expenditure

Percentage of year completed: 91.67%	End of the year			Year to date				% Actual to Annual Plan I = E/B	% Variance to total Annual Plan J = G/Tot B	Notes to accounts
	Projection A	Annual Plan B	Variance C = B - A	Actual E	Budget F	Variance in \$ G = F - E	Variance in % H = G/F			
Income										
Rates revenue										
General rates	8,242,421	8,223,698	(18,723)	7,558,986	7,538,390	(20,596)	(0.27%)	91.92%	0.04%	
Targeted rates	23,384,823	23,338,441	(46,382)	21,444,592	21,393,570	(51,022)	(0.24%)	91.89%	0.11%	
Total	31,627,244	31,562,139	65,105	29,003,578	28,931,960	71,618	(0.25%)	91.89%	(0.15%)	
Treasury										
External interest received	96,000	150,000	54,000	93,164	137,500	44,336	32.24%	62.11%	(0.09%)	1
Rates penalties	614,000	600,000	(14,000)	563,154	375,000	(188,154)	(50.17%)	93.86%	0.40%	2
Total	710,000	750,000	(40,000)	656,319	512,500	143,819	(28.06%)	87.51%	(0.31%)	
Significant activity revenue										
Community Facilities & Services	875,680	888,876	13,196	779,866	816,625	36,759	4.50%	87.74%	(0.08%)	
Community Support	98,287	39,500	(58,787)	97,419	39,087	(58,332)	(149.24%)	246.63%	0.12%	3
Planning & Regulatory Services	2,129,358	2,401,470	272,112	1,995,565	2,244,549	248,984	11.09%	83.10%	(0.53%)	4
Property	2,024,116	2,192,889	168,773	1,883,224	2,008,397	125,173	6.23%	85.88%	(0.27%)	5
Representation & Community	98,626	0	(98,626)	74,041	0	(74,041)	100.00%	100.00%	0.16%	6
Road Transport	1,817,000	1,667,000	(150,000)	1,406,931	1,537,408	130,477	8.49%	84.40%	(0.28%)	7
Solid Waste Management	2,007,000	1,741,206	(265,794)	1,798,251	1,596,100	(202,151)	(12.67%)	103.28%	0.43%	
Stormwater	0	0	0	0	0	0	100.00%	100.00%	0.00%	
Treasury	6,430	6,000	(430)	6,430	6,000	(430)	(7.17%)	107.17%	0.00%	
Wastewater Management	797,635	792,687	(4,948)	689,858	643,312	(46,546)	(7.24%)	87.03%	0.10%	
Water Supply	1,255,475	1,138,277	(117,198)	1,019,720	942,641	(77,079)	(8.18%)	89.58%	0.16%	8
Total	11,109,607	10,867,905	241,702	9,751,306	9,834,119	(82,813)	0.84%	89.73%	0.18%	
Capital subsidies										
Capital subsidies and grants	2,073,000	3,968,241	1,895,241	1,420,832	1,670,815	249,983	14.96%	35.81%	(0.53%)	9
Total	2,073,000	3,968,241	(1,895,241)	1,420,832	1,670,815	(249,983)	14.96%	35.81%	0.53%	
Total operating income	45,519,851	47,148,285	(1,628,434)	40,832,034	40,949,394	(117,360)	0.29%	86.60%	0.25%	

Notes

- Funds received are at lower interest rates than anticipated at budget.
- This includes the penalties for late payment 15 March 2016.
- Revenue is higher than anticipated, due to success in obtaining 3rd party funding for programmes.
- Revenue will be below budget due to less income in the parking activity
- Revenue is below budget due to lack of uptake of Commercial lease opportunities at Levin Depot.
- Funding has been received for Levin Town Strategy which is being offset by the expenditure.
- Revenue is higher than anticipated. *(This month it is below budget)*
- Water billing / two large user connect charges

9. Capital Subsidises:	Forecast	Annual Plan	Actual YTD	Budget YTD	Variance YTD
Libraries	375,000	2,270,241	375,000	0	(375,000) – Other funding is expected in 2016/17 for with the construction of Te Awahou.
Roading	<u>1,698,000</u>	<u>1,698,000</u>	<u>1,045,832</u>	<u>1,670,815</u>	<u>624,983</u>
	2,073,000	3,968,241	1,420,832	1,670,815	249,893

Statement of Income and Expenditure (continued...)


Percentage of year completed: 91.67%	End of the year			Year to date				% Actual to Annual Plan I = E/B	% Variance to total Annual Plan J = G/Tot B	Notes to accounts
	Projection A	Annual Plan B	Variance C = B - A	Actual E	Budget F	Variance in \$ G = F - E	Variance in % H = G/F			
Expenditure										
Significant activity expenditure										
Community Facilities & Services	8,691,009	9,190,782	499,773	7,860,753	8,305,991	445,238	5.36%	88.36%	0.98%	10
Community Support	1,761,526	1,844,331	82,805	1,494,632	1,633,769	139,137	8.52%	81.04%	0.31%	11
Planning & Regulatory Services	3,324,738	3,829,668	504,930	3,037,822	3,516,286	478,464	13.61%	79.32%	1.05%	12
Property	1,782,719	2,001,981	219,262	1,579,752	1,882,188	302,436	16.07%	78.91%	0.66%	13
Representation & Community	3,066,667	2,804,429	(262,238)	2,706,424	2,548,261	(158,163)	(6.21%)	96.51%	(0.35%)	14
Road Transport	4,074,755	3,499,830	(574,925)	3,619,055	3,230,606	(388,449)	(12.02%)	103.41%	(0.85%)	15
Solid Waste Management	1,842,767	1,586,782	(255,985)	1,418,496	1,455,280	36,784	2.53%	89.39%	0.08%	
Stormwater	400,659	545,164	144,505	390,546	503,673	113,127	22.46%	71.64%	0.25%	16
Treasury	582,843	204,276	(378,567)	418,856	198,090	(220,766)	(111.45%)	205.04%	(0.48%)	17
Wastewater Management	2,752,539	3,052,852	300,313	2,332,925	2,815,184	482,259	17.13%	76.42%	1.06%	18
Water Supply	2,882,466	2,894,405	11,939	2,629,331	2,665,313	35,982	1.35%	90.84%	0.08%	
Total	31,162,688	31,454,500	291,812	27,488,594	28,754,642	1,266,048	4.40%	88.22%	2.78%	
Other expenses										
Allocated portion of depreciation	(394,413)	(394,436)	(23)	(357,566)	(361,568)	(4,002)	1.11%	90.65%	(0.01%)	
Depreciation and amortisation	11,618,741	11,618,746	5	10,646,570	10,650,515	3,945	0.04%	91.63%	0.01%	
External interest	2,995,973	3,191,827	195,854	2,949,362	3,111,797	162,435	5.22%	92.40%	0.36%	
Total	14,220,301	14,416,137	195,836	13,238,366	13,400,744	162,378	1.21%	91.83%	0.36%	
Total operating expenditure	45,382,989	45,870,637	487,648	40,726,960	42,155,386	1,428,426	3.39%	89.36%	3.13%	


Notes

10. Community Facilities & Services is under budget with the new contractors. As a result of savings from the new contracts direct expenditure on this activity is forecasted to be \$250k below budget by 30 June 2016
11. Community Support is under budget due to careful management of spend and timing of allocation of Community Grants and Funding.
12. Planning and Regulatory Services is under budget due to staff vacancies. This is also reflected in lower levels of income.
13. Property is under budget due to careful management in costs. It is also a reflection of the new Parks and Property Maintenance Contracts.
14. Expenditure is higher than anticipated due to unforeseen legal costs.
15. Road Transport is forecast to finish on NZTA approved budget. YTD budget did not include emergency works.
16. Storm water maintenance has been lower than anticipated.
17. Treasury is above budget with higher rates remissions than anticipated. This is forecasted to continue to 30 June 2016.
18. Lower maintenance and utility costs than anticipated year to date.

Statement of Income and Expenditure (continued...)

Percentage of year completed: 91.67%	End of the year			Actual E	Year to date			% Actual to Annual Plan I = E/B	% Variance to total Annual Plan J = G/Tot B	Notes to accounts
	Projection A	Annual Plan B	Variance C = B - A		Budget F	Variance in \$ G = F - E	Variance in % H = G/F			
Non-operational costs										
Non operating income										
Development Contribution	103,757	0	(103,757)	103,756	0	(103,756)	100.00%	100.00%	100.00%	
Internal interest income	2,999,385	3,600,046	600,661	2,696,511	3,300,042	603,531	18.29%	74.90%	100.00%	
Revaluation gains	218,037	321,664	(103,627)	142,887	0	(142,887)	100.00%	44.42%	100.00%	
Vested Assets	93,893	0	(93,893)	88,726	0	(88,726)	100.00%	100.00%	100.00%	
Total	3,415,072	3,921,710	(506,638)	3,031,881	3,300,042	(268,161)	8.13%	77.31%	100.00%	
Non operating expenditure										
Allocated portion of internal interest	(76,000)	(92,680)	(16,680)	(68,487)	(84,957)	(16,470)	19.39%	73.90%	100.00%	
Internal interest expense	2,999,385	3,600,046	600,661	2,696,511	3,300,042	603,531	18.29%	74.90%	100.00%	
Landfill provision	95,400	95,400	0	0	0	0	100.00%	0.00%	100.00%	
Loss on sale	95,731	0	(95,731)	95,731	0	(95,731)	100.00%	100.00%	100.00%	
Swap valuation loss	888,590	0	(888,590)	0	0	0	100.00%	100.00%	100.00%	
Total	4,003,106	3,602,766	(400,340)	2,723,755	3,215,085	491,330	15.28%	75.60%	100.00%	
Net non-operational costs	588,034	318,944	(906,978)	308,126	84,957	223,169	(262.68%)	96.61%	100.00%	
Total surplus/(deficit)	(451,172)	1,596,592	2,047,764	413,200	(1,121,035)	1,534,235	(136.86%)	21.84%		

 For income when percentage actual to annual plan is 10% less than percentage of year completed.
For expenditure when percentage actual to annual plan is 10% more than percentage of year completed.

 For income when percentage actual to annual plan is 20% more than percentage of year completed.
For expenditure when percentage actual to annual plan is 10% less than percentage of year completed.

Statement of Financial Position as at 31 May 2016

	Last year Actual \$000	YTD Actual \$000	Full year Budget \$000	Notes
Assets				
Current assets				
Cash and cash equivalents	7,856	4,473	6,358	
Debtors and other receivables	5,381	7,071	6,481	19/21
Other financial assets	470	0	10	
Assets held for sale	475	475	393	
Total current assets	14,182	12,018	13,242	
Non-current assets				
Operational assets	42,492	42,215	45,097	
Infrastructural assets	386,465	388,540	402,881	
Restricted assets	39,293	38,419	41,054	
Intangible assets	1,680	1,671	1,672	
Forestry assets	911	911	680	
Commercial property	5,706	5,706	3,946	
Investments in other entities	987	1,088	2,042	
Other financial asset	803	803	116	
Total non-current assets	478,337	479,352	497,488	
Total assets	492,519	491,370	510,730	
Liabilities				
Current liabilities				
Creditors and other payables	8,070	7,067	8,439	
Provisions	997	997	1,003	
Employee entitlements	1,004	500	585	
Borrowings	2,000	15,000	0	
Total current liabilities	12,071	23,565	10,027	
Non-current liabilities				
Provisions	2,068	2,068	2,991	
Employee entitlements	178	178	224	
Borrowings	58,000	49,000	76,000	
Other	1,634	778	0	22
Total non-current liabilities	61,880	52,024	79,215	
Total liabilities	73,951	75,589	89,242	
Net assets	418,568	415,781	421,488	
Equity				
Retained earnings	264,909	254,518	267,350	
Revaluation reserves	147,449	147,447	147,447	
Other reserves	6,210	13,815	6,690	
Total equity	418,568	415,781	421,488	

Notes

19. A breakdown of Current Sundry Debtors is shown on the Statement of Current Debtors.

21. Debtors and other receivables:

Sundry Debtors	\$576K
Rates	\$5,587 - this includes rates not due until 15 June 2016.
Water Billing	\$694K
Infringements & Other	<u>\$215K</u>
	\$7,071K

22. Non-current liabilities – Other is LGFA Amortisation Reserve and Development Contributions held

Statement of Capital Expenditure – Major Projects over \$50,000

Ref	Description		LTP 2015/16	Current Year			Annual Plan	Remaining Budget to spend by 30 Jun 16	Total Life Of Project Cost (Incl multi year projects)	Comments
				Actual to 31/5/16	Budget 31/5/16	Variance	Confirmed Carryover to 16/17			
STW 27	Storm water - Development Planning North East Levin	Growth	150,000	56,005	7,500	(48,505)	0	93,995	56,005	Procurement of pumps and pipes currently underway. Budget will be spent before end of June 2016
WW 41	Waste water - Development Planning - North East Levin	Growth	260,980	18,707	260,980	242,273	0	242,273	18,707	Total cost is unknown at this stage. Project is in planning stage. Forecast spend to 30 June 16 is \$71,050
WW 44	Waste Water - Levin Tararua Industrial Development	Growth	125,000	25,556	0	(25,556)	100,000	(556)	25,556	
SW 17	Landfill Development	Growth	385,237	110,491	385,237	274,746	157,000	117,746	110,491	On track - project will span beyond June 2016.
PR 58	Tararua Industrial Development	Growth	0	250,395	0	(250,395)	0	(250,395)	250,395	Roe Street Subdivision. Budget of \$502K is in the 2016/2017 financial year.
WS 32	Water Supply -Levin Clarifier Installation	LOS	2,000,000	479,892	0	(479,892)	1,000,000	520,108	479,892	Clarifier has been ordered and is expected to arrive in Levin in Oct 2016. UV system has been ordered and is expected to arrive in Levin in Sept 2016. Contract to install the Clarifier, UV system, dosing system and associated buildings has been signed. Forecast spend to 30 June 16 is \$480,000.
WS 38	Water Supply - Telemetry - District Wide	LOS	95,000	48,488	95,000	46,512	0	46,512	48,488	This is one part of a four year project to install Telemetry around the district. The Telemetry project is funded from multiple budgets as we are installing Telemetry at pump stations and treatment plants for water, wastewater, stormwater and at the Landfill. The estimated final cost of the project across all areas for the full four years is \$1.5 million.
STW 14	Storm Water -Telemetry	LOS	81,000	82,360	81,000	(1,360)	0	(1,360)	82,360	See WS38
STW 15	Storm Water -Levin Queen Street	LOS	250,000	24,517	0	(24,517)	200,000	25,483	24,517	Assessment completed by Archaeologist was reviewed by Heritage NZ and had some gaps to be filled. A new archaeologist is looking at the work done to date and will provide a price to complete the works.
STW 16	Storm Water -Stormwater Strategy	LOS	80,000	79,385	80,000	615	0	615	79,385	Completed with Council briefing 16 March 2016.
STW 19	Storm Water -Foxton Beach Catchment Management Plan	LOS	83,000	28,880	83,000	54,120	0	54,120	28,880	This work is underway. External contractor is required to survey and capture the missing infrastructure data which is expected to take place in 2016/17.
WW 11	Foxton Wastewater Treatment Plant - Strategic Upgrade	LOS	2,326,000	717,865	2,326,000	1,608,135	1,500,000	108,135	937,697	The resource consent for this project has been lodged with HRC and currently with the Environment Court through a direct referral process.

Statement of Capital Expenditure – Major Projects (continued...)

Ref	Description	LOS	LTP 2015/16	Current Year			Annual Plan Confirmed Carryover to 16/17	Remaining Budget to spend by 30 Jun 16	Project Cost (Incl multi year projects)	Comments
				Actual to 31/5/16	Budget 31/5/16	Variance				
WW 27	Waste Water - Telemetry System	LOS	95,000	138,651	95,000	(43,651)	0	(43,651)	138,651	See WS38.
WW 37	Levin Wastewater Treatment Plant - Strategic Upgrade	LOS	610,000	372,970	0	(372,970)	0	237,030	372,970	Contract for sludge press procured and pond lining and associated pump station and pieeworks is underway
WW 45	Waste Water - Shannon Disposal System	LOS	3,065,921	2,153,353	3,065,921	912,568	0	912,568	2,701,587	The upgrade at this site consists of three stages of work with a total estimated final cost of \$3 million. This consists of the construction of the irrigation project (excluding preconstruction costs, for example consenting, purchasing of farm, preliminary designs etc.), construction of a new waveband and desludging the pond. With the exception of minor matters the works are complete.
RD 14	New Footpath	LOS	100,000	174	100,000	99,826	0	99,826	174	100% committed.
RD 16	Foxton Townscape Main Street Upgrade	LOS	750,000	106,351	687,500	581,149	640,000	3,649	106,351	Initial design has been undertaken. Due to go to Tender shortly.
RD 18	Waitare Beach Kent Gloucester Upgrade	LOS	260,000	62,702	238,334	175,632	0	197,298	62,702	Underway and expected to be completed by June 16
SW 18	Leachate pre treatment	LOS	129,000	14,748	129,000	114,252	60,000	54,252	14,748	Project to proceed 2016/2017 with budget of \$60K.
SW 19	Levin Landfill Energy Recovery / Flare	LOS	200,000	35,846	0	(35,846)	150,000	14,154	35,846	
PR 11	Thompson House Interior refurbishment, including kitchen (with renewal contribution from Thompson House)	LOS	80,000	0	80,000	80,000	80,000	0	0	Design and construction drawings completed. Tender process completed and contract awarded. This project will commence next financial year so funds will be carried forward as part of Annual Plan 2016/2017
PR 12	Thompson House Exterior Fire Escape, egress improvements and disability access including toilet provision	LOS	80,000	20,710	80,000	59,291	40,000	19,291	20,710	Design and construction drawings completed. Tender process completed and contract awarded. This physical works of this project will commence next financial year so funds not spent will be carried forward as part of Annual Plan 2016/2017
PR 17	Upgrade ablutions block Donnelly Park	LOS	60,000	84,303	60,000	(24,303)	0	(24,303)	84,303	Works commenced in February and was completed in May 2016. This project went over budget due to the scope of the work required and budget available.
PR 19	Shannon Memorial Hall - accesbile facility's upgrade (toilet block and entrance)	LOS	50,000	0	50,000	50,000	50,000	0	0	This project has not commenced and is on hold until the completion of the Property Strategy and wider vision for the Shannon Memorial Hall. The funds available are not sufficient for the work described and will need to be factored into the next Long Term Plan. Funds will be carred forward as part of the Annual Plan 2016/2017

Statement of Capital Expenditure – Major Projects (continued...)

Ref	Description	LTP 2015/16	Current Year			Annual Plan Confirmed Carryover to 16/17	Remaining Budget to spend by 30 Jun 16	Project Cost (Incl multi year projects)	Comments	
			Actual to 31/5/16	Budget 31/5/16	Variance					
PR 41	Public Toilets-Upgrade, Reroof, renew flooring, change doors	LOS	54,530	0	54,530	54,530	0	54,530	0	A New toilet block at Waitare Domain is currently been constructed. It is envisaged that this work will be completed in June and will be achieved close to budget. This work has come about as a result of robust discussion with the Waitare Progressive Association.
BEAUT 1	Flag Trax	LOS	54,270	41,950	54,270	12,320	0	12,320	41,950	Flagtrax systems have successfully been installed in Levin and Foxton and are currently being utilised by a community organisation. Shannon has temporarily been put on hold until the future of the columns has been decided as installing hardware on the current columns will question the integrity of the pole, this has been communicated with the Shannon Progressive Association.
CA 12	General Network Modelling	LOS	100,000	96,948	100,000	3,052	50,000	(46,948)	96,948	
CA 16	Purchase of Urban Aerial Imagery	LOS	60,000	50,150	60,000	9,850	0	9,850	50,150	Complete.
	Levin disable facilities upgrade, hydrotherapy pool	LOS	0	112,778	0	(112,778)	0	(112,778)	112,778	Brought forward from 2016/17. Work commenced 9 May 2016 and will work across two financial years. Project is on track to be achieved within budget.
WS 11	Levin Reticulation- RENEWAL	Renewal	1,061,000	764,862	849,860	84,998	0	296,138	764,862	This is on track and budget will be spent
WS 15	Shannon - Mangaore Reticulation- RENEWAL	Renewal	158,000	151,616	158,000	6,384	0	6,384	151,616	This is on track.
WS 19	Foxton Beach Edingburg Terrace Bore- RENEWAL	Renewal	150,000	174	150,000	149,826	150,000	(174)	174	
WS 28	Levin Treatment Plant - Renewals	Renewal	50,000	205,888	0	(205,888)	0	(155,888)	205,888	Overspent due to renewal of the water take consent
WS 39	Reactive renewals - District Wide	Renewal	150,000	148,810	0	(148,810)	0	1,190	148,810	On track and 100% committed.
WS 45	Shannon Reservoir structural work	Renewal	100,000	4,000	100,000	96,000	50,000	46,000	4,000	On track.
STW 12	District Wide Reticulation - Unplanned Renewals	Renewal	50,000	61,447	0	(61,447)	0	(11,447)	61,447	On track and 100% committed.
STW 13	District Wide Pump Station - Planned Renewals	Renewal	79,350	10,667	79,350	68,683	0	68,683	10,667	Assessments underway.
WW 21	Tokomaru Wastewater Treatment Plant - Consent Renewal	Renewal	100,000	13,379	0	(13,379)	50,000	36,621	40,829	Part spend this year and to carry forward to 2016/17 \$50K.
WW 29	Foxton Reticulation - Renewals	Renewal	417,873	185,777	264,543	78,766	0	232,096	185,777	80% of these works have been completed. The project will be finished by June 16.
WW 30	Levin Reticulation - Renewals	Renewal	1,758,767	1,061,952	1,223,283	161,331	0	696,815	1,061,952	The majority of these works have been completed. It is estimated that 100% of the budget will be spent by June 2016.

Statement of Capital Expenditure – Major Projects (continued...)

Ref	Description		LTP 2015/16	Current Year			Annual Plan Confirmed Carryover to 16/17	Remaining Budget to spend by 30 Jun 16	Project Cost (Incl multi year projects)	Comments
				Actual to 31/5/16	Budget 31/5/16	Variance				
WW 35	Districtwide - Reticulation Unplanned Renewals	Renewal	443,377	64,797	394,112	329,315	0	378,580	64,797	Covers a variety of maintenance renewals. We expect this budget to be spent by June 2016 as the upgrading Mako Mako wastewater pipe has commenced and additional renewals in Foxton.
WW 36	Levin Treatment Plant - Planned Renewals	Renewal	1,044,242	394,711	1,044,242	649,531	850,000	(200,469)	394,711	Negotiations are currently being undertaken for the renewal of the lease. This budget will be spend providing negotiations are successful.
WW 38	Levin Treatment Plant - Unplanned Renewals	Renewal	88,478	37,151	0	(37,151)	0	51,327	37,151	On track.
WW 50	Tokomaru WWTP Desludging	Renewal	100,000	275,699	100,000	(175,699)	0	(175,699)	275,699	This cost year to date also cover WW51 as these projects are running in tandem. To be completed by 30 June 2016
WW 51	Tokomaru WWTP Oxidation Pond Relining	Renewal	61,500	8,502	0	(8,502)	0	52,998	8,502	See above
RD 13	Footpath Renewal	Renewal	400,000	297,371	350,000	52,629	0	102,629	297,371	On track.
SW 15	Solid Waste - Cap Shape Correction	Renewal	68,580	174	0	(174)	0	68,406	174	Project is set to start June 16 and continue into 2016/17. Expect this will go over budget.
PR 13	Thompson House Exterior renew & Paint	Renewal	54,530	0	54,530	54,530	54,350	180	0	Design and construction drawings completed. Tender process completed and contract awarded. This physical works of this project will commence next financial year so funds not spent will be carried forward as part of Annual Plan 2016/2017
PRES 13	Waitarere Dune management Dune management - flatten recountour	Renewal	102,900	0	2,645	2,645	102,900	0	0	Designation has been accomplished for new Surf life saving club, however unlikely physical work will commence on the project this financial year - funding to be deferred to next year.
PRES 44	Levin Domain Pathways resurface	Renewal	298,780	0	0	0	298,780	0	49,570	Project deferred into 2016-2017
PRES 62	Reserves - Foxton Beach	Renewal	100,000	0	0	0	70,000	30,000	0	Foxton Community Board have been consulted. 30k to be used this financial year to facilitate planning process, 70 k for financial works to be moved into Yr 2 of the LTP
CA 19A	IT Disaster Recovery brought forward from 2013/14	Renewal	130,000	0	130,000	130,000	0	130,000	0	Cloud solution identified and implementation plan underway as planned during May. Invoice expected June 16.
CA 25	Rural Aerial Updates	Renewal	50,000	10,018	50,000	39,982	25,000	14,982	10,018	Aerials partially flown and milestone payment has been made to reflect this. Balance carried to 2016/17.
CS 11	Te Awahou Community Centre	Grth/LOS	2,683,500	715,317	1,279,135	563,818	2,133,968	(165,786)	715,317	Progressing – Construction work anticipated to commence July 2016 and continue into 16/17 with budget of \$2,193K.
WS 46	Levin Bore exploration, new reservoir, treatment plant upgrade	Grth/LOS	3,010,665	2,150,538	3,010,665	860,127	0	860,127	2,150,538	Estimated final cost of project is \$2.4 million. Project will be 100% complete. \$600,000 of the LTP budget will not be spent as good prices were received through the tender process and scope of original work reviewed and scaled down.
Total			24,296,480	11,777,024	17,413,637	5,636,613	7,811,998	4,707,457	12,622,111	

Statement of Rates Debtors

Area	Total assessments	Assessments with arrears	Assessments 30/6/2015 with arrears	% with arrears	Total arrears	Year to date arrears	Instalment one arrears	Instalment two arrears	Instalment three arrears	Penalties arrears	Prior year arrears
					1,329	1,329	429	429	429	43	0
F - Foxton	1275	102	130	8%	208,717	120,503	20,083	29,379	43,346	27,695	88,213
FB - Foxton Beach	1574	71	100	5%	99,168	78,446	14,731	20,512	32,863	10,340	20,722
HB - Hokio Beach	199	35	37	18%	734,782	142,058	6,809	6,811	7,224	121,214	592,725
L - Levin	7350	336	370	5%	554,200	409,831	75,782	103,878	161,741	68,446	144,369
MK - Manakau	86	1	2	1%	822	822	0	374	374	75	0
NR - Non Rateable	127	3	1	2%	3,061	1,837	431	431	431	545	1,224
OH - Ohau	150	7	10	5%	7,027	6,140	757	2,043	2,942	398	886
R - Rural	2576	92	84	4%	452,321	128,138	15,937	18,041	21,396	72,713	324,183
RL - Rural Lifestyle	2441	124	170	5%	195,973	118,400	20,140	28,106	42,039	26,834	77,573
S - Shannon	674	83	86	12%	166,294	95,426	18,655	23,183	32,175	21,414	70,867
TK - Tokomaru	164	5	6	3%	5,299	5,299	588	1,920	2,429	361	0
WB - Waitarere	943	33	33	3%	38,057	26,709	5,482	6,608	12,087	2,532	11,348
WK - Waikawa	231	5	3	2%	2,820	2,820	318	810	1,427	265	0
Total at 31 May 2016	17,790	897	1,032	5%	2,468,552	1,136,441	180,139	242,523	360,904	352,874	1,332,111
Total at 31 May 2015	17,782	860		5%	2,889,839	1,456,652	303,593	303,593	503,048	346,418	1,433,187

In the year to 31 May 2016

- 2,040 Rate rebates processed for \$1,119,879.
- 1,384 Assessments received the rates invoice by email. There has been an significant increase with the recent promotion running in April 2016.
- 17,549 rate payments received for \$29,732,259.

Statement of Sundry Debtors

Category	Total Outstanding	Current Outstanding	31 - 60 days Outstanding	61 - 90 days Outstanding	Over 90 days Outstanding	Notes
Aquatic Centre	2,071	715	593	288	475	
Building Consents	47,046	30,968	7,465	0	8,612	3
Building Fee - BWOF	325	0	65	130	130	
Cemeteries	15,040	9,333	5,525	150	32	
Dev Cont New Policy	70,943	0	3,771	0	67,172	1
Develop Cont Old Policy	68,692	0	5,836	0	62,856	1
Dogs	692	0	0	0	692	
Dogs - Debt Collection	22,044	6,048	0	0	15,996	
Dogs Arrange to pay	386	78	62	0	246	
Fines	8,408	0	0	0	8,408	
Fire Hazard	631	0	0	0	631	
General	50,273	34,919	12,566	0	2,787	6
Hire	5,660	1,576	0	0	4,083	
On Charges	80,634	9,949	1,393	338	68,954	4
Pension Housing	7,628	7,511	0	0	117	5
Rental Income Monthly	58,563	1,190	1,295	0	56,078	2
Resource Consent Fees	59,213	22,872	2,771	0	33,571	
Rubbish Bags	43,320	36,480	6,840	0	0	
Staff Account	2,032	1,258	629	144	0	
Waste Transfer Station	2,217	2,217	0	0	0	
Water & Trade Waste	29,046	2,702	17,066	0	9,279	
Water Septage - Septic Tank Disposal	1,342	1,022	320	0	0	
Total at 31 May 2016	576,204	168,839	66,197	1,050	340,118	7
Total at 31 May 2015	1,195,030	373,078	16,884	197,594	607,474	

Notes and Comments

1. These Development Contribution debtors are being actively pursued. The batch of debt letters sent had a positive effect with several payments being made. Most of the Development Contributions – Old Policy are with the Debt Collection Agency, with the balance of them either being paid off or having an arrangement to pay when the sections sell.
2. The Rental Income category is comprised mainly of annual endowment leases, which are billed in October each year and have until September the following year to pay. The majority of these lessees pay regular monthly amounts, with a few making lump sum payments, for some leases this builds up a credit balance which is offset against the October invoicing.
3. Amongst the Building Consents category, there are some damage deposit bonds in here, as well as extensions of time for a number of the older aged consents.
4. In the On Charges category, the majority of the 90+ Days debtors have been provided for as Doubtful Debts.
5. Amongst the Resource Consent category, there are some land use bonds. The debtors in this category are being actively pursued, and some of the 90+ Days debtors have been provided for as Doubtful Debts.
6. In this category there are charges for grazing leases, new connections, car access way, HR charges and THT charges.
7. Out of the \$340K owing +90 Days, \$283k is provided for in the Doubtful Debts Provision. As at 31 May 2016 there are 525 sundry debtors that have a balance owing.

Statement of Loans by Parcel

Loan parcels	Maturity	Interest	Opening balance	Raised	Repaid	Closing balance
Due within a year						
Stock FRN	16 May 16	3.9000%	2,000,000		2,000,000	0
Stock	16 Aug 16	6.2750%	2,000,000			2,000,000
Stock	15 Mar 17	5.0550%	3,000,000			3,000,000
Stock	23 May 17	4.3900%	4,000,000			4,000,000
BNA short Term	15 Jun 16	3.3900%	0	6,000,000		6,000,000
Total due within a year						15,000,000
Due within 2 - 5 years						
LGFA FRN	15 Dec 17	3.2563%	2,000,000			2,000,000
Stock	15 Nov 18	5.5950%	2,000,000			2,000,000
LGFA Bond	15 Mar 19	4.4500%	4,000,000			4,000,000
LGFA Bond	15 Mar 19	4.7064%	5,000,000			5,000,000
LGFA FRN	15 Mar 19	3.1463%	3,000,000			3,000,000
Total due within 2 - 5 years						16,000,000
Due after 5 years						
LGFA FRN	17 May 21	3.4454%	4,000,000			4,000,000
LGFA Bond	15 May 21	4.5650%	5,000,000			5,000,000
LGFA Bond	15 May 21	5.9852%	5,000,000			5,000,000
LGFA Bond	15 May 21	5.8516%	5,000,000			5,000,000
LGFA Bond	15 Apr 23	5.1336%	4,000,000			4,000,000
LGFA FRN	18 May 22	3.0250%	3,000,000			3,000,000
LGFA FRN	19 May 25	3.0900%	7,000,000			7,000,000
Total due after 5 years						33,000,000
Total			60,000,000	6,000,000	2,000,000	64,000,000

Statement of External Loans and Interest by Activity

Activity	Loans as at 30 Jun 2014	Loans as at 30 Jun 2015	Year to date Finance costs
Water supply			
Water Levin	2,550,000	3,300,000	152,076
Water Shannon	1,350,000	1,400,000	64,517
Water Foxton	900,000	900,000	41,475
Water Foxton beach	350,000	300,000	13,825
Water Tokomaru	100,000	400,000	18,434
Total for water supply	5,250,000	6,300,000	290,328
Wastewater			
Wastewater Levin	6,050,000	7,000,000	322,586
Wastewater Shannon	6,150,000	6,650,000	306,457
Wastewater Foxton	1,150,000	1,400,000	64,517
Wastewater Foxton Beach	350,000	300,000	13,825
Wastewater Tokomaru	0	50,000	2,304
Wastewater Waitare	0	50,000	2,304
Total for wastewater	13,700,000	15,450,000	711,994
Stormwater	2,300,000	2,300,000	105,993
Waste management Landfill	4,500,000	4,550,000	209,681
Recreation and leisure			
Libraries	6,900,000	7,900,000	364,062
Pools	2,850,000	2,700,000	124,426
Reserves	1,300,000	1,350,000	62,213
Sports grounds	1,500,000	1,450,000	66,821
Total for recreation and leisure	12,550,000	13,400,000	617,523
Properties			
Residential housing	5,000,000	5,000,000	230,419
Halls	250,000	250,000	11,521
Commercial properties	1,200,000	1,150,000	52,996
Toilets	300,000	300,000	13,825
General properties	800,000	750,000	34,563
Cemeteries	0	100,000	4,608
Council building	6,800,000	6,500,000	299,545
Total for properties	14,350,000	14,050,000	647,477
Other activities			
Information technology	1,500,000	1,500,000	69,126
District plan	2,600,000	2,450,000	112,905
Total for other	4,100,000	3,950,000	182,031
To be allocated	0	4,000,000	184,335
Total	56,750,000	64,000,000	2,949,362

Statement of Internal Loans and Interest by Activity

Activity	Loans as at 30 Jun 2014	Loans as at 30 Jun 2015	Year to date Finance costs
Water supply			
Water Levin	38,323	44,338	1,971
Water Shannon	41,366	47,234	2,100
Water Foxton	5,172	49,717	2,210
Water Foxton beach	4,237	40,130	1,784
Water Tokomaru	7,997	14,491	644
Total for water supply	97,095	195,910	8,710
Wastewater			
Wastewater Levin	26,056	14,425	641
Wastewater Shannon	5,628	7,066	314
Wastewater Foxton	97,038	31,782	1,413
Wastewater Foxton Beach	(1,729)	3,732	166
Wastewater Tokomaru	81,678	28,411	1,263
Wastewater Waitarere	81,962	26,458	1,176
Total for wastewater	290,633	111,874	4,974
Stormwater	1,996	72,917	3,242
Total for Stormwater	1,996	72,917	3,242
Waste management Landfill	56,659	37,161	1,652
Total for Waste management Landfill	56,659	37,161	1,652
Recreation and leisure			
Libraries	277,057	25,929	1,153
Pools	(3,821)	10,561	470
Reserves	17,034	49,463	2,199
Sports grounds	48,853	42,503	1,890
Beautification	24,038	23,076	1,026
Total for recreation and leisure	363,161	151,532	6,737
Properties			
Residential housing	10,207	35,866	1,595
Halls	34,405	29,101	1,294
Commercial properties	22,987	24,068	1,070
Toilets	18,546	9,187	408
General properties	4,824	49,906	2,219
Cemeteries	121,930	17,294	769
Council building	25,856	14,478	644
Total for properties	238,755	179,900	7,998
Other activities			
Information technology	109,024	44,663	1,986
District plan	451	23,452	1,043
Total for other	109,475	68,115	3,028
Total	1,157,774	817,409	36,341

Proposed Local Government Risk Agency

File No.: 16/335

1. Purpose

To update the Finance, Audit & Risk Subcommittee on progress of the Local Government Risk Agency.

2. Recommendation

- 2.1 That Report 16/335 on Proposed Local Government Risk Agency be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Background/Previous Council Decisions

- 3.1 Horowhenua District Council (represented by Nicki Brady) is one of the 16 participating Councils in the Risk Management Advisory Group established to investigate a risk agency to explore better risk management services for the sector.
- 3.2 On 27 May 2106 LGNZ National Council adopted the business case recommended by the Local Government Risk Agency Establishment Board to establish an agency to assist local authorities with risk management.
- 3.3 This milestone concludes 12 months of work since June 2015. LGNZ recognised the work of the Establishment Board, the LGNZ secretariat and the significant and invaluable contribution of the 16 Councils involved in the sector's technical Risk Management Advisory Group.
- 3.4 Lawrence Yule (President LGNZ) wrote "I want to thank the LGRA Establishment Board for its work on the business case, and each member and their staff who participated in the project. We now have a solid case for an Agency that will lift the nation's risk preparedness. I want to also acknowledge and thank EQC for its assistance and support to LGNZ and local government generally throughout this project. It is an outstanding example of effective collaboration between local government and a central government agency".

4. Issues for Consideration

- 4.1 Exploration of risk management services for the sector has shown that there is an opportunity for the local government sector to take a more integrated and informed approach to risk based decision making for local government assets, as these are critical to the economy and community wellbeing.
- 4.2 Our communities, and the nation, rely on us to protect those assets from natural hazards. This includes \$44.0 billion of three waters infrastructure, and \$21.7 billion of buildings, land, and other assets (including community infrastructure such as halls, reserves, sport centres, and libraries). Local authorities acknowledge there is variable capacity in the sector, so we must pool and coordinate our capability and efforts.
- 4.3 The business case proposes that the first three years - Phase 1 of a Risk Agency - will focus on working with local authorities to achieve a more consistent standard of risk management. This will have a national benefit, but it will also benefit residents and ratepayers.
- 4.4 Phase 1 will focus on frameworks and guidelines, common data standards and methodology and is proposed to be fully Crown funded. This includes limited funding that would be used for the sole purpose of assisting local authorities to collect hazards and asset state and value data.

- 4.5 Phase 2 of the LGRA will be the topic of a second business case, to be delivered towards the end of phase 1. In phase 2, if approved, the LGRA would focus on growing and maintaining a risk management capability that was potentially financially self-sustaining. If necessary, the LGRA would be dismantled at the end of phase 1.
- 4.6 A Local Government Risk Agency will give all members access to world-best expertise. It will establish guidelines and models for managing risks, and share information, strengthening resilience so communities and the nation can recover from disasters more quickly, both economically and socially.

Next steps and phases of the Agency

- 4.7 National Council will now write to sponsoring Ministers to propose that the Government considers and adopts the business case. The Government is expected to make a decision on the business case following its upcoming review of the 60/40 funding arrangement for underground and other infrastructure. This is expected to occur around October this year.
- 4.8 The current estimate is that an Agency can be set up early in 2017. We will keep you informed in coming months on the detail of the business case and on progress with the proposal to Government.

Attachments


No.	Title	Page
A	LGNZ - One Page Overview - Local Government Risk Agency Business Case - June 2016	29

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Nicki Brady Senior Manager - Business Services	
Approved by	David Clapperton Chief Executive	

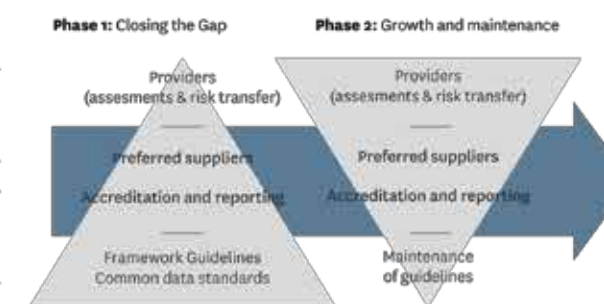
Local Government Risk Agency

We are. LGNZ.

A new agency to pool and coordinate local government resources to reduce the risk to assets, and the costs, from disasters.

The agency will harmonise risk practices, improve local government skills in management and financing, provide quality assurance, share data and best practice risk modelling, and supply expert staff.

Primarily community and end-user benefits, favouring user pays
Primarily public benefits favouring Crown and/or subscription



THE RISKS FROM DISASTER

Local government owns and manages:

- > \$120 billion of fixed assets
- > 100% of New Zealand's drinking water, wastewater, and stormwater
- > 88% of roads.

The costs of disasters are rising due to:



Increased development



Population growth



Historic settlement patterns in higher risk areas such as the coast and rivers



Construction costs increasing faster than rate of inflation

A LGNZ 2015 survey showed under-resource in local government risk management:

- > 25% of local authorities and about half of the rural councils do not have a formal risk register;
- > 30% of risk registers are reviewed annually, but risk management frameworks are reviewed less frequently;
- > 65% of local authorities have a business continuity plan.

THE CASE FOR RISK MANAGEMENT

The sector says:

- > We want risk assessment and risk mitigation assistance from a risk management agency.
- > We value risk modelling.
- > We value risk assessment, mitigation, and assistance generally with risk management.
- > We are mapping and defining the potential impact of natural hazards.
- > We are concerned about liability and cover.

Experts say:

- > **Office of Auditor General, 2012;** Local Government sector under-insured.
- > **Stobo report, 2013;** Create agency to help councils to improve risk management practices and negotiate insurance. Focus on resourcing risk profiling, risk management, and risk mitigation activities to improve self-reliance and resilience.
- > **Finity Report, 2014;** Local government sector should create an entity to take an integrated risk management approach.

Spend now to save later

$$\$1 \text{ risk reduction saves} = \$3 \text{ in disaster costs}$$

Every dollar spent on hazard risk reduction avoids losses and disruption worth \$3-11.

Deloitte Access Economics (Australia) 2013 Building our Nations resilience to Natural Disasters

BENEFITS AND FEATURES OF THE RISK AGENCY

- > Greater community resilience and welfare
- > Improved national and local visibility and cost certainty

Net economic benefit

\$65 Million

Projected net cumulative economic benefit of Risk Agency work 2016-2035

Features:



Communication and education

Guidelines, practice notes, information, training, communities of interest, conferences, liaison with industry and central government



Quality Assurance and incentives

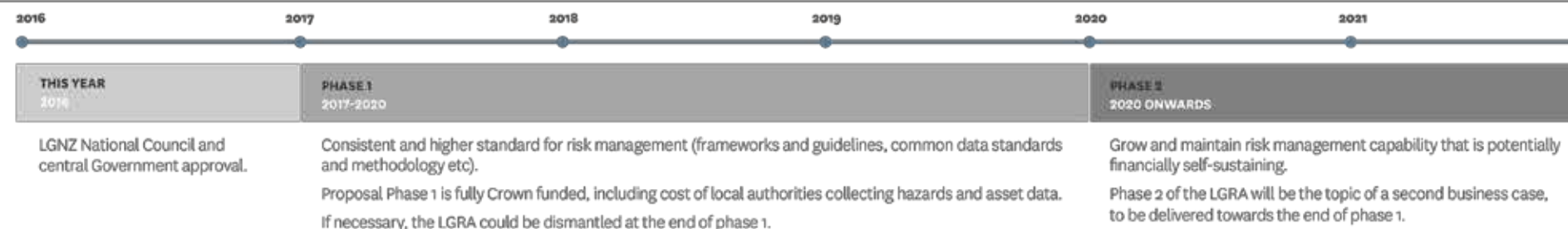
Accountability and assurance, incentives such as insurance premiums and benchmarking.



Risk assessment and decision support services

Data and information services, modelling advice and capabilities, supply of expertise.

KEY DATES AND COSTS



Monitoring Reports to 29 June 2016

File No.: 16/248

1. Purpose

To present to the Finance, Audit & Risk Subcommittee Monitoring Reports covering:

- Requested actions from previous meetings of the Subcommittee;
- Issues identified during the 30 June 2015 Audit.

2. Recommendation

- 2.1 That Report 16/248 Monitoring Reports to 29 June 2016 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

Attachments

No.	Title	Page
A	Finance Audit & Risk Subcommittee - Monitoring Report	32
B	Monitoring Report - issues identified during the 30 June 2015 Audit	36

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Doug Law Group Manager - Finance	
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Approved by	Doug Law Group Manager - Finance	
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MONITORING REPORT HOROWHENUA DISTRICT COUNCIL Finance, Audit & Risk Subcommittee							
Meeting Date	Item No.	Item Description	Resolved/Action Required	Responsible Officer	Date to Action by	Date Completed	Officer Comment
24 Feb 2016 25 May 2016	16/63	Attendance by Audit Director and Audit Manager at March 2016 FARS meeting		D Law	March 2016		The Audit Director will attend the July 2016 FARS meeting
25 May 2016		Health & Safety	From a risk perspective this was something the Subcommittee should be considering. Officers to come back with a suggested regular reporting structure for the Subcommittee's consideration.	D Clapperton	July 2016		A report will be written for the July meeting.
25 May 2016	16/245	Financial Report for the ten months to 30 April 2016	<ul style="list-style-type: none"> · Agenda page 9 – query as to the relevance of the Interest to rates revenue data provided. Explanation – this related to the LGFA covenants that Council had to work within. Officers would look at 	D Clapperton	July 2016		A discussion report will be available for the July or possibly August meeting to inform future monthly financial reports.

MONITORING REPORT

**HOROWHENUA DISTRICT COUNCIL
Finance, Audit & Risk Subcommittee**

Meeting Date	Item No.	Item Description	Resolved/Action Required	Responsible Officer	Date to Action by	Date Completed	Officer Comment
			<p>bringing to the table a discussion document in terms of setting an imposed target that could be regularly reported on to the Subcommittee.</p> <ul style="list-style-type: none"> • Page 15 - SW18 – Leachate pre-treatment: Mr Clapperton to send an e-mail to Members as to what this covered. • Page 19 – Development Contributions Old Policy: Query - how many sections were there still under the old scheme? • Query in relation to the distinction between the Old and New DC Policies with the total outstanding debt to be 				<p>E-mail to be sent before the meeting</p> <p>A report on the Development Contributions will be done as part of the Annual Report reconciliations for the end of June and reported to the Committee in July</p>

MONITORING REPORT

**HOROWHENUA DISTRICT COUNCIL
Finance, Audit & Risk Subcommittee**





Meeting Date	Item No.	Item Description	Resolved/Action Required	Responsible Officer	Date to Action by	Date Completed	Officer Comment
			<p>checked and Members advised.</p> <ul style="list-style-type: none"> • Page 9 – query as to the “348% more than budget” included under Financial Operation – Operational Surplus/(deficit), with it suggested that showing that as a dollar amount would be less confusing. • Page 17 – WW35: the wording was somewhat loose with “It is understood” to be removed. • Page 17 – PRES44: The status of this project was discussed. This project was part of the LTP and removal from the schedule would require further 	D Law			<p>This has now been completed with new wording showing in this section of the report</p> <p>The explanation has been expanded, as have many others, to endeavour to make the comments more understandable.</p> <p>Because this project appears in the LTP it will need to be reported on although no action on this project may be taken</p>




MONITORING REPORT






**HOROWHENUA DISTRICT COUNCIL
Finance, Audit & Risk Subcommittee**






Meeting Date	Item No.	Item Description	Resolved/Action Required	Responsible Officer	Date to Action by	Date Completed	Officer Comment
			<p>conversation with stakeholders. Whilst its removal from the Project list had been discussed by the Projects Committee, it had not yet gone to Council. It was suggested there should be some notation with regard to the project's status.</p> <ul style="list-style-type: none"> Page 17 – WS46: An explanation was requested as to the reported \$600,000 under-spend. 	D Clapperton			The explanation has been expanded.

FINANCE, AUDIT & RISK SUBCOMMITTEE
Monitoring Report – Issues identified during the 30 June 2015 Audit

- Number Complete and or Complete and Ongoing [blue light] 
- Number complete or on track [green light]: 
- Number off track but mitigation in place [orange light] 
- Number off track [red light]: 

Ref	Recommendation	Urgent	Necessary	Beneficial	Status	Officer Comment
2.1.1	<p>Systems for mandatory performance measures</p> <p>Implement appropriate systems in place as soon as possible to ensure Council can report against the mandatory performance measures in 2015/16</p>	P				Council has retrospectively reviewed all systems and collected all of the data required for reporting against our mandatory SSP's. This data has been complied and re-reported against the 11months of data we have reported to date. Audit is onsite the week of the 20 th -24 th June reviewing this and with their sign off we will report the findings to the June committee meeting.
2.1.2	<p>SPP – Completeness of supporting documentation held by Contractors</p> <p>All supporting information be held by the Council and reviewed for completeness. Perform spot checks to ensure that the supporting information provided by the contractor agrees to the CRM and other reports from the contractor</p>	P				Council has retrospectively reviewed this process and made appropriate changes in line with audit recommendations to review job sheets and link the CRM request to each job request. Audit is onsite the week of the 20 th -24 th June reviewing this.
3.1.1	<p>Independent review of creditor Masterfile</p> <p>Implement an independent review over the creditor Masterfile changes made to ensure that changes made to the creditor Masterfile are legitimate. Reinstate a monthly review of the creditor Masterfile, evidenced with a dated</p>	P				Creditors Masterfile will be signed off each month.

	signature					
3.1.2	<p>Independent review of payroll Masterfile</p> <p>Implement an independent review of the payroll Masterfile changes from the pay run ended 15/02/2015 to date to provide assurance to management that changes made to the payroll Masterfile are legitimate. Complete future independent reviews of the changes made to the payroll Masterfile in a timelier manner</p>	P				<p>This item has been closed off by audit and marked as complete.</p> <p>There is an independent review of the payroll Masterfile is undertaken for each fortnightly payroll.</p>
3.1.3	<p>Internal assurance over landfill revenue</p> <p>Obtain assurance that the landfill revenue information received in the last three quarters was appropriate. Complete quarterly audits in a timelier manner</p>		P			<p>The information received from the contractor will be audited against Council records.</p>
3.1.4	<p>Reviews of users and their access levels within Authority (IS)</p> <p>Perform a review of Authority users and their access levels to ensure that they remain appropriate</p>			P		<p>This item has been closed off by audit and marked as complete.</p> <p>Review complete. Decision made to implement role based security within Authority which will enable us to manage permissions and delegations by role and then allocate a person to that role. This will also streamline the process for people leaving and joining the organisation and ensuring appropriate access and delegations are inherited as per their role.</p>
3.1.5	<p>Patching and Virus Management Improvements (IS)</p> <p>Review patch and virus management procedures to ensure that the systems are managing all of Council's current devices.</p> <p>Establish an after-hours outage window so that IT staff are able to take servers down to perform maintenance and configuration.</p> <p>Establish reporting on the status of patching and virus management to ensure Council's systems are protected</p>			P		<p>The Audit NZ IT Audit finalised in May 2016 has highlighted that significant improvements to the management of Microsoft patching have been made, including development of automated software for ensuring the patch management database is up to date and that patches are being applied on a regular cycle.</p> <p>It has been suggested that a database is developed to manage all devices that require anti-virus updates. This will be taken on board in the IT roadmap for the coming year.</p>
5.2.1	<p>Reporting of unplanned and deferred maintenance</p> <p>Report planned, unplanned and deferred maintenance to</p>		P			<p>Planned and Unplanned maintenance will be reported to Council on a monthly basis. We will co-ordinate with Asset Management to</p>

	Council					identify deferred maintenance.
6.1	<p>Maintenance of fixed asset register (FAR)</p> <p>Perform a full review of the FAR to ensure valid data is contained in the module. Review accounting policies to ensure depreciation rates appropriate and detailed enough for assets which are commonly added to the schedule.</p>		P			A review of both FAR and CVR will be undertaken in 2016.
6.2	<p>Maintenance of fixed assets WIP schedule</p> <p>Monitor WIP balances on a regular basis to ensure that any WIP that should be capitalised is done so.</p>		P			We will work to improve the identification of WIP and capitalise assets when they are operational.
6.3	<p>PPE additions – missing contract documentations</p> <p>Retain all contract information and ensure it is appropriately filed and archived to enable monitoring of key KPIs and contract conditions. All contracts should be appropriately approved and payments approved in line with delegated authority</p>		P			<p>Contract register established and populated. A reporting system has been developed attached to this to identify a number of key elements relating to the contract. The register has been established within the Council corporate system (Authority) to enable all contract register entries to be linked to wider areas such as the accounts payable modules and associated delegated authorities. The register entries are also linked to our procurement register which enables us to see the connection between the original procurement plan and view the documentation which outlines the market process, evaluation criteria and panel attached to the procurement decision.</p> <p>With all information gathered into a central portal, Council will look in the coming year into how we can establish links to the contract conditions and their monitoring as part of our wider investigation into a performance management system.</p>
6.4	<p>Classification of “assets held for sale”</p> <p>Implement a review process at year end to identify any assets for sale which meet the criteria as held for sale in the financial accounts</p>			P		A review process will be put in place to identify any assets that are held for sale.
6.5	<p>Appropriateness of procurement process</p> <p>Future significant procurement should follow a tender process</p>		P			<p>Initial verbal feedback from Audit of their progress review approaching end of June 16 is positive.</p> <ul style="list-style-type: none"> Procurement Policy reviewed. Version 2.0 of the policy and

						<p>guidelines adopted by the leadership team in March 2016.</p> <ul style="list-style-type: none"> Procurement documentation under way to provide staff with guides for each stage of the procurement process and appropriate procedure documents for all stages including tenders. Contract register developed to record all existing contracts and a process developed for addition of any future contracts. Annual procurement plan currently under development to identify all planned procurement as per annual plan budgets. All staff training being undertaken for the months of June/July 16
6.6	<p>Enforcement of the delegated financial authority</p> <p>Remind staff of the need to comply with delegated financial authority and remind processing staff to be more diligent in making sure the delegated financial authority is appropriately followed.</p> <p>Encourage staff to use of the Online Requisition system to reduce the risk of payments being approved outside staff delegation</p>	P			●	<p>Role based security implemented and live.</p> <p>AP workflow has gone LIVE on 15 March 2016 that requires an OLR for goods and services supplied to Council.</p> <p>Report in development (as part of the procurement policy review) to provide an internal control around all purchase orders raised included those which are self-approved.</p>
6.7	<p>Project management improvements</p> <p>Formalise the methodology for managing projects and ensure that there is a planned approach to post implementation review in place</p>		P		●	<p>Council has in place a formal documented system for Project reporting to the Projects Committee which outlines how these projects are managed. These reports include progress costs (budgeted, actual and projected), resourcing, risks register, opportunities as well as any Health and Safety matters for each individual projects. Reports are submitted to the Projects Committee on a monthly basis.</p> <p>Following completion of projects, Council meets with the contractor to review the project. Key points are documented.</p>
6.8	<p>Keeping the interest register up to date</p>		P		●	<p>The interest register will be updated.</p>

	Remind elected members and other key management personnel to update the interest register on a regular basis					
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Explanation of priority rating system

Audit’s recommendations for improvement and their priority are based on Audit’s assessment of how far short Horowhenua District Council is from a standard that is appropriate for the size, nature, and complexity of the business.

Audit has developed the following priority ratings for recommended improvements.

<p>Urgent Major improvements required</p>	<p>Needs to be addressed urgently These recommendations relate to a significant deficiency that exposes the District Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm</p>
<p>Necessary Improvements are necessary</p>	<p>Address at the earliest reasonable opportunity, generally <i>within 6 months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency</p>
<p>Beneficial Some improvement required</p>	<p>Address, generally <i>within 6 to 12 months</i> These recommendations relate to deficiencies that result in the District Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in Audit’s view, it is beneficial for management to address these.</p>