

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

Date: Wednesday 28 September 2016
Time: 4.00 pm
Meeting Room: Council Chambers
Venue: Horowhenua District Council
Levin

Finance, Audit & Risk Subcommittee

OPEN AGENDA

MEMBERSHIP

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

Contact Telephone: 06 366 0999
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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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Financial Report for the two months to 31 August 2016

File No.: 16/508

1. Purpose

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

2. Recommendation

- 2.1 That Report 16/508 Financial Report for the two months to 31 August 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 August 2016 - FINAL	6

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 Chief Financial Officer	



Two Month Report

1 July 2016 - 31 August 2016



Executive Summary

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

	Actual 30 June 2017	Target	
Balance Budget ratio	165%	100%	P
Essential Services ratio	100%	100%	P
Debt Affordability Ratio (Debt no more than 175% of projected revenue)	147%	175%	P
Interest to Rates Revenue*	4%	25%	P

*Please note the 25% covenant is set by the LGFA. Interest to Rates Revenue is projected to be 9% at 30 June 2017.

B. Full Year surplus/ (deficit)

Council has achieved a surplus of \$1,109,000 as at 31 August 2016 against a budgeted surplus of \$94,000. At this stage the budget for Library expenditure (revenue budget \$76K and expenditure budget \$482K) has not been included, it is envisaged this will be included in the 30 September 2016 report.

Reasons for the variance:

- i. Regulatory and Planning under budget by \$149K. This due to decreased expenditure in Building Consents, Parking and Liquor Licensing.
- ii. Community Facilities and Services over budget by (\$133K). This is mainly due to the library budget activity income and expenditure not included in this month's report.
- iii. Property under budget by \$279K. Due to decreased expenditure in the activity.
- iv. Community Support under budget by \$51K. This is due to increased revenue and decreased expenditure in Economic development & Visitor Information.
- v. Infrastructure Services under budget by \$235K. This is due to overall increase revenue of the activity and decreased expenditure in Land transport and Solid Waste Management.

Sundry debtors: The total Outstanding Debtors have increased in the month. The total Outstanding Debtors is \$778K with increased on charges invoiced in August 2016.

Major variances

	30 June 2016	31 August 2016	Variance
On charges	\$126,614	\$211,373	\$84,759
Development Contribution	\$133,387	\$126,477	(\$6,913)
90 day outstanding	\$235,191	\$244,963	\$9,772

Treasury: Our weighted average interest rate has decreased to 4.46% at August 2016, decreasing from 5.00% at August 15. This is a potential saving of \$877K in interest payable compared to the LTP interest rate assumption of 5.75% for 2016/17.

The weighted average rate of 4.46% is on all the loans HDC have. It is calculated by multiplying the opening loan balance by the interest rate for that loan and dividing the total interest payable for all loans by the total loans. It is recorded in bands as required under GAAP or IPSAS.

The current rate reflects the fact that HDC has managed to get some great low interest rates deals as shown in the Loan Reports.



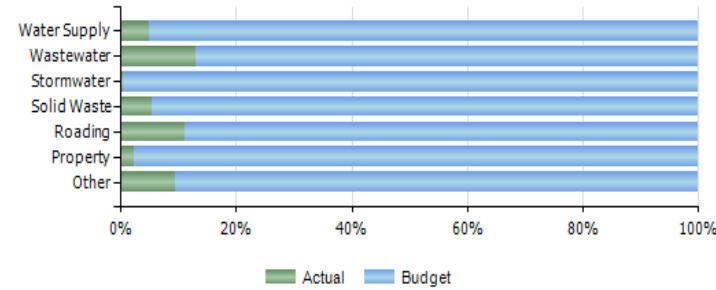
Doug Law
Chief Financial Officer
28 September 2016

Organisation Summary

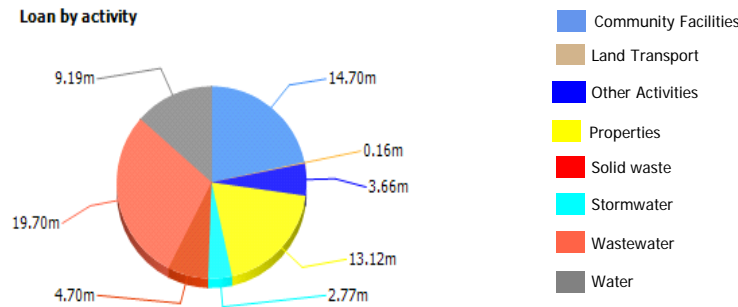
OPERATIONS

Operational revenue \$8.12m total budget was \$7.86m 3% more than budget	Operational expenditure \$4.92m total budget was \$5.53m 11% less than budget	Operational surplus/(deficit) 3 m budgeted surplus was \$2.33m 38% more than budget
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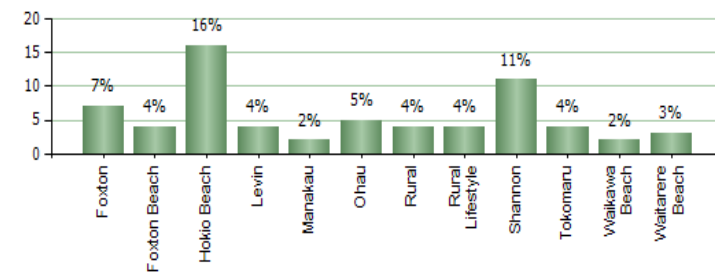
Capital expenditure



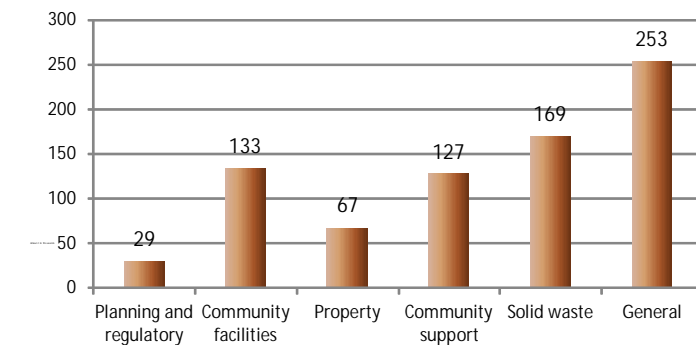
Loan by activity



Rates debtors % with arrears

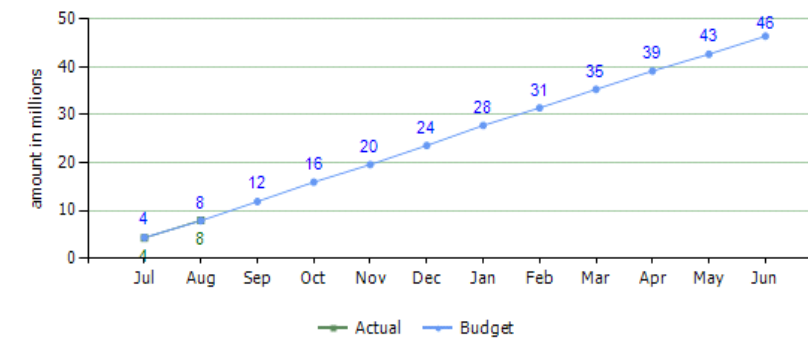


Sundry debtors outstanding balances

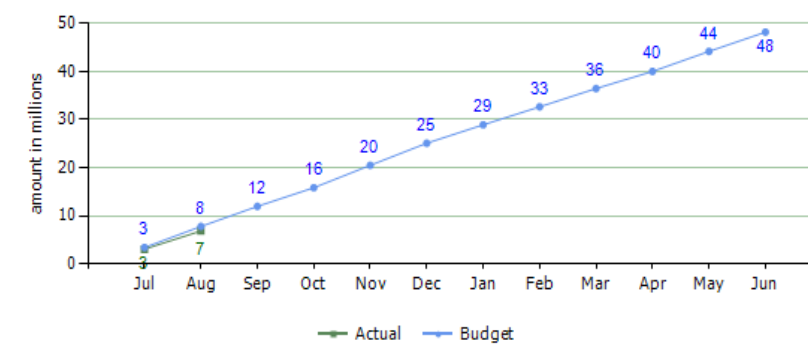


TRENDS

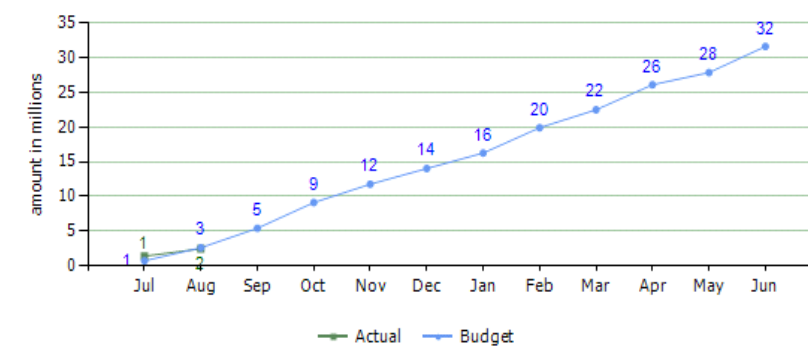
Total revenue



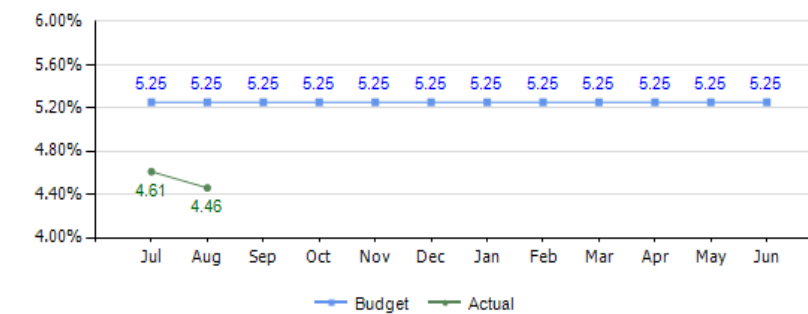
Total expenditure



Total capital expenditure



Interest rate movement



SUSTAINABILITY

Rates to operating revenue 69%

Rates revenue	\$5.57 m
Operating revenue	\$8.12 m

69% of operating revenue is derived from rates revenue

Balance budget ratio 165%

Operational revenue	\$8.12 m
Operational expenditure	\$4.92 m

Operational revenue should be equal or more than operational expenditure. Year to date revenue is more than 65%

Essential services ratio 100%

Capital expenditure	\$1.56 m
Depreciation	\$1.57 m

Capital expenditure should be equal or more than depreciation for essential services, for year to date capex is 100% more than depreciation.

Debt affordability ratio - (LGFA Cov.) 147%

Total borrowing	\$68.00 m
Total projected revenue	\$46.38 m

With the total borrowing of \$68m we are still under the set limit of 175% of projected revenue.

Debt to total assets - (LGFA Cov.) 13%

Total borrowing	\$68.00 m
Total assets	\$507 m

Net debt should not be more than 15% of total assets. With 68m we are still under the set limit

Interest to rates revenue (LGFA Cov.) 4%

Interest paid	\$0.22 m
Rates revenue	\$5.57 m

4% of rates revenue is paid in interest. Our set limit is 25% of total rates revenue.

Interest cover ratio - (LGFA Cov.) 3%

Interest paid	\$0.22 m
Operating revenue	\$8.12 m

3% of operating revenue is paid in interest. Our set limit is 20% of operating revenue.

Available financial accommodation to external indebtedness - (LGFA Cov.) 116%

Net debt	\$62 m
Undrawn committed facilities	\$10 m

Committed bank facility to enable us to borrow at least 10% of our current external debt immediately, currently we can borrow 16% more than our current debt

GOOD TO GREAT

A Message to the reader

This is the first financial report for the year 2016/17 and we have made some improvements in this report in an attempt to move from good to great.

Major improvements includes.

Income and expenditure statement

The layout of Statement Income and Expenditure is changed, in order to align it to the layout of Statement of Financial Performance in Annual Report to provide consistency through out the year. So at the end of the year when you read our Annual Report there won't be any surprises. We have removed the breakdown of activities from this statement as when you are reviewing it, we would like to draw your focus towards the overall performance of the organisation. The summary table at the bottom of this statement is to provide you with the quick overview of operating vs. non-operating income and expenditure. Also at the end of this report we have included an appendix to provide information about what is included in each reporting item of income and expenditure statement.

Operational Cost of Service Statement by Activity

We have included a new separate Operational Cost of Service Statement by Activity which goes in more detail on each activity, so while reviewing this statement your focus will be how each activity is performing also as this statement is showing all the activities in one place on one A3 page, it will help you to compare each activity more easily, which was difficult in the previous report.

Dashboard

We have made some changes on this already great dashboard by removing the graphs of income and expenditure as it is already quite clear in the summary table of income and expenditure, we have introduced a new graph showing the sundry debtors outstanding balances to provide total outstanding debtors when you review it with the graph of rates debtors. A complete new section of good to great has been added to provide how we are moving from GOOD TO GREAT.

Notes

Parking Revenue - The revenue received is below budget with our tickets issued to court and timing of getting the recovery for the fines from the courts. As it is challenging to phase the budgets for this our budget is currently evenly split throughout the year which can result at times with a variance in being under or over budget dependant on the timing of the court process.

Water Supply Revenue – the budget is being reviewed for phasing as it appears to be out of line with current reading dates.

Wastewater Management Revenue – this is above budget due to the accrual for 30 June 16 still to be reversed. This is will be updated in the September 2016 Report

Statement of Income and Expenditure

Percentage of year completed: 16.67%	Year to date			
	Actual B	Budget C	Variance in \$ D = C - B	Variance in % E = D/C
Operating revenue				
Rates revenue				
General rates	1,444,202	1,440,694	3,508	0%
Rates penalties	120,159	209,000	(88,841)	(43%)
Targeted rates	4,163,123	4,402,473	(239,350)	(5%)
Interest revenue	6,242	25,626	(19,385)	(76%)
Grants and subsidies				
Capital grants	83,862	65,294	18,568	28%
Operating grants	230,066	212,029	18,037	9%
Fees and charges				
Rental income	289,917	296,487	(6,570)	(2%)
User charges	611,070	450,450	160,620	36%
Other revenue				
Infringements and fines	30,957	59,380	(28,423)	(48%)
Miscellaneous	216,132	0	216,132	100%
Petrol tax	32,967	31,667	1,300	4%
Regulatory revenue	680,404	580,243	100,161	17%
Rendering of services	214,335	85,189	129,146	152%
Total operating revenue	8,123,436	7,858,532	264,904	(3%)
Non-operating revenue				
Development contribution	0	0	0	100%
Gains	37,209	0	37,209	100%
Total non-operating revenue	37,209	0	37,209	100%
Total revenue	8,160,645	7,858,532	302,113	(4%)
Operating expenditure				
Employee benefit expenses	1,631,703	1,659,160	(25,453)	(2%)
Other operating expenses				
Asset maintenance contract	1,631,703	1,927,129	295,426	15%
General grants	16,659	21,325	4,666	22%
Other expenses	846,483	1,192,902	346,419	29%
Professional services	575,772	565,708	(10,064)	(4%)
Utilities	159,782	166,566	6,784	4%
Total operating expenditure	4,915,012	5,532,790	617,778	11%
Non-operating expenditure				
Depreciation and amortisation	1,911,862	1,911,862	0	0%
Landfill provision	0	0	0	100%
Finance costs	224,712	319,566	94,854	30%
Total non-operating expenditure	2,136,574	2,231,428	94,854	4%
Total expenditure	7,051,586	7,764,218	712,632	9%
Total surplus/(deficit)	1,109,059	94,314	1,014,745	1076%

Statement of Income and Expenditure (continued....)

Summary				
<i>Operating revenue</i>	8,123,436	7,858,532	264,904	(3%)
<i>Operating expenditure</i>	4,915,012	5,532,790	617,778	11%
<i>Operating surplus/(deficit)</i>	3,208,424	2,325,742	882,682	38%
<i>Non-operating revenue</i>	37,209	0	37,209	100%
<i>Non-operating expenditure</i>	2,136,574	2,231,428	94,854	4%
<i>Non-operating surplus/(deficit)</i>	(2,099,365)	(2,231,428)	132,063	(6%)
Total surplus/(deficit)	1,109,059	94,314	1,014,745	1076%

Statement of Financial Position as at 31 August 2016

	Last year Actual \$000	YTD Actual \$000	Full year Budget \$000
Assets			
Current assets			
Cash and cash equivalents	7,400	5,857	6,615
Debtors and other receivables	5,960	12,878	6,347
Other financial assets	350	350	10
Assets held for sale	285	285	394
Total current assets	13,995	19,370	13,366
Non-current assets			
Operational assets	43,512	43,690	50,454
Infrastructural assets	394,713	394,613	439,344
Restricted assets	38,516	38,771	45,203
Intangible assets	1,737	1,788	1,682
Forestry assets	952	952	696
Commercial property	5,926	5,926	2,753
Property & Plant & Equipment	0	13	
Investments in other entities	0	0	2,185
Other financial asset	1,836	1,836	117
Total non-current assets	487,192	487,590	542,434
Total assets	501,187	506,960	555,800
Liabilities			
Current liabilities			
Creditors and other payables	11,778	13,591	8,280
Provisions	940	940	1,003
Employee entitlements	920	560	585
Borrowings	16,000	14,000	11,000
Total current liabilities	29,638	29,091	20,868
Non-current liabilities			
Provisions	2,240	2,240	2,979
Employee entitlements	161	161	224
Borrowings	49,000	54,000	75,000
Other	2,420	2,420	0
Total non-current liabilities	53,821	58,821	78,203
Total liabilities	83,459	87,912	99,071
Net assets	417,728	419,049	456,729
Equity			
Retained earnings	263,336	264,652	268,894
Revaluation reserves	147,449	147,449	180,967
Other reserves	6,948	6,948	6,867
Total equity	417,733	419,049	456,729
Total equity attributable to:			
Horowhenua District Council	417,733	419,049	456,729

Notes

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

Debtors and other receivables:

Sundry Debtors	\$778K
Rates	\$9,739 – includes instalment one due 15 September 2016
Water Billing	\$386K
Infringements & Other	<u>\$1,975</u>
	\$12,878

Non-current liabilities – Other: includes LGFA Amortisation Reserve and Development Contributions of \$250,088.

Section 197A of the Local Government Act 2002 enables territorial authorities to recover a contribution for developments to fund infrastructure required due to growth. Council made the decision not to collect any further Development Contributions effective from 1 Jul 2016, therefore we will transfer this balance of \$250,088 from non-current liability to the revenue account when we:

- Collect the debt we have already invoiced for and
- Complete the relevant capital work

Please note that developers had arrangements with the council for a couple of historical developments and the contributions will be made upon selling the properties.

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

Work		Type	Full year Budget	Year to date		Variance in \$	Variance in %
Order	Description			Actual	Budget		
Business Services							
8690	DRMS Upgrade	ILS	102,500	0	15,000	15,000	0%
			102,500	0	15,000	15,000	100%
Community facilities							
8521	Thompson House Interior Refurbishment, Including Kitchen	ILS	80,000	0	40,000	40,000	0%
8527	Shannon Memorial Hall - Accessible Facility's Upgrade	ILS	50,000	0	0	0	0%
8579	Te Awahou	ILS	4,884,556	233,363	341,919	108,556	68%
8625	Levin disable facilities upgrade, hydrotherapy pool	ILS	1,651,528	475,529	753,824	278,295	63%
8651	Haruru Industrial Development	ILS	501,760	0	0	0	0%
8692	Cemetery - Foxton Land Development	ILS	148,480	0	0	0	0%
8699	Levin UV disinfection investigation, and installation Pool 16	ILS	51,200	0	28,000	28,000	0%
8700	Levin Install Centaman - online booking Pool 20	ILS	56,320	0	25,000	25,000	0%
8705	Levin Depot New sewer connection	ILS	57,569	0	0	0	0%
8523	Thompson House Exterior Renew & Paint	REA	54,350	0	27,175	27,175	0%
8528	Focal Point Cinema Air Conditioning	REA	197,340	0	0	0	0%
8535	General Property Renewals	REA	286,925	0	0	0	0%
8543	Foxton Aquatic Centre Plan Renewals	REA	120,480	0	0	0	0%
8551	Waitarere Dune management Dune management - flatten recountour	REA	102,900	0	0	0	0%
8561	Reserves Renewals	REA	61,164	0	0	0	0%
8566	Levin Domain Pathways Resurface	REA	298,780	0	0	0	0%
8704	Levin Depot Pole Shed Reroof	REA	51,200	0	0	0	0%
8706	Halls Renewals	REA	447,160	0	0	0	0%
			9,101,712	708,891	1,215,918	507,027	42%
Land transport							
8512	Foxton Townscape Main Street Upgrade	ILS	1,390,000	75	40,000	39,925	0%
8627	New Footpaths	ILS	100,000	73,092	0	(73,092)	100%
8626	Footpath Renewal	REA	400,000	53,913	20,000	(33,913)	270%
			1,890,000	127,081	60,000	(67,081)	(112%)

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

Work		Type	Full year Budget	Year to date		Variance in \$	Variance in %
Order	Description			Actual	Budget		
Waste management							
8518	Landfill Development	ILS	214,360	623	71,453	70,830	1%
8519	Landfill Leachate Pre treatment	ILS	60,000	8,334	0	(8,334)	100%
8520	Levin Landfill Energy Recovery / Flare	ILS	150,000	11,907	0	(11,907)	100%
			424,360	20,864	71,453	50,589	71%
Stormwater							
8474	Stormwater Telemetry	ILS	103,800	0	1,186	1,186	0%
8475	Levin Queen Street	ILS	200,000	0	0	0	0%
8478	Foxton Beach Catchment Management Plan	ILS	83,040	0	0	0	0%
8480	Improvements NE Levin	ILS	3,781,000	0	52,200	52,200	0%
8714	Shannon Catchment Management Plan	ILS	83,040	0	0	0	0%
8715	Development Planning Foxton Beach	ILS	155,700	0	0	0	0%
8754	Foxton Catchment Management Plan	ILS	83,040	0	0	0	0%
8472	District Wide Reticulation - Unplanned Renewals	REA	51,900	0	10,380	10,380	0%
			4,541,520	0	63,766	63,766	100%
Wastewater							
8483	Foxton Wastewater Treatment Plant - Strategic Upgrade	ILS	3,914,388	0	60,000	60,000	0%
8502	Levin Wastewater Treatment Plant - Strategic Upgrade	ILS	446,340	44,682	0	(44,682)	100%
8505	Levin WW Tararua Industrial Development	ILS	100,000	0	0	0	0%
8720	Waitarere Wastewater Treatment Plant - Strategic Upgrade	ILS	51,900	0	0	0	0%
8722	Development Planning Foxton Beach	ILS	155,700	0	0	0	0%
8491	Tokomaru Wastewater Treatment Plant - Consent Renewal	REA	101,900	0	3,000	3,000	0%
8494	Waitarere Wastewater Treatment Plant - Planned Renewals	REA	77,850	0	0	0	0%
8498	Foxton Wastewater Reticulation - Renewals	REA	131,094	0	0	0	0%
8499	Levin Wastewater Reticulation - Renewals	REA	536,352	340	10,000	9,660	3%
8500	Districtwide - Reticulation Unplanned Renewals	REA	197,223	0	24,653	24,653	0%
8501	Levin Wastewater Treatment Plant - Planned Renewals	REA	1,933,923	269,494	270,000	506	100%
8503	Levin Wastewater Treatment Plant - Unplanned Renewals	REA	91,840	6,816	11,480	4,664	59%
			7,738,510	321,332	379,133	57,801	15%

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

Work			Full year Budget	Year to date		Variance in \$	Variance in %
Order	Description	Type		Actual	Budget		
Water supply							
8466	Levin Clarifier Installation	ILS	1,000,000	0	125,083	125,083	0%
8718	Foxton Beach Development plan	ILS	99,648	0	0	0	0%
8719	Levin treatment plant upgrade	ILS	3,736,800	0	467,411	467,411	0%
8456	Levin Reticulation- RENEWAL	REA	830,400	315	10,000	9,685	3%
8459	Foxton Beach Edingburg Terrace Bore- RENEWAL	REA	150,000	0	0	0	0%
8464	Levin Treatment Plant - Renewals	REA	51,900	0	0	0	0%
8468	Reactive renewals - District Wide	REA	155,700	0	5,000	5,000	0%
8470	Shannon reservoir structural work	REA	50,000	0	0	0	0%
8717	Foxton Consents- RENEWAL	REA	51,900	0	0	0	0%
			6,126,348	315	607,494	607,179	
Total capital expenditure over \$50,000			29,924,950	1,178,483	2,412,764	1,234,281	51%

ILS: To Improve Level of Service

REA: To Replace Existing Assets

Statement of Rates Debtors

Area	Total assessments	Assessments 31/8/2016 with arrears	Assessments 30/6/2016 with arrears	% with arrears	Total arrears	Penalties arrears	Prior year arrears
F - Foxton	1275	94	126	7%	215,313	12,636	202,677
FB - Foxton Beach	1583	64	120	4%	99,209	7,835	91,374
HB - Hokio Beach	199	32	37	16%	741,729	1,510	740,219
L - Levin	7388	306	548	4%	551,337	39,589	511,748
MK - Manakau	86	2	3	2%	1,752	145	1,607
NR - Non Rateable	127	1	8	1%	2,184	189	1,995
OH - Ohau	150	7	11	5%	8,422	686	7,736
R - Rural	2387	90	140	4%	465,450	17,244	448,206
RL - Rural Lifestyle	2466	91	191	4%	194,433	12,536	181,897
S - Shannon	674	74	108	11%	169,895	14,254	155,641
TK - Tokomaru	164	7	15	4%	6,470	463	6,008
UT - Utilities	16	0	0	0%	0	0	0
WB - Waitarere Beach	946	24	63	3%	36,751	2,477	34,274
WK - Waikawa Beach	231	4	10	2%	3,184	316	2,868
Total as at 31 August 2016	17,692	796	1,380	4%	2,496,130	109,880	2,386,251

Statement of Sundry Debtors

Category	Total Outstanding	Current Outstanding	31 - 60 days Outstanding	61 - 90 days Outstanding	Over 90 days Outstanding	Notes
Aquatic Centre	1,408	258	0	184	966	
Building - Exempt Work	120	120	0	0	0	
Building Consents	79,447	43,451	18,795	1,571	15,630	2
Building Fee - BWOF	910	520	65	65	260	
Cemeteries	27,277	21,950	5,295	32	0	
Dev Cont New Policy	59,637	0	0	0	59,637	1
Develop Cont Old Policy	66,837	0	0	0	66,837	1
Dogs	652	0	0	0	652	
Dogs - Debt Collection	8,567	0	0	17	8,550	
Dogs Arrange to pay	776	20	631	0	125	
Fines	1,726	0	0	0	1,726	
Fire Hazard	631	0	0	0	631	
General	17,528	12,563	0	4,906	59	5
Health Accreditation Renewals	1,574	210	1,139	225	0	
Hire	20,620	16,307	1,603	0	2,710	
On Charges	211,373	179,274	25,514	310	6,275	3
Pension Housing	1,733	1,733	0	0	0	
Rental Income Monthly	65,717	200	97	25,486	39,934	
Resource Consent Fees	39,301	13,569	1,529	1,203	23,000	4
Rubbish Bags	34,200	29,640	4,560	0	0	
Staff Account	3,026	2,151	179	282	415	
Waste Transfer Station	971	646	110	43	172	
Water & Trade Waste	130,644	681	113,036	0	16,927	
Water Septage - Septic Tank Disposal	3,608	1,732	1,205	215	456	
Total as at 31 August 2016	778,282	325,024	173,757	34,539	244,963	6
Total as at 31 August 2015	694,479	188,921	3,597	35,830	466,130	

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. 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.
3. In the On Charges category, the majority of the 90+ Days debtors have been provided for as Doubtful Debts.
4. 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.
5. In this category there are charges for grazing leases, new connections, car access way, HR charges and THT charges.
6. Out of the \$245K owing +90 Days, \$140k is provided for in the Doubtful Debts Provision

Statement of Loans by Parcel

Loan parcels	Maturity	Interest	Opening balance	Raised	Repaid	Closing balance
Due within a year						
Stock	16 Aug 16	6.2750%	2,000,000		2,000,000	0
Stock	15 Mar 17	5.0550%	3,000,000			3,000,000
Stock	23 May 17	4.3900%	4,000,000			4,000,000
LGFA Short term	12 Dec 16	2.0405%	7,000,000			7,000,000
Total due within a year						14,000,000
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
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
Total due within 2 - 5 years						35,000,000
Due after 5 years						
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
LGFA FRN	15 Jul 26	3.3700%		5,000,000		5,000,000
Total due after 5 years						19,000,000
Total			65,000,000	5,000,000	2,000,000	68,000,000

Statement of External Loans and Interest by Activity

Activity	Loans as at 30 Jun 2016	Loans as at 31 Aug 2016	Year to date Finance costs
Land Transport	100,000	160,000	529
Stormwater	2,750,000	2,770,000	9,154
Water supply			
Water Levin	4,950,000	6,220,000	20,555
Water Shannon	1,300,000	1,370,000	4,527
Water Foxton	900,000	920,000	3,040
Water Foxton beach	300,000	300,000	991
Water Tokomaru	350,000	380,000	1,256
Total for water supply	7,800,000	9,190,000	30,369
Wastewater Disposal			
Wastewater Levin	7,750,000	7,770,000	25,677
Wastewater Shannon	7,850,000	8,800,000	29,080
Wastewater Foxton	2,300,000	2,300,000	7,601
Wastewater Foxton Beach	200,000	260,000	859
Wastewater Tokomaru	500,000	520,000	1,718
Wastewater Waitarere	0	50,000	165
Total for wastewater disposal	18,600,000	19,700,000	65,100
Solid Waste	4,550,000	4,700,000	15,532
Community Facilities & Services			
Libraries	7,950,000	7,970,000	26,338
Pools	3,100,000	3,100,000	10,244
Reserves	1,300,000	1,320,000	4,362
Sports grounds	1,400,000	1,460,000	4,825
Halls	250,000	250,000	826
Toilets	500,000	500,000	1,652
Beautification		0	0
Cemeteries	100,000	100,000	330
Total for Community Facilities & Services	14,600,000	14,700,000	48,577
Properties			
General properties	700,000	720,000	2,379
Council building	6,200,000	6,200,000	20,488
Commercial properties	1,100,000	1,150,000	3,800
Residential housing	5,000,000	5,050,000	16,688
Total for Properties	13,000,000	13,120,000	43,356
Other activities			
Information technology	1,400,000	1,460,000	4,825
District plan	2,200,000	2,200,000	7,270
Total for other	3,600,000	3,660,000	12,095
Total	65,000,000	68,000,000	224,712

Statement of Internal Loans and Interest by Activity

Activity	Loans as at 30 Jun 2016	Loans as at 31 Aug 2016	Year to date Finance costs
Land Transport	71,273	11,273	0
Total for Land Transport	71,273	11,273	0
Stormwater	98,187	28,187	210
Total for Stormwater	98,187	28,187	210
Water supply			
Water Levin	1,234,719	14,719	109
Water Shannon	89,345	19,345	144
Water Foxton	35,153	15,153	113
Water Foxton beach	25,147	25,147	187
Water Tokomaru	47,456	17,456	130
Total for water supply	1,431,820	91,820	683
Wastewater Disposal			
Wastewater Levin	33,095	13,095	97
Wastewater Shannon	999,165	49,165	365
Wastewater Foxton	24,609	24,609	183
Wastewater Foxton Beach	84,469	24,469	182
Wastewater Tokomaru	44,895	24,895	185
Wastewater Waitarere	69,022	19,022	141
Total for wastewater disposal	1,255,255	155,255	1,154
Solid Waste	197,365	47,365	352
Total for Solid Waste	197,365	47,365	352
Community Facilities & Services			
Libraries	40,559	20,559	153
Pools	19,022	19,022	141
Reserves	35,113	15,113	112
Sports grounds	73,142	13,142	98
Halls	17,937	17,937	133
Toilets	27,569	27,569	205
Cemeteries	9,742	9,742	72
Beautification	22,153	22,153	165
Total for Community Facilities & Services	245,237	145,237	1,080
Properties			
Commercial properties	65,821	15,821	118
General properties	30,068	10,068	75
Residential housing	69,818	19,818	147
Council building	12,030	12,030	89
Total for properties	177,737	57,737	429
Other activities			
Information technology	82,876	22,876	1,700
District plan	26,107	26,107	194
Total for other	108,983	48,983	1,895
Total	3,585,857	585,857	5,801

APPENDIX

Asset maintenance contract	General contract works, repairs, planned and unplanned maintenance, materials and consumables, cleaning and hygiene, inspections and reporting.
Finance cost	Interest on borrowings and interest on swaps.
Gains	Fair value revaluation gain and gain on sale.
General grants	Grants given to various organisations and individuals like Creative NZ, neighbourhood support, beach wardens, community development and youth scholarships.
Grants and subsidies	Grants and subsidies received from government and other organisations for roading, library, community hubs, cemeteries and aquatic centres.
Infringements and fines	Parking tickets, Prosecutions on WOFs and unregistered vehicles.
Employee benefits	Salaries and wages, training costs, FBT and ACC levies, superannuation, and staff recognition.
Other expenses	Printing, publication, postage, stationery, advertising, food and catering, photocopying, internet and communication and any other office expenses.
Professional services	Consultants, contractors, membership fees, legal fees, lab services, audit fees or any other professional services charges.
Regulatory revenue	Planning fees, building fees, animal fees, liquor fees and health fees.
Rendering of services	Commissions, car income, and any other income received for rendering services.
Rental income	Rent from Halls, residential and commercial properties, grazing land, reserves and other lease income.
Targeted rates	Rates for roading, waste management, representation and governance, stormwater, wastewater, water by meter and water supply.
User charges	Revenue received from admission, shop sale, Cemetery fees, trade waste, utility connection, events and exhibitions.
Utilities	Water use, electricity and gas charges

Internal Audit Plan

File No.: 16/515

1. Purpose

For the Audit, Risk and Finance Committee to endorse the adoption of the 2016/2017 Internal Audit Plan.

2. Recommendation

- 2.1 That Report 16/515 Internal Audit Plan 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

The draft Internal Audit plan for 2016/2017 was discussed at the Finance, Audit and Risk Committee meeting on 31 August 2016. On 1 September 2016 the draft plan was circulated to members of the Subcommittee for review and feedback on any changes required.

4. Issues for Consideration

No change requests have been received from the Subcommittee and therefore I am seeking the Subcommittee to endorse adoption of the 2016/2017 Internal Audit Plan.

Attachments

No.	Title	Page
A	Horowhenua District Council - Internal Audit Plan - 2016/2017	28

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 Group Manager - Business Services	
Approved by	David Clapperton Chief Executive	

Horowhenua District Council's Proposed Audit Plan 16/17

Business Services	Approach	Hours
Sensitive Expenditure	Provide reasonable assurance that the management control framework* in place for sensitive expenditures is adequate, efficient and effective to ensure that all such expenditures is legitimate. * incorporating Council's fraud policy.	80 hours
Accountability Framework Review	This was implemented as part of a prior audit and a number of the items have been achieved, however HDC would like to review and establish if there is any further opportunities for improvement	64 hours
Business Continuity Review	<p>HDC embarked on a journey to develop an organizational wide BCP this year, the draft was completed in June 16. The coming year (16/17) will see HDC work through implementation and testing. This goes hand in hand with our disaster recovery programme as well.</p> <p>The objective of the audit is to identify the controls the Council has in place over the Business Continuity and Disaster Recovery plan and provide the assurance over the recovery options for IT systems to ensure they are in line with Council service recovery objectives.</p>	64 hours
<p>Cash receipting – Reception, Library, pools, solid waste</p> <p>(This is for cash collected across all business units)</p>	Cash is received, controlled, accounted for, and deposited in a timely manner and in compliance with applicable policy. Cash receipting practices for all cash is received, controlled, accounted for, and deposited in a timely manner. Petty cash is properly accounted for, adequately safeguarded and is	80 hours

	used for their intended purpose. This is for the library, pool, civil defence and community services	
Business Continuity and DR Plan	To assess existing business continuity plans, processes and controls and the level of compliance with these controls. To assess whether the plans in place provide comfort that required infrastructure and services can be restored. And assess the testing/simulation arrangements. Review of the processes in place to ensure backup and recovery of key information systems are in place.	64 hours
IT Reviews	<ul style="list-style-type: none"> · IT Performance IT Operations (Backups, Manage Environment) · IT Performance Management of Third Parties. 	80 hours
Infrastructure	Approach	Hours
Asset Revaluations Review	Reviewing the valuation process. The methodology used to calculate unit rates, the integrity of the formula driving the valuation model, timeliness and reliability of data entered into AMS and quality assurance.	80 hours
Asset Management	To review if the work line up with the Asset/Activity Management plan. To evaluate the cost i.e. budget vs actual and the claim. The audit will also focus on MDC's systems and procedures for managing the delivery of transport outcomes.	80 hours
Levin Water Treatment Plant Strategic Upgrade (Clarifier, UV and the Civil and Electrical Works)	The review of the internal process in the governance and management of WWTP.	80 hours
1. North East Levin Storm water Project	An assessment of how the project performed against the benefits,	120 hours

<p>2. Levin Water and Wastewater projects 2016/17</p>	<p>objectives, scope, deliverables, schedule, expense and resource targets in project planning documentation.</p> <p>A rating of the level of conformance against each of the project processes, including time, cost, quality, change, risk, issue, procurement, communications and acceptance management.</p>	
<p>Customer & Community Services</p>	<p>Approach</p>	<p>Hours</p>
<p>Property purchases and disposals</p>	<p>A review of the procedures for the purchase and disposal of property. This will include delegations, assessment of values and recording processes.</p>	<p>80 hours</p>
<p>Parks and Property</p>	<p>To perform a risk assessment of this activity and to review the processes and controls in place to manage this area. Key areas of concern are:</p> <ul style="list-style-type: none"> · Maintenance contract management and the related maintenance contract management plans. · Customer service request management and systems, including close out of customer requests for service. 	<p>80 hours</p>
<p>People and Culture</p>	<p>Approach</p>	<p>Hours</p>
<p>Health and safety review</p>	<p>Review of Health and Safety and to identify and provide the assurance that the updates in the Act is reflected in HDC's practices</p>	<p>80 hours</p>
<p>A review of Recruitment</p>	<p>An across the Council review to ensure compliance with Councils recruitment, induction processes and procedures. Review the effectiveness of Councils procurement practices.</p>	<p>80 hours</p>
<p>Payroll Review</p>	<p>A review of our payroll system,</p>	<p>80 hours</p>

	processes and procedures. Identify internal controls; evaluate systems, and monitoring practices that relate to the timekeeping and reporting of Councils payroll. Evaluate the effectiveness of said controls and systems in detecting errors, fraud, waste and abuse on a timely basis.	
Total Hours		1112 hours

Monitoring Reports to 28 September 2016

File No.: 16/516

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 16/516 Monitoring Reports to 28 September 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	34
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:

- 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)	Doug Law Chief Financial Officer	
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Approved by	Doug Law Chief Financial Officer	
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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
			distinction between the Old and New DC Policies with the total outstanding debt to be checked and Members advised.				
27 July 2016	16/305	Financial Report for the twelve months to 30 June 2016	Cost of Service Statements having the Income and Expenditure Items in the same order	N Brady		Completed	Changes reflected in the new financial report presented for 31 August 2016.
			SSP's objectives not matching with the Reporting Performance Targets to be addressed	N Brady		Completed	Changes reflected in the new financial report presented for 31 August 2016.
31 Aug 2016	16/467	Internal Audit Report	Internal Audit Plan to be signed off by FARS Subcommittee	N Brady	28 Sept 2016		Audit plan attached for adoption at 28 th September 2016 meeting.
	16/464	Risk Management Framework Update	Feedback requested from Subcommittee Members	N Brady			No feedback received.



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	Systems for mandatory performance measures Implement appropriate systems in place as soon as possible to ensure Council can report against the mandatory performance measures in 2015/16	P				Full 12 months of data has been reported and initial investigations as reported to Council via Audit New Zealand's interim audit report is positive. Audit New Zealand are currently on site completing their final review.
2.1.2	SPP – Completeness of supporting documentation held by Contractors 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				Full 12 months of data has been reported and initial investigations as reported to Council via Audit New Zealand's interim audit report is positive. Audit New Zealand are currently on site completing their final review.
3.1.1	Independent review of creditor Masterfile 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 signature	P				Creditors Masterfile will be signed off each month.

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 in the Interim Audit New Zealand report.</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 Council</p>		P			<p>Planned and Unplanned maintenance will be reported to Council on a monthly basis. We will co-ordinate with Asset Management to identify deferred maintenance.</p>

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>Council undertook an external review of its procurement practices and as reported from the external audit report at the Finance, Audit and Risk Committee meeting on the 31st August, HDC has been rated favourably regarding its procurement practices.</p> <p>Initial verbal feedback from Audit New Zealand of their progress</p>

					<p>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 guidelines adopted by the leadership team in March 2016. 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></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 developed (as part of the procurement policy review) to provide an internal control around all purchase orders raised included those which are self-approved. This report has been reviewed by Audit New Zealand and confirmed as meeting their requirements.</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></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</p>

						to review the project. Key points are documented.
6.8	<p>Keeping the interest register up to date</p> <p>Remind elected members and other key management personnel to update the interest register on a regular basis</p>		P			The interest register will be updated.

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</p> <p>Major improvements required</p>	<p>Needs to be addressed urgently</p> <p>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</p> <p>Improvements are necessary</p>	<p>Address at the earliest reasonable opportunity, generally <i>within 6 months</i></p> <p>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</p> <p>Some improvement required</p>	<p>Address, generally <i>within 6 to 12 months</i></p> <p>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>