



Hastings District Council

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OPEN A G E N D A

FINANCE AND MONITORING COMMITTEE MEETING

Meeting Date: Tuesday, 22 May 2018

Time: 1.00pm

**Venue: Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Committee Members	Chair: Councillor Kerr Mayor Hazlehurst Councillors Barber, Dixon, Harvey, Heaps, Lawson, Lyons, Nixon, O'Keefe, Poulain, Redstone, Schollum, Travers (Deputy Chair) and Watkins (<i>Quorum</i> = 8)
Officer Responsible	Chief Financial Officer – Bruce Allan
Committee Secretary	Christine Hilton (Ext 5633)

Finance and Monitoring Committee

Fields of Activity

Oversight of all the Council's financial management policy and operations (including assets, cash, investment and debt management) including (but not limited to):

- Monitoring compliance with the Long Term Plan/Annual Plan and budget implementation.
- Finance and Ownership
- Audit and other accountability requirements;
- Business units/CCO/CCTO ownership overview;
- Rating matters including rating sale proceedings;
- Taxation.
- Establishing the strategic direction of Council's business units (if any), Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations
- Other matters including:
 - Performance Management
 - Other matters not otherwise within the scope of other Committees

Monitoring compliance with the Long Term Plan/Annual Plan and budget implementation.

Membership

Chairman appointed by Council

Deputy Chairman appointed by Council

The Mayor

All Councillors

Quorum – 8 members

Delegated Powers

General Delegations

1. Authority to exercise all of Council powers, functions and authorities (except where prohibited by law or otherwise delegated to another committee in relation to all matters detailed in the Fields of Activity).
2. Authority to re-allocate funding already approved by the Council as part of the Long Term Plan/Annual Plan process, for matters within the Fields of Activity provided that the re-allocation of funds does not increase the overall amount of money committed to the Fields of Activity in the Long Term Plan/Annual Plan.
3. Responsibility to develop policies, and provide financial oversight, for matters within the Fields of Activity to provide assurance that funds are managed efficiently, effectively and with due regard to risk.

Fees and Charges

4. Except where otherwise provided by law, or where delegated to another Committee, the authority to fix fees and charges in respect of Council activities or services.

HASTINGS DISTRICT COUNCIL
FINANCE AND MONITORING COMMITTEE MEETING
TUESDAY, 22 MAY 2018

VENUE: Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings

TIME: 1.00pm

A G E N D A

1. Apologies

At the close of the agenda no apologies had been received.

At the close of the agenda no requests for leave of absence had been received.

2. Conflict of Interest

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

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the Chief Executive or Executive Advisor/Manager: Office of the Chief Executive (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

3. Confirmation of Minutes

Minutes of the Finance and Monitoring Committee Meeting held Tuesday 20 March 2018.
(Previously circulated)

4.	Fitzroy Avenue Development Project Wrap-up Report	7
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9.	Additional Business Items	
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11.	Recommendation to Exclude the Public from Item 12	31
12.	Hawke's Bay Airport Limited - Appointment of Director	

REPORT TO: FINANCE AND MONITORING COMMITTEE

MEETING DATE: TUESDAY 22 MAY 2018

FROM: CHIEF FINANCIAL OFFICER
BRUCE ALLAN

SUBJECT: FITZROY AVENUE DEVELOPMENT PROJECT WRAP-UP
REPORT

1.0 SUMMARY

- 1.1 The purpose of this report is to update the Committee on the completion of the sell down of the Fitzroy Avenue project.
- 1.2 This issue arises from a Council decision in April 2012 to subdivide and develop the old Council nursery at 511 Fitzroy Avenue.
- 1.3 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.4 The objective of this decision relevant to the purpose of Local Government is to provide a good quality example of medium density housing with a strong sustainability initiative incorporated while providing Council with the highest financial return.
- 1.5 This report concludes by recommending that the report be received.

2.0 BACKGROUND

- 2.1 In 2009 Council established Hastings District Properties Limited (HDPL), a 100% owned Council subsidiary with the purpose of using this company to develop surplus Council owned land.
- 2.2 The former nursery site on Fitzroy Avenue was identified as land that was suitable for residential development.
- 2.3 On 15 March 2011, The Finance & Operations Committee resolved:
 - A) *That subject to a business plan to Council's satisfaction being prepared by Hastings District Properties Limited and public consultation through the 2011/2012 Annual Plan, Council resolve to apply the land at 511 Fitzroy Avenue, upon it becoming surplus to Nursery operational requirements for the purposes of a public work, namely residential housing development,*

and that the proceeds of such development be used to fund development at the Hawke's Bay Regional Sports Park, or, in the event that it is not required for that purpose, to repay debt.

B) That this intention be identified in the 2011/2012 Annual Plan for public consultation.

2.4 Following public consultation through the 2011/2012 Annual Plan, Council resolved on 2 June 2011:

C) That Council confirm that should the site at 511 Fitzroy Avenue become surplus to requirements as a Nursery site, it approves use of the land for residential development, subject to Council approving a business case and all applicable statutory approvals.

D) That Council request the Chief Executive to commission from Hastings District Properties Limited a business case for the development of the Fitzroy Avenue property, and that submissions relating to the heritage nature of the house and the protection of trees on and adjacent to the property be forwarded to HDPL.

2.5 HDPL assessed the development options against a number of criteria including financial returns, sustainability, strategic alignment, ease of development and market readiness with the medium density option identified as HDPL's preferred option.

2.6 Following approval from Council, HDPL entered into arrangements with Council for the land to be assigned to HDPL and seek formal direction for the development. Council issued and HDPL agreed to a Letter of Direction which outlined Council's intent for this development as:

"The outcomes sought by the Council are to provide for a medium density residential development that is liveable, sustainable and acceptable to the market. This medium density development is to be a showcase for this typology of housing and for the sustainability initiatives that can be incorporated."

2.7 Council used a Declaration of (bare) Trust to assign the land to HDPL to enable HDPL to undertake the development on Council's behalf. All expenditure incurred and all revenue received from the development has been put through a separate Trust Account for this project.

2.8 At the end of the development when all sections have been sold and all expenditure commitments have been met, the Trust Account would be wound up and all funds be transferred to Council. Effectively HDPL had undertaken to convert the land and buildings at 511 Fitzroy Avenue into cash while achieving a number of strategic objectives for Council.

2.9 Following the acceptance of the business case, the HDPL Board followed a two-step process and initiated an Expression of Interest (EOI) as the first step.

This recognised that some investment would be required from those developers interested in putting together a proposal.

- 2.10 From the EOI three companies were selected and invited to enter into a Request for Proposal (RFP) process and three quality proposals were received. The HDPL Board undertook a thorough review of those proposals and ultimately selected Horvath Construction. The proposal received from Horvaths demonstrated a good understanding of what was being requested, was innovative in its approach and provided the best financial outcome for HDPL and ultimately Council.
- 2.11 HDPL through the tender process selected Horvath Construction to undertake the development with the Horvath proposal providing a solution that was innovative and also provided the best financial return for Council and at the time Horvath had a solid reputation of building homes in Hawke's Bay.
- 2.12 The Business Case approved by Council in February 2012 had a projected development surplus of \$810,000 which included payment of development contributions of \$176,000.
- 2.13 Despite the robust process undertaken by the Board in selecting Horvath Construction for this development, the Board were advised in July 2015 that Horvath Construction Ltd was for reasons unrelated to Fitzroy, in financial difficulty and would not be able to complete the development.
- 2.14 The HDPL Board worked with a number of other building development companies to try and transfer the agreements that had been in place with Horvaths, but without success. The Board then engaged Jane Fitzgerald from Tremains to market the properties on their behalf. Bill Livingstone from Concept Masterbuild has then worked with each of the new owners to build their homes in line with the original masterplan.

3.0 CURRENT SITUATION

- 3.1 As of 14 March 2018 this development has now been fully sold down with the final settlement funds received.
- 3.2 Council's intent with this project was to provide a residential development that was liveable, sustainable and acceptable to the market. The end result has been a good example of a quality medium density development that is certainly liveable with good amenity next to Cornwall Park and sustainable with all homes achieving a 6 star home star rating. The project has struggled initially as an example of a development that is acceptable to the market which has been demonstrated by the time it has taken to sell down the sections.



- 3.3 There are 3 properties still to be completed. Lot 2 is looking to start building shortly, Lot 9 is currently working on finalising plans and Lot 11 is planning to build later in the year with the intention the development will be completed by the end of the year.
- 3.4 The final financial result when compared to the Business Case is as follows:

	Business Case	Estimated Final Result
Gross Development Profit	\$985,600	\$941,000
Development Contributions	\$175,800	\$176,556
Net Development Profit	\$809,800	\$764,444

- 3.5 Given the struggles that this project had in 2014/2015 with Horwaths struggling to implement their masterplan and eventually entering into Liquidation, the project has been completed with a financial result that is 94% of the original business case prepared in 2011/2012.
- 3.6 The bare trust arrangement will now be wound up and the funds created from this development will be transferred to Council and used to repay debt associated with the Regional Sports Park development as resolved by Council when this project was originally approved.

4.0 SIGNIFICANCE AND ENGAGEMENT

- 4.1 The development of this land was consulted on through the 2011/12 Annual Plan consultation process and the contents of this report are not considered significant in terms of Council's Significance and Engagement Policy.

5.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Chief Financial Officer titled "Fitzroy Avenue Development Project Wrap-up Report" dated 22/05/2018 be received.**

With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure.

Attachments:

1 511 Fitzroy Avenue - April 2018

ADM-02-5-3-18-715

511 Fitzroy Avenue April 2018

Item 4

Attachment 1



REPORT TO: FINANCE AND MONITORING COMMITTEE

MEETING DATE: TUESDAY 22 MAY 2018

**FROM: MANAGER STRATEGIC FINANCE
BRENT CHAMBERLAIN**

**SUBJECT: TE MATA PARK TRUST BOARD AND HAWKE'S BAY
OPERA HOUSE LIMITED - COUNCIL CONTROLLED
ORGANISATION EXEMPTION**

1.0 SUMMARY

- 1.1 The purpose of this report is to obtain a decision from the Committee to continue to exempt both the Te Mata Park Trust Board and the Hawke's Bay Opera House Limited from the requirements imposed on Council Controlled Organisations (CCO) under the Local Government Act.
- 1.2 The exemption will continue to allow a reduced reporting requirement for both the Te Mata Park Trust Board and the Hawke's Bay Opera House Limited under the Local Government Act.
- 1.3 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.4 This report concludes by recommending that both the Te Mata Park Trust Board and the Hawke's Bay Opera House Limited continue to have exemption from being a CCO under the Local Government Act 2002.

2.0 BACKGROUND

- 2.1 Te Mata Park Trust Board has been granted exemption since June 2008, and the Hawke's Bay Opera House Limited since June 2014, from the requirements imposed on Council Controlled Organisations (CCO) under section 7 of the Local Government Act (LGA). Section 7 (6) (a) of the LGA stipulates that Council must review any exemptions granted under section 7 within 3 years after it was first granted.
- 2.2 The LGA allows a Local Authority to exempt organisations from being CCOs. The following are the relevant sections of the LGA:

"7 Exempted organisations

(3) A local authority may, after having taken account of the matters specified in subsection (5), exempt a small organisation that is not a council-controlled trading organisation, for the purposes of section 6(4)(i).

(4) An exemption must be granted by resolution of the local authority.

(5) *The matters are –*

- (a) the nature and scope of the activities provided by the organisation; and*
- (b) The costs and benefits, if an exemption is granted, to the local authority, the council-controlled organisation, and the community.”*

- 2.3 The LGA identifies monitoring and requirements for CCOs which include half yearly and annual reports plus an annual Statement of Intent.
- 2.4 The Te Mata Park Trust Board is a charitable trust that owns and manages Te Mata Peak.
- 2.5 The Trust Board is a Council Controlled Organisation due to the fact that under the trust deed the Hastings District Council appoints all the trustees. This means that the Council has effective control of the Trust Board and its assets, however in practical terms the Trust Board is allowed to get on with the maintenance and development of Te Mata Park.
- 2.6 Hawke's Bay Opera House Limited held the management contract for operating the Hawke's Bay Opera House on behalf of the Hastings District Council prior to its closure for earthquake strengthening.
- 2.7 Hawke's Bay Opera House Limited is a Council Controlled Organisation due to the fact that its shares are 100% owned by Hastings District Holdings Limited, which in turn is 100% owned by the Hastings District Council, giving Hastings District Council effective ownership of the company.
- 2.8 Section 7(7) of the LGA states that a Local Authority may, at any time, revoke an exemption it has granted and Council would be inclined to do so if the nature and scope of activities provided by either organisations increased to a level that warranted a change.

3.0 CURRENT SITUATION

- 3.1 The Te Mata Trust Board is a small entity with limited turnover. For the year ended 30 June 2017 the Trust Board generated income of \$85,299 before donations and other fundraising income related to capital projects. Income received included rental income, grants and interest.
- 3.2 The Hawke's Bay Opera House is currently undergoing seismic strengthening and is currently not trading. At this stage it is not clear if the Hawke's Bay Opera House Limited will be granted a new management contract upon the Opera Houses reopening, or if the Opera House management will revert to being an in house cost centre. If Hawke's Bay Opera House Limited is reactivated then this exemption can be withdrawn.

4.0 OPTIONS

- 4.1 Council can resolve to continue the exemption for both the Te Mata Park Trust Board and the Hawke's Bay Opera House Limited or it can revoke the exemption, requiring the Boards to report as required under the LGA.

5.0 SIGNIFICANCE AND ENGAGEMENT

- 5.1 The issues for discussion are not significant in terms of the Council's policy on significance and no consultation is required.

6.0 PREFERRED OPTION/S AND REASONS

- 6.1 The preferred option is for both the Te Mata Park Trust Board and the Hawke's Bay Opera House Limited to be exempted from being a Council Controlled Organisation under the Local Government Act 2002.
- 6.2 The level of reporting required of a CCO under the LGA is disproportionate to the size and type of organisations – i.e. the Te Mata Park Trust Board and the Hawke's Bay Opera House Limited.

7.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Manager Strategic Finance titled "Te Mata Park Trust Board and Hawke's Bay Opera House Limited - Council Controlled Organisation Exemption" dated 22/05/2018 be received.
- B) That, as provided for in sections 6 and 7 of the Local Government Act 2002, the Finance and Monitoring Committee grants the Te Mata Park Trust Board an exemption from being a Council Controlled Organisation, as defined by section 6 of the local Government Act 2002 for a period of three years to 30 June 2021.
- C) That, as provided for in sections 6 and 7 of the Local Government Act 2002, the Finance and Monitoring Committee grants the Hawke's Bay Opera House Limited an exemption from being a Council Controlled Organisation, as defined by section 6 of the local Government Act 2002 for a period of three years to 30 June 2021.

With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure in a way that is most cost-effective for households and business:

Attachments:

There are no attachments for this report.

REPORT TO: FINANCE AND MONITORING COMMITTEE

MEETING DATE: TUESDAY 22 MAY 2018

FROM: CHIEF FINANCIAL OFFICER
BRUCE ALLAN

SUBJECT: WATER SERVICES FINANCIAL OVERVIEW

1.0 SUMMARY

- 1.1 The purpose of this report is to update the Committee about the financial position of the Water Services activity of Council following the Havelock North water contamination event and the subsequent change programme that has been implemented.
- 1.2 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.3 This report concludes by recommending that this report be received.

2.0 BACKGROUND

- 2.1 Following the water contamination event of August 2016, Council has invested significantly on a number of fronts including:
1. Investigating the cause of the contamination
 2. Increased monitoring and compliance regime and treatment of the water supply
 3. Responding to the Government Inquiry
 4. Developing new and updated strategies
 5. Undertaking an internal review of water operations
 6. Delivering on the change programme and recommendations from the internal review
 7. Developing increased network resilience with current and proposed decommissioning of the Brookvale bores
 8. Transitioning from an untreated water supply to a treated water supply
- 2.2 While a good proportion of the investigation and Government Inquiry response costs were incurred in the 2016/17 financial year, there has been a reasonable amount of costs that have continued to be incurred this financial year which has contributed to an overspend against the 2017/18 budget.

- 2.3 The purpose of this report is to provide Council with an overview of that overspend against budget and the likely year end position for the water supply targeted rate account.
- 2.4 As at 30 June 2017 the Water Supply Targeted Rate Account had a deficit of \$1.7m and Council agreed to allocate \$1.7m from the 2016/17 rating and the other surpluses to clear that deficit position this account was in following the contamination incident where additional costs were incurred primarily around investigation of the cause, monitoring and treating the water supply and responding to the Government Inquiry. This was in line with Council's prudent financial strategy of repaying or avoiding debt.

3.0 CURRENT SITUATION

- 3.1 Council continues to spend significant sums of money on water supply activity including both Capital and Operational expenditure. This activity is funded by way of a separate water account which is designed to either accumulate reserves or run in deficit depending on expenditure needs and Council decision making. This allows Council to spread the impact of "lumpy" expenditure in this activity.
- 3.2 Given the planned large scale expenditure on water supply, Council in the 2017/18 Annual Plan, provided for the water account to run in deficit for a number of years to come. This approach will be continued in the 2018-2028 Long Term Plan.
- 3.3 The current year's budget was based on expenditure and activity levels forecast in February 2017. Operational requirements and the overall capital investment forecast have increased since that time as operational and project requirements have been planned in detail and become better understood. Greater public awareness of water leaks has led to increased demand on maintenance services, while water quality testing, monitoring and chlorination requirements have also been higher than initially forecast. This is leading to budgeted variances. It is not possible to defer most of the work driving these costs.
- 3.4 These variances will affect the year-end balance of the water account. However, the proposed increases to the Water Supply Targeted Rate will ensure a surplus position is achieved during the 2018-28 Long Term Plan.
- 3.5 Below is a summary of operating water services costs as at 31 March:

Water Services		31st March 2018	
Operating Expenditure	YTD Actual	YTD Budget	Variance
Connections	5,262	2,640	(2,621)
Reticulation	1,126,389	583,253	(543,136)
Treatment	158,960	95,250	(63,710)
Compliance	1,186,788	308,480	(878,307)
Pumpstations	203,948	108,969	(94,979)
Pumpstations - Electricity	595,978	846,600	250,622
Other Costs	88,361	29,640	(58,722)
Planning Advice	641,068	113,472	(527,595)
Insurance	95,820	87,800	(8,020)
Total	4,102,574	2,176,106	(1,926,468)

- 3.6 During 2017/18 Council has continued to incur costs in this activity beyond what was anticipated when the 2017/18 Annual Plan was being prepared and finalised. Included in these expenses are costs related to the Government Inquiry, incident investigations and the change management programme required for the Water Services change programme which total \$331,000 which will be funded from the Contingency Reserve.
- 3.7 Also included in the \$4.1m incurred to-date are what could be termed “one-off” costs which total a further \$710,000. These include costs associated with developing strategies and plans, providing water quality service assurance and unbudgeted maintenance work.
- 3.8 There is a detailed assessment being undertaken of what has been classified as maintenance work in the water services accounts. There is an expectation that following this analysis a reclassification of some of that expenditure will be made with some costs capitalised if they are legitimately part of Council’s capital programme delivery. At the time of writing that work was yet to be completed.
- 3.9 The forecast year end position for the water supply targeted rate account is estimated to be a \$1.9m deficit, taking into account \$331,000 of funding from the contingency reserve. A deficit position as at 30 June 2018 was anticipated in the 2018-28 Long Term Plan and the increases proposed to the Targeted Rate have taken this into account. The ongoing costs being incurred now have also been signalled in the LTP and have been included in the budgets.
- 3.10 A final position on all of these matters will be reported at year end when the above analysis has been finalised.

4.0 SIGNIFICANCE AND ENGAGEMENT

- 4.1 The matters raised in this report are not considered significant when assessed against the Significance and Engagement Policy and consultation on this matter is not required.

5.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Chief Financial Officer titled “Water Services Financial Overview” dated 22/05/2018 be received.**

With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure in a way that is most cost-effective for households and business.

Attachments:

There are no attachments for this report.

REPORT TO: FINANCE AND MONITORING COMMITTEE

MEETING DATE: TUESDAY 22 MAY 2018

FROM: FINANCIAL CONTROLLER
AARON WILSON

SUBJECT: FINANCIAL QUARTERLY REPORT FOR THE NINE MONTHS ENDED 31 MARCH 2018

1.0 SUMMARY

- 1.1 The purpose of this report is to inform the Committee of the financial result for the nine months ended 31st March 2018.
- 1.2 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose is to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Good quality means infrastructure, services and performance that are efficient and effective and appropriate to present and anticipated future circumstances.
- 1.3 This report concludes by recommending that the report for the 9 Months ended 31 March 2018 be received.

2.0 BACKGROUND

- 2.1 The accounting operating financial result is reported on quarterly during the year and at year end a report is prepared on the financial as well as the rating result. The rating result differs from the accounting result in respect of non-cash items such as depreciation, vested assets and development contributions that are not included.
- 2.2 This financial report is governance focussed and allows significant variances to be highlighted with explanations provided in a way this is easy to read and understand through dashboard analytics and commentary (**Attachment 1**).

3.0 CURRENT SITUATION

- 3.1 Set out below is a summary of the operating financial result year to date. The financial results detailed below represent the accounting view and do not reflect the potential rating result for 2017/18:

	\$'000	\$'000	\$'000	Full	Year
	YTD Actual	YTD Revised Budget	YTD Variance	Revised Budget*	
2017/18					
Operating Revenue	95,859	90,911	4,938	121,342	
Operating Expenditure	84,425	87,258	2,833	116,029	
Net Surplus/(Deficit)	11,424	3,653	7,771	5,313	

* Revised budget includes the Annual budget, Brought Forwards and surplus allocations from 16/17 financial year

- 3.2 The result above is presented against the revised budget. The revised budget includes changes and decisions made during the year on Council budgets which includes carry forwards from 2016/17 and allocations from the 2016/17 rating surplus.
- 3.3 Council's overall financial performance is \$7.77m ahead of YTD budget for the quarter ended 31 March 2018. Financial performance for the quarter is positive. Revenue is above budget and expenditure is under budget.
- 3.4 Overall revenue is \$4.94m ahead of YTD budget and expenditure is \$2.83m, under YTD budget.

Revenue

- 3.5 Subsidies, grants and donations are above YTD budget by \$2.70m with the main drivers being the timing of grants received ahead of budget expectations from the Ministry of Culture and Heritage for the HB Opera House along with unbudgeted subsidies for the Whakatu Arterial roundabout. These additional NZTA subsidies are a 100% reimbursement for the work done as part of the overall Whakatu project where that work related to NZTA assets like the roundabout on SH2
- 3.6 Fees and charges revenue across Council are favourable against budget by \$1.7m with the main drivers being:
 - Community Facilities & Programme fees and charges are \$443,818 favourable and is mainly driven by an insurance payout to the Hastings Sports Centre of \$228,249. In addition Splash Planet revenue is up by \$151,096, along with higher than budgeted swimming pool revenue of \$68,309.
 - Asset management fees and charges are favourable by \$627,265. This is driven by higher than budgeted revenues at the Landfill with higher volumes along with the final payment received of \$280,000 for the harvesting of the forestry block.
 - Planning and Regulatory services are favourable to budget by \$311,716 driven by higher environmental consents revenue along with higher than budgeted parking revenues.
- 3.7 Development contributions are favourable to YTD budget by \$601,639, due to increased development activity, particularly at Irongate and Lyndhurst. Phasing of budgets in relation to when contributions occur is difficult, and creates timing differences as it is not always known in advance in what month a payment will occur when the budget is being set.
- 3.8 Overall revenue has performed well over the year with many of the revenue lines reflective of the increased activity within the region. There are no areas of concern across Council's business activities.

Expenditure

- 3.9 Overall expenditure is tracking below budget to 31 March 2018 by \$2.83m or 3.2% of total budgeted expenditure year to date.

- 3.10 Maintenance Group unfavourable actual net position is \$347,550. This has been driven by increased operational costs. The current deficit is largely due to the timing of maintenance expenditure, however forecast is expected to be \$150,000 deficit.
- 3.11 Council continues to spend significant sums of money on water supply activity including both Capital and Operational expenditure. This activity is funded by way of a separate water account which is designed to either accumulate reserves or run in deficit depending on expenditure needs and Council decision making. This allows Council to spread the impact of “lumpy” expenditure in this activity. More detail on this activity has been included on a separate agenda item.
- 3.12 Areas in Council that are favourable due to the timing of expenditure, include, capital grants not yet paid out, (\$2,587,000, HB Community Fitness Centre Trust) along with lower spends in Transport due to lower expert advice and consultancy (\$567,000). Finance costs are also favourable by \$644,000 due to lower than budgeted levels of debt and interest rates.

Capital Spend

- 3.13 Council’s total capital budget (including carry forwards, renewals, new works, and growth projects) for 2017/18 is \$94.1m. Capital spend year to date of \$45m is ahead of actual spend for the prior year (\$38m), however it is behind current year to date budget. It is expected that with the current capital projects underway and those expected to start between now and June, total capital expenditure will peak at \$75m.

Treasury

- 3.14 Total net external borrowing as at the end of March 2018 is \$65.7m with committed borrowing facilities of \$75.7m, providing headroom of \$10m. The liquidity ratio is at 115% compared to the policy minimum of 110%.

	YTD 31 March 2018	30 June 2017
	\$'000	\$'000
Facilities at start of year	70,741	60,741
New/matured facilities (net)	5,000	10,000
Facilities at end of year	75,741	70,741
Borrowing at start of year	60,741	50,741
New Loans Drawn	5,000	15,000
Repayment of Loan	0	(5,000)
Net borrowings at end of period	65,741	60,741
Plus unutilised facilities	10,000	10,000
Total borrowing facilities available	75,741	70,741
<i>Liquidity Ratio</i>	<i>115%</i>	<i>116%</i>

- 3.15 The following table sets out Council's overall compliance with the Treasury Management Policy as at 31 March 2018:

Measure	Compliance	Actual	Min	Max
Liquidity	✓	114%	110%	170%
Fixed debt	✓	80%	55%	95%
Funding profile:				
0 – 3 years	✓	37%	10%	50%
3 – 5 years	✓	37%	20%	60%
5 years +	✓	26%	10%	60%
Net Debt as % Equity	✓	4%	0%	20%
Net Debt as % Income	✓	59%	0%	150%
Net Interest as % Income	✓	3%	0%	15%
Net Interest as % Rates	✓	5%	0%	20%

- 3.16 Council is currently compliant with Treasury Management Policy. The Risk and Audit subcommittee is responsible for reviewing Council's treasury performance and policy with advice from PricewaterhouseCoopers (PwC). Current debt forecasts predict debt at 30 June 2018 to be between \$75m and \$80m with major capital projects well underway.

4.0 SIGNIFICANCE AND CONSULTATION

- 4.1 This report does not raise any issues that are significant in terms of the Council's Significance and engagement Policy that would require consultation.

5.0 RECOMMENDATIONS AND REASONS

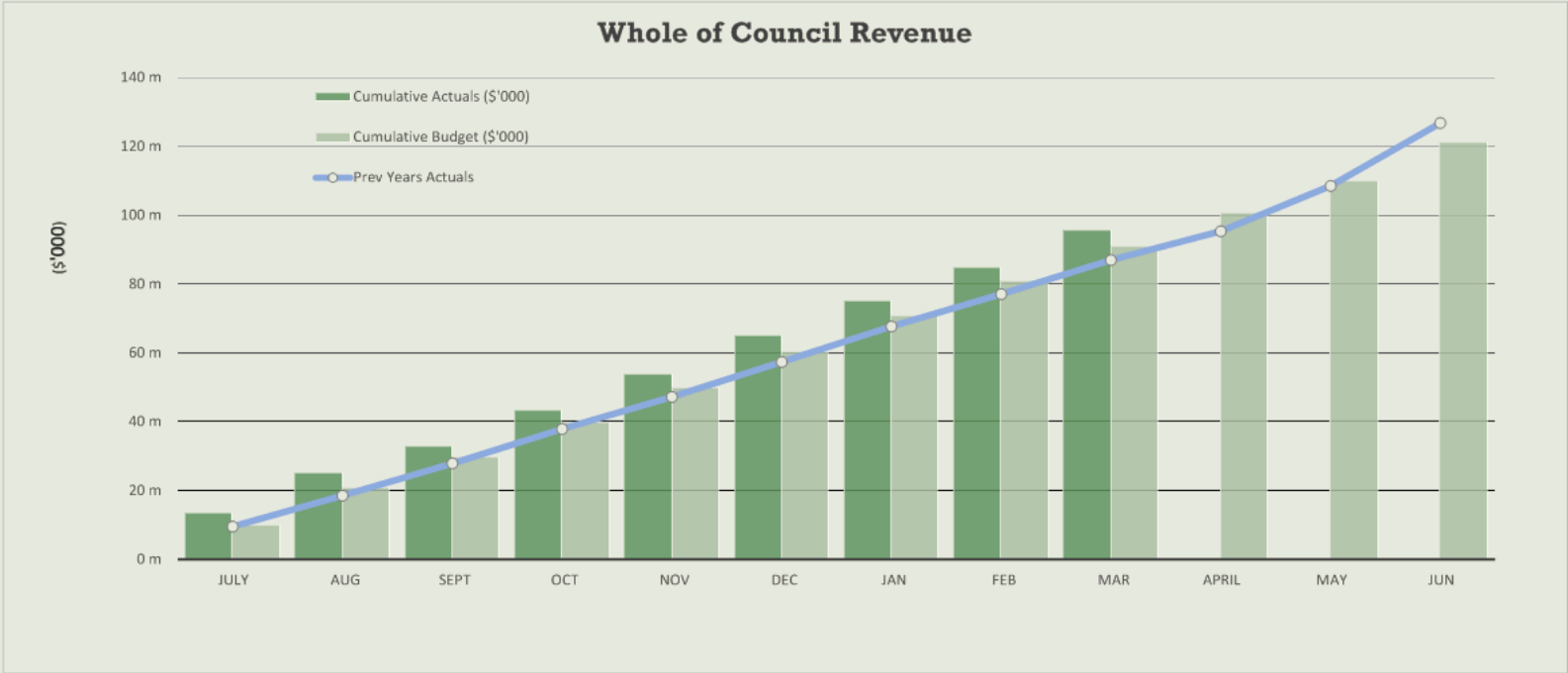
- A) That the report of the Financial Controller titled "Financial Quarterly Report for the nine months ended 31 March 2018" dated 22/05/2018 be received.

Attachments:

- 1 Quarterly dashboard

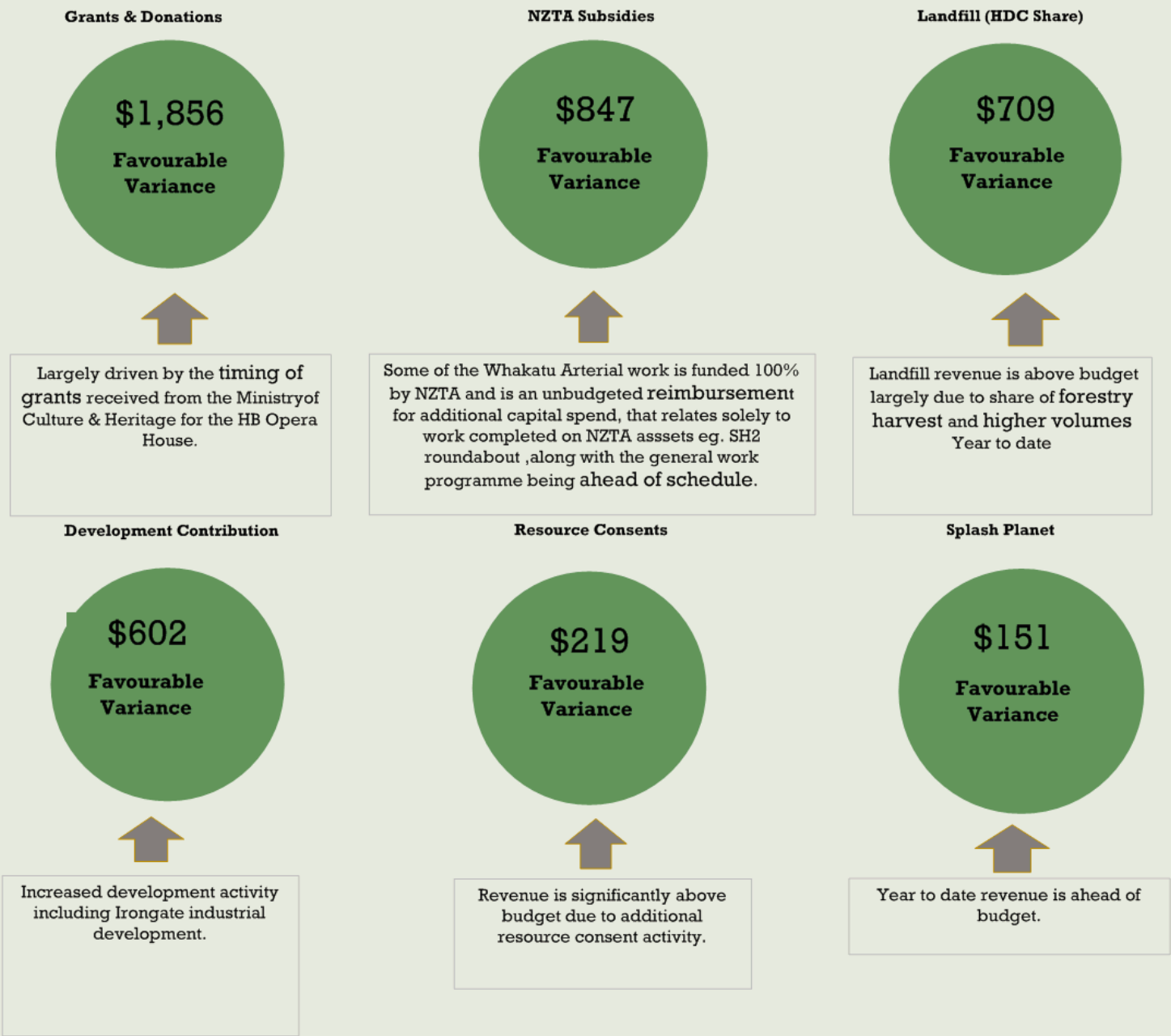
CG-14-2-00084

Hastings District Council Quarterly Dashboard as at
31 March 2018

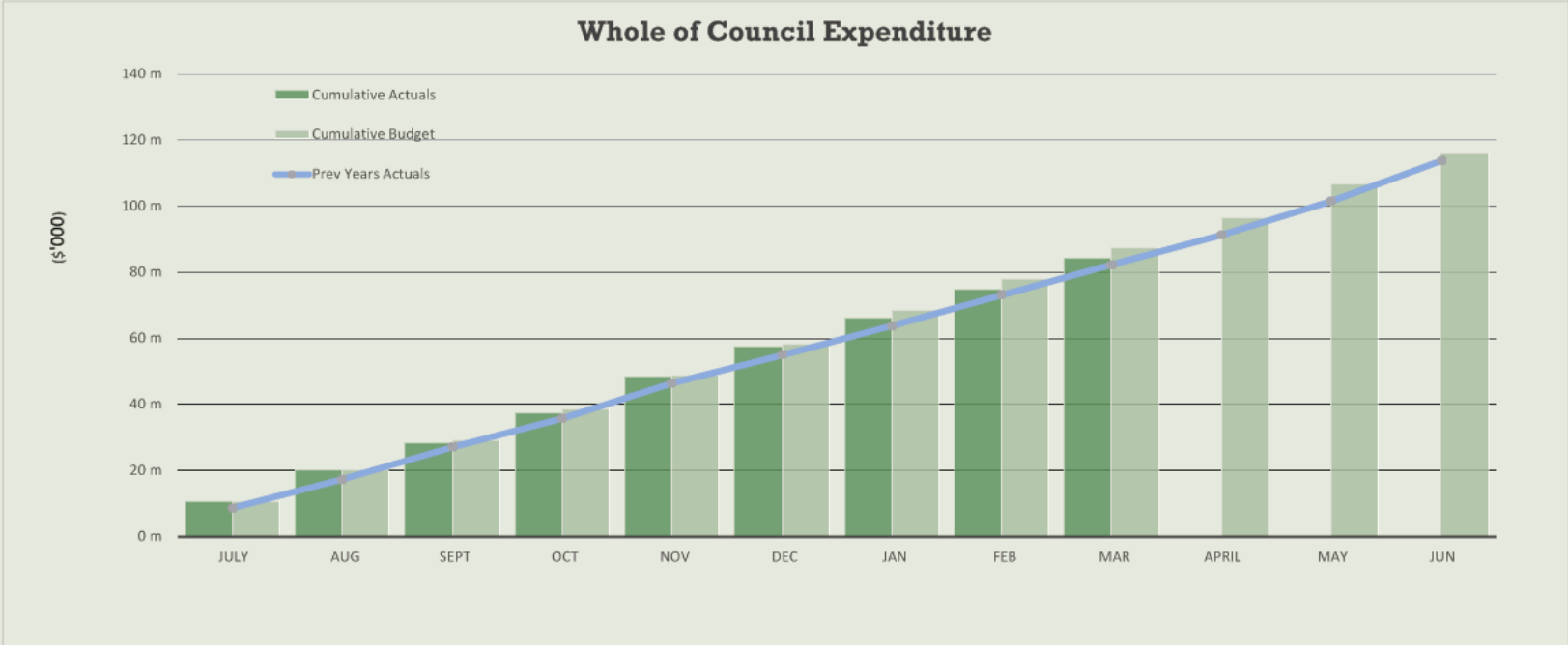


Total Revenue Streams	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)	Comments:
Rates (Budget)	54,488	54,238	250	Fees and Charges are \$1.7m above budget across a range of activities in Council. Grants and subsidies are \$2.7m above budget mainly due to timing of HB Opera House grants, NZTA roading funding, including the Whakatu Arterial which is ahead of schedule.
Fees, charges & metered water supply charges	18,619	16,917	1,701	
Subsidies and Grants	18,519	15,816	2,703	
Development and financial contributions	3,509	2,907	602	
Interest revenue	84	0	84	
Other revenue	630	1,032	-402	
Total	95,849	90,911	4,938	

How we are doing by key revenue streams (\$'000)



Hastings District Council Quarterly Dashboard as at
31 March 2018



Total Expenditure	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)	Comments:
Personnel Costs	24,187	24,136	-51	Total expenditure is favourable by \$2.8m, with the key drivers being the timing of expected spend of Grants and Donations, along with favourable finance costs and electricity costs.
Depreciation	23,145	23,380	236	
Finance Costs	2,770	3,414	644	
Other Operating Costs	34,323	36,328	2,005	
Total	84,425	87,258	2,833	Offsetting this is the higher than budgeted spend on water supply and maintenance group.

How we are doing by key expenditure categories (\$'000)

Grants & Donations



Grants budgeted for release for specific areas have not matched the timing of expected spend. The major project receiving HDC grant that created this favourable variance is the HB Community Fitness Centre Trust project, which is \$2.6m YTD under budget .

Finance Costs



Finance Costs are under budget due to lower than expected debt and prudent treasury management

Roading Maintenance Work



Road maintenance work remains favourable against budget especially Bridge Inspections which are \$92k favourable.

Electricity cost



Water pump station electricity is lower than budget due to operational efficiencies, along with other savings across the rest of Council.

Items of special interest (\$'000)

Water Supply



Water services expenditure is above budget with the main drivers being water quality monitoring, reticulation and planning. This is detailed further within the cover report.

Parks Maintenance



Maintenance Group (Council's works division) Unfavourable Net Position driven by increased operational costs including repair & maintenance of plant and machinery and plant hire costs. Some of this additional expense is offset with additional revenue, however a deficit in this activity is still predicted.

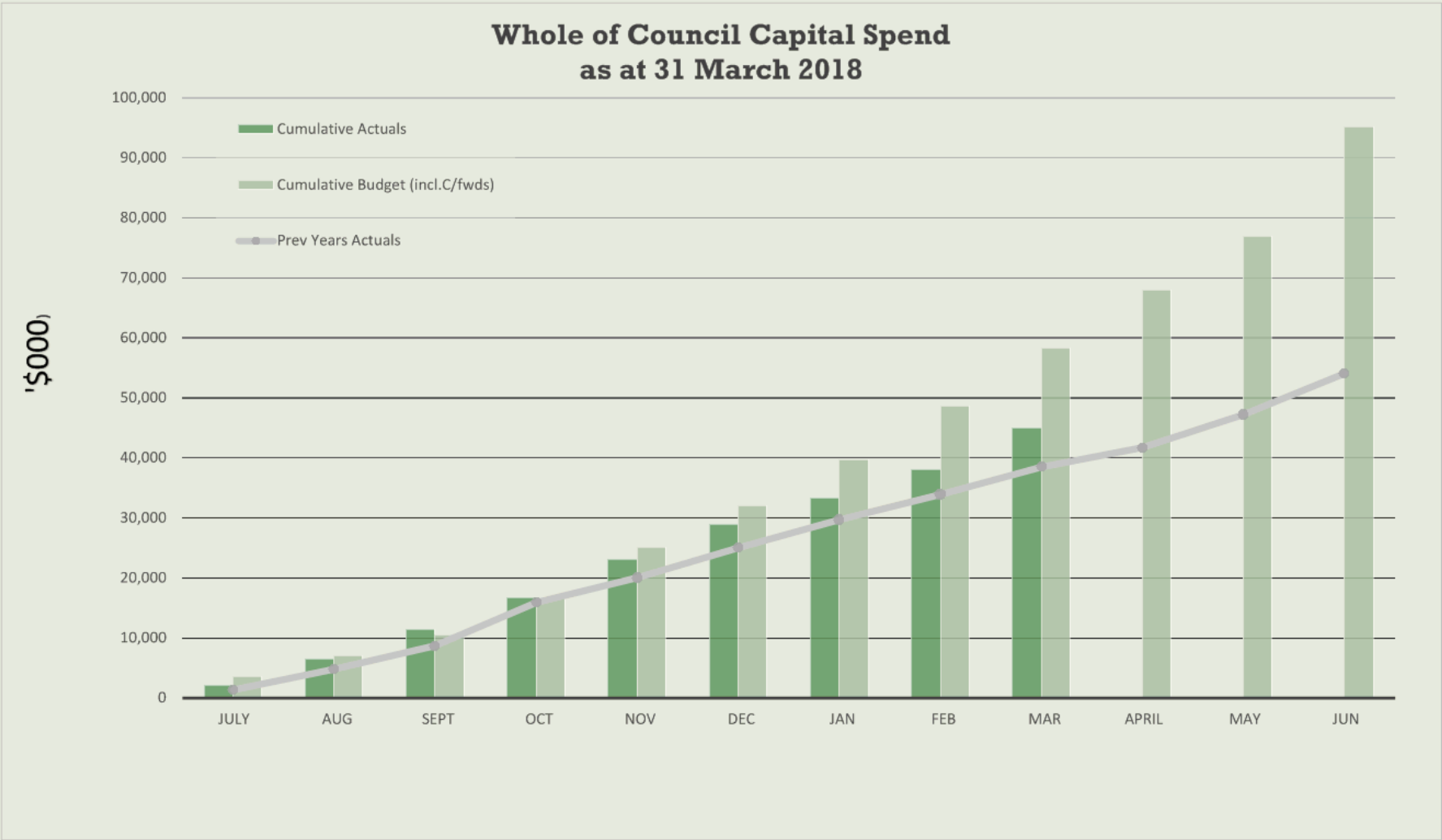
Hastings District Council Statement of Comprehensive Revenue and Expense as at 31 March 2018

Previous YTD Actuals (\$'000)	Description	Actuals (\$'000)	Budgets (\$'000)	Variance (\$'000)	Total Budget (\$'000)
	Revenue				
53,061	Rates	54,488	54,238	250	72,318
17,159	Fees, charges & metered water supply	18,619	16,917	1,701	21,745
14,131	Subsidies and Grants	18,519	15,816	2,703	21,778
1,976	Development and financial contributions	3,509	2,907	602	3,876
138	Interest revenue	84		84	
610	Other revenue	630	1,032	-402	1,626
87,074	Total Revenue	95,849	90,911	4,938	121,342
	Expenditure				
22,971	Personnel Costs	24,187	24,136	-51	32,573
23,108	Depreciation & Amortisation Expense	23,145	23,380	236	31,173
2,530	Finance Costs	2,770	3,414	644	4,550
33,778	Other Operating Costs	34,323	36,328	2,005	47,732
82,387	Total Expenditure	84,425	87,258	2,833	116,029
4,688	SURPLUS/(DEFICIT)	11,425	3,653	7,771	5,313

Hastings District Council Statement of Comprehensive Revenue and Expense by Segment as at 31 March 2018

Previous YTD Actuals (\$'000)	Description	Actuals (\$'000)	Budgets (\$'000)	Variance (\$'000)	Total Budget (\$'000)
	REVENUE				
53,061	Rates	54,488	54,238	250	72,318
5,508	Community Facilities and Programmes	9,033	6,747	2,286	10,023
4,126	Planning & Regulatory Service	4,921	4,609	312	5,924
753	Parks Management	929	876	53	1,186
5,002	Waste Services	5,636	4,872	763	6,497
13,198	Transportation	15,542	14,191	1,351	17,981
3,842	Water Services	3,719	4,255	-536	5,924
570	Economic Growth & Organisational Improvement	654	493	161	680
1,013	Governance and Support Services	927	628	299	811
87,074	TOTAL REVENUE	95,849	90,911	4,938	121,342
	EXPENDITURE				
14,221	Community Facilities and Programmes	14,197	15,009	813	19,485
8,534	Planning & Regulatory Service	9,478	9,413	-65	12,837
-1,132	Property Management*	-1,091	-900	192	-1,335
7,160	Parks Management	8,233	10,248	2,014	13,565
4,737	Waste Services	5,724	6,065	342	8,119
21,259	Transportation	20,549	21,845	1,296	29,120
17,160	Water Services	19,606	16,946	-2,660	22,556
4,017	Economic Growth & Organisational Improvement	4,059	4,518	459	6,105
6,430	Governance and Support Services	3,670	4,113	443	5,577
82,387	TOTAL EXPENDITURE	84,425	87,258	2,833	116,029
4,688	SURPLUS /(DEFICIT)	11,425	3,653	7,771	5,313

* Property Management expenditure includes recoveries received from other activities of Council at 31 March. Property Management had recovered more than they had spent.



Key projects	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)	Total Budget (\$'000)
Whakatu Arterial	3.9 m	2.0 m	-1.9 m	5.2 m
Heretaunga Street Water Upgrade	2.0 m	3.1 m	1.1 m	3.1 m
Opera House Earthquake Strenthening	2.0 m	4.3 m	2.3 m	10.0 m
Te Mata Water Services Upgrade	1.4 m	2.6 m	1.2 m	3.5 m
Stage 1A Water	0.7 m	1.8 m	1.1 m	8.2 m

Capital - Commentary

Capital spend to 31 March 2018 is \$45m with a full year budget including carry forwards of \$94.1m. \$43m of the unspent capital expenditure from last year 2016/17 has been carried forward into the current year 2017-18, which includes large projects like the Opera House and Omahu Road Industrial. Projects already underway at the start of the year are tracking either on budget or ahead of schedule.

Statement of Comprehensive Revenue & Expense - Commentary

Revenue Variances

Revenue is \$4.9m above budget (favourable) for the year to date. This is largely driven by additional NZTA subsidies along with a number of development contributions being invoiced. Its important to note that the higher than budgeted subsidies are offset with the higher than budgeted capital spend. Increased development activity is contributing to higher development contribution revenue. Fees and charges across almost all activities of Council are above budget and are a likely reflection of the increased activity within the Hawkes Bay region.

Expenditure Variances

Expenditure is \$2.8m below budget (favourable) for the year to 31 March 2018. This favourability is mainly around timing of payment of grants which have not yet happened along with lower finance costs due to timing of borrowing. Offsetting these drivers are the higher water operations costs, driven by water quality monitoring, repairs and expert advice.

Result

Operationally the \$11.4m surplus result for the year to 31 March 2018 is \$7.7m more favourable than budget after the third quarter. Whilst this is a strong result, it must be remembered that additional revenues in the form of NZTA subsidies have been received and are offsetting additional capital spend.

REPORT TO: FINANCE AND MONITORING COMMITTEE

MEETING DATE: TUESDAY 22 MAY 2018

FROM: CHIEF FINANCIAL OFFICER
BRUCE ALLAN

SUBJECT: SUMMARY OF RECOMMENDATIONS OF THE RISK AND
AUDIT SUBCOMMITTEE MEETING HELD 1 MAY 2018

1.0 SUMMARY

- 1.1 The purpose of this report is to advise that the recommendations from the Risk and Audit Subcommittee meeting held on 1 May 2018 require ratification by Council.
- 1.2 The relevant Risk and Audit Subcommittee recommendations to be ratified are set out below.

2.0 RECOMMENDATIONS

- A) That the report of the Chief Financial Officer titled “Summary of Recommendations of the Risk and Audit Subcommittee meeting held 1 May 2018” be received.
- B) That the following recommendations from the Risk and Audit Subcommittee meeting on 1 May 2018 be ratified.

“4. HEALTH AND SAFETY RISK MANAGEMENT UPDATE

- A) *That the report of the Health and Safety Advisor titled “Health and Safety Risk Management Update” dated 1/05/2018 be received.*
- B) *That it be recommended to Council that the proposed changes to Health and Safety Reporting timeframes outlined in the Report in A) above, and as set out below, be approved.*
- *That monthly reporting on Health and Safety management be uploaded onto the hub for elected members to review.*
 - *That quarterly reports continue to be presented to Council.*
 - *That any urgent Health and Safety issues arising outside of the quarterly reporting regime be either notified to the Chief Executive/delegate to elected members by e-mail and / or brought to Council as a “special report”.*

“6. ENTERPRISE RISK MANAGEMENT UPDATE

- A) *That the report of the Risk and Corporate Services Manager titled “Enterprise Risk Management Update” dated 1/05/2018*

be received.

- B) That the Risk and Audit Subcommittee recommend to Council that Biosecurity Failure (Strategic Risk number 11) be removed from the Strategic Risk Register and the relevant issues be incorporated into Economic Downturn (Strategic Risk number 10).**

With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and business by:

- i) Validating that risks in core business processes are effectively managed.”*

“7. ASSET MANAGEMENT PLANS

- A) That the report of the Chief Financial Officer and Group Manager: Asset Management titled “Asset Management Plans” dated 1/05/2018 be received.**
- B) That the Risk and Audit Subcommittee endorse the receipt of the 2018-28 Asset Management Plan summaries for Roding, Water Supply, Waste Water and Stormwater and recommend them to Council for adoption as part of the Council’s 2018-28 Long Term Plan.**
- C) That the Risk and Audit Subcommittee endorse the Group Manager: Asset Management’s proposal to commission further independent review work to inform future improvement priorities in readiness for the 2018-28 Asset Management Plans.**

With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure in a way that is most cost-effective for households and business by:

- i) Acknowledging that the planning and understanding of Council’s important infrastructure assets are good.”*

Attachments:

There are no attachments for this report.

HASTINGS DISTRICT COUNCIL
FINANCE AND MONITORING COMMITTEE MEETING
TUESDAY, 22 MAY 2018

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

THAT the public now be excluded from the following part of the meeting, namely:

12. Hawke's Bay Airport Limited - Appointment of Director

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

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION
12. Hawke's Bay Airport Limited - Appointment of Director	Section 7 (2) (a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. Protecting the privacy of the individual being considered for appointment as a Director.	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.