

## Finance and Corporate Committee Agenda

**Date:** Thursday, 31 May, 2018

**Time:** 9:00 am

**Location:** Council Chamber  
Forum North, Rust Avenue  
Whangarei

**Elected Members:** Cr Shelley Deeming (Chairperson)  
Her Worship the Mayor Sheryl Mai  
Cr Stu Bell  
Cr Gavin Benney  
Cr Crichton Christie  
Cr Vince Cocurullo  
Cr Tricia Cutforth  
Cr Sue Glen  
Cr Phil Halse  
Cr Cherry Hermon  
Cr Greg Innes  
Cr Greg Martin  
Cr Sharon Morgan  
Cr Anna Murphy

For any queries regarding this meeting please contact  
the Whangarei District Council on (09) 430-4200.

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<b>2. Apologies</b>	
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## Finance and Corporate Committee – Terms of Reference

### Membership

**Chairperson:** Councillor Shelley Deeming

**Members:** Her Worship the Mayor Sheryl Mai  
Councillors Stu Bell, Gavin Benney, Crichton Christie, Vince Cocurullo, Tricia Cutforth, Sue Glen, Phil Halse, Cherry Hermon, Greg Innes, Greg Martin, Sharon Morgan, Anna Murphy

**Meetings:** Monthly

**Quorum:** 7

### Purpose:

To oversee Council and CCO's financial management and performance, including operation of the administrative and internal support functions of council.

### Key responsibilities include:

- Progress towards achievement of the council's financial objectives as set out in the Long Term Plan.
- Preparation for recommendation to council:
  - Advising and supporting the mayor on the development of the Long Term Plan (LTP) and Annual Plan (AP)
  - Financial policy related to the LTP and AP
  - Setting of rates
  - Preparation of the consultation document and supporting information, and the consultation process for the LTP and AP
  - Annual Report
- Financial/Planning and Control
  - Corporate accounting services
  - Treasury – debt and interest risk management
  - Procurement
- CCO Monitoring and Performance
  - Monitoring the financial and non-financial performance targets, key performance indicators and other measures of each Council Controlled Organisation (CCO) to inform the committee's judgement about the performance of each organisation.
  - Advising the mayor on the content of the annual Letters of Expectations (LoE) to CCOs.
- Overseeing and making decisions relating to an ongoing programme of service delivery reviews as required under section 17A of the Local Government Act 2002

- Shared Services – investigate opportunities for Shared Services for recommendation to council.

## **Delegations**

- (i) All powers necessary to perform the committee's responsibilities, including, but not limited to:
  - (a) the approval of expenditure of less than \$5 million plus GST.
  - (b) approval of a submission to an external body.
  - (c) establishment of working parties or steering groups.
  - (d) power to establish subcommittees and to delegate their powers to that subcommittee.
  - (e) the power to adopt the Special Consultative Procedure provided for in Section 83 to 88 of the LGA in respect of matters under its jurisdiction (this allows for setting of fees and bylaw making processes up to but not including adoption).
  - (f) the power to delegate any of its powers to any joint committee established for any relevant purpose under clause 32, Schedule 7 of the Local Government Act 2002

**Finance and Corporate Committee Meeting Minutes**

**Date:** Thursday, 26 April, 2018  
**Time:** 9:00 a.m.  
**Location:** Council Chamber  
Forum North, Rust Avenue  
Whangarei

<b>In Attendance</b>	<b>Her Worship the Mayor Sheryl Mai</b> <b>(Chairperson)</b> <b>Cr Stu Bell</b> <b>Cr Gavin Benney</b> <b>Cr Crichton Christie</b> <b>Cr Vince Cocurullo</b> <b>Cr Tricia Cutforth</b> <b>Cr Shelley Deeming</b> <b>Cr Sue Glen</b> <b>Cr Phil Halse</b> <b>Cr Cherry Hermon</b> <b>Cr Greg Innes</b> <b>Cr Greg Martin</b> <b>Cr Sharon Morgan</b>
<b>Not in Attendance</b>	<b>Cr Anna Murphy</b>
<b>Scribe</b>	<b>C Brindle (Senior Democracy Adviser)</b>

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**1. Declarations of Interest****2. Apologies**

Cr Anna Murphy

**Moved By** Her Worship the Mayor

**Seconded By** Cr Tricia Cutforth

That the apology be sustained.

**Carried**

**3. Confirmation of Minutes of Previous Finance and Corporate Committee Meeting**

**3.1 Minutes Finance and Corporate Committee 29 March 2018**

**Moved By** Cr Greg Martin

**Seconded By** Cr Greg Innes

That the minutes of the Finance and Corporate Committee meeting held on Thursday 29 March 2018, having been circulated, be taken as read and now confirmed and adopted as a true and correct record of proceedings of that meeting.

**Carried**

**4. Information Reports**

**4.1 Financial Report for the 9 months ending 31 March 2018**

**Moved By** Cr Stu Bell

**Seconded By** Cr Sue Glen

That the Finance and Corporate Committee notes the operating results for the nine months ending 31 March 2018.

**Carried**

**4.2 Corporate Capital Projects Report for the month ending 31 March 2018**

**Moved By** Cr Stu Bell

**Seconded By** Cr Greg Innes

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 31 March 2018.

**Carried**

**4.3 Whangarei District Council Credit Rating**

**Moved By** Cr Stu Bell

**Seconded By** Cr Sue Glen

That the Finance and Corporate Committee receives the 2018 Standard and Poors credit rating report and notes its contents.

**Carried**

**4.4 Operational Report - Finance and Corporate - April 2018****Moved By** Cr Greg Innes**Seconded By** Cr Cherry Hermon

That the Finance and Corporate Committee notes the operational report for April 2018.

**Carried***Cr Bell left the meeting at 9.41am during item 4.4**Cr Bell returned to the meeting at 9.57am during item 4.4***5. Public Excluded Business**

There was no business conducted in public excluded.

**6. Closure of Meeting**

The meeting concluded at 10.03am.

Confirmed this 31<sup>st</sup> day of May 2018

Cr Shelley Deeming (Chairperson)





## 4.1 Treasury Risk Management Policy (Including the Liability Management Policy and Investment Policy) Review

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 31 May 2018  
**Reporting officer:** Alan Adcock (Group Manager – Corporate / CFO)

### 1 Purpose

To approve proposed amendments to the Treasury Risk Management Policy including the Liability Management Policy and Investment Policy.

### 2 Recommendation

That the Finance and Corporate Committee:

1. Approves amendments to the Treasury Risk Management Policy which includes:
  - a. The Liability Management Policy
  - b. The Investment Policy

### 3 Background

Under Section 102 of the Local Government Act 2002 Council must adopt a number of funding and financial policies. These include a Liability Management Policy and an Investment Policy. The Treasury Risk Management Policy including the Liability Management Policy and Investment Policy requires a triennial review.

### 4 Discussion

While the policy has remained mostly the same, a number of minor changes have been made to the 2015-2025 Long Term Plan with the key changes detailed below:

Change:	Reason:
Added a ratio within borrowing limits – net interest on external debt/total revenue must be less than 20%. *	Align our ratios to the LGFA lending covenants
Added LGFA lending covenants ratios for each of the borrowing limits. *	Allow comparison of self-imposed limits to externally imposed limits

Increased the ability for Council to enter in to interest rate swaps/derivatives with maturity dates in line with the longest dated LGFA bond (currently 2033)	Allows flexibility to borrow through LGFA if they introduce longer dated bonds
Added the ability to have a funding maturity profile outside approved limits provided it re-aligns within 90 days	Reduces the need to make short term treasury decisions based on minor timing differences
Removed the appendices	These were operational in nature and not required as part of the policy.

\* Updated borrowing limits table shown below:

Item	Borrowing Limit	LGFA Lending Covenants
Net External Debt / Total Revenue	<175%	<250%
Net Interest on External Debt / Total Revenue	<20%	<20%
Net Interest on External Debt / Annual Rates Income	<25%	<30%
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	>110%	>110%

## 5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

## 6 Attachments

Treasury Risk Management Policy (Including the Liability Management Policy and Investment Policy)

# **Whangarei District Council Policy**

## ***Treasury Risk Management Policy***

***Including the Liability  
Management Policy and  
Investment Policy***

***Policy #0088***

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Financial Services Finance Department
Policy Author		Review date	31 <sup>st</sup> May 2018

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Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> <u>Finance Department</u>
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

## Legislative Requirement

- Included within this policy are the Liability Management policy and the Investment Policy as required by the Local Government Act 2002 s102(2).

## Purpose

The purpose of the Treasury Risk Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Whangarei District Council ("WDC"). The formalisation of such policies and procedures will enable treasury risks within WDC to be prudently managed.

## Scope

- This document identifies the policy of WDC in respect of treasury management activities.
- The Policy has not been prepared to cover other aspects of WDC's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of WDC cover these matters.

## Treasury management objectives

The objective of this Policy is to control and manage debt costs and investment returns that can influence operational budgets and public equity and set debt levels. Specifically:

### Statutory objectives

- All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process, with limits on borrowing set within the Financial Strategy, or resolution of Council before the borrowing is effected.
- Legal compliance will be maintained by seeking advice where appropriate on loan and financial instrument documentation.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
  - The period of indebtedness is less than 91 days (including rollovers); or
  - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate \$250,000, or an amount determined by resolution of Council.
- Council routinely sets aside retentions following completion of construction or other large scale engineering contracts which is a deferral of payment in accordance with standard industry practices.

### General objectives

- Minimise Council's costs and risks in the management of its external borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy so as to protect Council's financial assets and manage costs.

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<b>Financial Services Finance Department</b>
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

- Arrange and structure external long term funding for Council at a favourable margin and cost from debt lenders. Optimise flexibility and spread of debt maturity terms within the funding risk limits established by this Policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this Policy.
- Monitor Council's return on investments.
- Ensure Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- Ensure that financial planning will not impose an unequitable spread of costs/benefits over current and future ratepayers.
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, [credit rating agencies](#), investors and investment counterparties.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within WDC continue to be well managed. In addition, regular reviews will be conducted to test the existing Policy against the following criteria:

- Industry "best practices" for a Council the size and type of WDC.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on WDC's financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks and other associated risks.
- The operations of a pro-active treasury function in an environment of control and compliance.
- The robustness of the Policy's risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.
- Assistance to WDC in achieving strategic objectives.

It is intended that the Policy be distributed to all personnel involved in any aspect of the WDC's financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

## Policy

### Liability Management Policy

#### Introduction

Council's liabilities comprise of borrowings (external/internal) and various other liabilities. Council maintains external borrowings in order to:

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<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

- Raise specific debt associated with projects and capital expenditures.
- Fund the balance sheet as a whole, including working capital requirements.
- Fund assets whose useful lives extend over several generations of ratepayers.

Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the cost are met by those ratepayers benefiting from the investment.

### Borrowing limits

Debt will be managed within the following limits as per the Financial Strategy:

Item	Borrowing Limit	LGFA Lending Covenants
Net External Debt / Total Revenue	< <del>150</del> 175%	<250%
<u>Net Interest on External Debt / Total Revenue</u>	<20%	<20%
Net Interest on External Debt / Annual Rates Income	<25%	<30%
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	>110%	>110%

The above policies are in line\* with the LGFA foundation policy and are below conservative ratios set as guidelines by the international rating agency, Standard and Poor's.

\*The limit for Net External Debt / Total Revenue has been set by Council at ~~175~~50% in the ~~2015~~2018-285 Financial Strategy. This is more conservative than the corresponding limit set by the LGFA, which is ~~250~~175%.

- Total Revenue is defined as cash earnings from rates, government capital grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets).
- Net external debt is defined as total external debt less liquid financial assets and investments.
- Liquidity is defined as external term debt plus committed bank facilities plus liquid investments divided by current external debt. Liquid investments are assets defined as being:
  - Overnight bank cash deposits
  - Wholesale/retail bank term deposits no greater than 30 days
  - Bank issued RCD's less than 181 days
  - \*○ Wholesale/ retail bank term deposits linked to pre funding of maturing term debt exposures
- Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
- Financial covenants are measured on Council only not consolidated group.
- Disaster recovery requirements are to be met through the liquidity ratio and special funds.

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### Asset management plans

In approving new debt Council considers the impact on its external borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP and Financial Strategy.

### Borrowing mechanisms

Council is able to externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, LGFA, accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:

- Available terms from banks, LGFA, debt capital markets and loan stock issuance.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
- The market's outlook on future [credit margins and](#) interest rate movements as well as its own.
- Legal documentation and financial covenants [together with security and credit rating](#) considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, financial institutions/brokers [and maintaining a strong credit rating](#).

### Security

Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government Rating Act. The security offered by Council ranks equally or *pari passu* with other lenders.

From time to time, and with Council approval, security may be offered by providing a charge over one or more of Council's assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance).
- Council considers a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the security arrangement.

### Debt repayment

The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.



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### Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed NZ\$0.5 million in aggregate or if attached to a property.

Other financial arrangements include:

- Rural housing loans.
- Tenant contribution flats.
- Rural water supply loans.
- Advances to community organisations and trusts .
- Heritage trust loans.

Conditions to financial arrangements, such as loan advances, are specified in section 5.5.5.

### Internal borrowing

Council uses its reserves and external borrowing to internally fund both capital expenditure and working capital. Council approves overall borrowing by resolution during the annual planning and/or LTP process. The finance function is responsible for administering Council's internal loan portfolio.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies, as savings are created by eliminating the margin that would be paid through Council separately investing and borrowing externally. In addition to external borrowing mechanisms all reserve accounts are used for internal borrowing purposes.

- Interest is set quarterly on all internal loans at the weighted average cost of external borrowing (including credit margin and other related costs).
- Interest on investment (reserve) balances is set quarterly at the 90 day Bank Bill rate. No adjustment is included for treasury related operational costs.

### New Zealand Local Government Funding Agency (LGFA) Limited Investment

Despite anything earlier in this Policy, Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

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## Investment Policy

### Introduction

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Specific purposes for maintaining investments include:

- For strategic purposes consistent with Council's LTP.
- To reduce the current ratepayer burden.
- The retention of vested land.
- Holding short term investments for working capital requirements.
- Holding investments that are necessary to carry out Council operations consistent with Annual Plans, to implement strategic initiatives, or to support inter-generational allocations.
- Holding assets (such as property) for commercial returns.
- Provide ready cash in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets.
- Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves.
- Invest proceeds from the sale of assets.
- Providing funding to retain continuity of community/social functions where there are no other viable alternatives.

Council recognises that as a responsible public authority all investments held, should be low risk. Council also recognises that low risk investments generally mean lower returns.

Council can internally borrow from reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

### Objectives

In its financial investment activity, Council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/ return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are acceptable. Council will act effectively and appropriately to:

- Protect Council's investments.
- Ensure the investments benefit Council's ratepayers.
- Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

### Policy

Council's general policy on investments is that:

- Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
- Council will keep under review its approach to all major investments and the credit rating of approved financial institutions.
- Council will review its policies on holding investments at least once every three years.

### Acquisition of new investments

With the exception of financial investments, new investments are acquired if an opportunity arises and approval is given by Council, based on advice and recommendations from Council officers. Before approving

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any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The authority to acquire financial investments is delegated to the **GMSSCFO**.

## Investment mix

### Equity investments

<b>Council holds the following shares:</b>
<ul style="list-style-type: none"> <li>▪ Springs Flat Contractors Ltd (100%)</li> <li>▪ New Zealand Local Government Insurance Corporation Ltd (acquired by virtue of WDC being a local authority)</li> <li>▪ New Zealand Local Government Funding Agency Limited</li> </ul>
<b>Council's current joint ventures:</b>
<ul style="list-style-type: none"> <li>▪ Council is a 50% partner in the Whangarei District Airport. The other 50% partner is the New Zealand Airways Corporation.</li> <li>▪ Council is a 50% shareholder in the Northland Regional Landfill Limited Partnership. The other 50% partner is Northland Waste Limited.</li> </ul>

Equity investments, including investments held in CCO/CCTO and other shareholdings.

Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP. Equity investments may be held where Council considers there to be strategic community value.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and their stated philosophy on investments.

Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring.

Dividends received from CCO's/CCTO's and unlisted companies not controlled by Council are used firstly to repay debt in relation to that investment. Then, unless otherwise directed by Council, used to reduce other Council debt.

Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then utilised to reduce other council debt. Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

### New Zealand Local Government Funding Agency Limited investment

Despite anything earlier in this Policy, Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

Council's objective in making any such investment will be to:

- Obtain a return on the investment.
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for Council.

Because of these dual objectives, Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, Council subscribes for uncalled capital in the LGFA and is a Guarantor.

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Notwithstanding the counterparty credit risk limits set in this policy, Council may invest in financial instruments issued by the LGFA up to a maximum of \$50 million.

### Property investments

Council owns property investments for strategic and commercial purposes. Commercial Property Portfolio properties will only be purchased where such properties are in accordance with the Property Policy.

Council reviews ownership through assessing the benefits including financial returns, in comparison to other arrangements that could deliver the similar results.

Surpluses generated from commercial and semi commercial property investments are treated as an internal dividend to Council. Other surpluses from property are treated as income in the related Council activity.

Property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with Committees.

Property purchases are supported by registered valuations and where appropriate a full business case analysis. Council will not purchase properties on a speculative basis.

Any funds received from the sale of commercial properties from the Commercial Property portfolio will be dealt with in accordance with the Property Policy which currently requires funds to be transferred to a Property Reinvestment Reserve. (PRR). Sale of other properties may require a portion of the sale price to be transferred to this reserve. This fund is subject to Councils Property Policy.

### Financial investments

#### Objectives

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in the "Counterpart Credit Limits" section of this policy. Credit ratings are monitored and reported quarterly to Council.

Council may invest in approved financial instruments as set out in the "Approved Financial Instruments" section of this policy. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:

- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
- Council may choose to hold specific reserves in cash and direct what happens to that investment income. In effect the income from financial investments will be an interest income stream into the treasury activity. The treasury activity pays interest on special funds and reserves.
- Internal borrowing will be used wherever possible to avoid external borrowing.
- Financial investments do not include shares.

#### Special funds and reserve funds

Liquid assets are not required to be held against special funds and reserve funds. Instead Council will internally borrow or utilise these funds wherever possible.

#### Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the Trust. If the Trust's investment policy is not specified then this policy should apply.

#### Loan Advances

Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes. New loan advances are by Council resolution only. Council does not lend money,

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or provide any other financial accommodation, to a CCO or CCTO on terms and conditions that are more favourable than those that would apply if Council were borrowing the money or obtaining the financial accommodation.

Council does not lend to CCTO's on more favourable terms than what it can achieve itself, without charging any rate or rate revenue as security.

Advances to charitable trusts, and community organisations do not have to be on a fully commercial basis. Where advances are made to charitable trusts and community organisations at below Council's cost of borrowing. The additional cost is treated as an annual grant to the organisation.

Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

### Departures from normal Policy

Council may, in its discretion, depart from the Investment Policies where it considers that the departure would advance its broader social or other policy objectives. Any resolution authorising an investment under this provision shall note that it departs from Council's ordinary policy and the reasons justifying that departure.

### Investment management and reporting procedures

Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained. The daily cash position is monitored and managed through the Daily Cash Position-Flow Report, and long-term cashflow through the annual Cashflow Forecast. To best manage funding gaps, Council's financial investment maturities are matched with Council's forecast cash flow requirements.

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed through regular reporting (detailed within section 9.2).

### Risk recognition / identification management

The definition and recognition of liquidity, funding, interest rate, counterparty credit, operational and legal risk of Council is detailed below and applies to both the Liability Management Policy and Investment Policy.

#### Interest rate risk

##### Risk recognition

Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the LTP or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions/returns/feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

##### Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's net external debt should be within the following fixed/floating interest rate risk control limit.

Net external debt is defined as total external debt less liquid financial assets and investments (note: DIA definition of net debt is financial liabilities less financial assets). This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed

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Current	50%	95%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	15%	70%
Year 7	<del>05%</del>	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%
<u>Year 16</u>	<u>0%</u>	<u>20%</u>

A fixed rate maturity profile that is outside the above limits, but self corrects in less than 90-days is not in breach of this Policy. However, maintaining a maturity profile outside of the above limits beyond 90-days requires specific approval by Council.

- “Fixed Rate” is defined as an interest rate repricing date beyond 12 months.
- “Floating Rate” is defined as an interest rate repricing within 12 months.
- The percentages are calculated on the projected net debt level calculated by management (signed off by the **GMSSCFO**).
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate derivatives with a maturity beyond 16 years must be approved by Council through a specific approval. The exception to this will be if Council raises LGFA funding as fixed rate and this maturity is beyond 16 years.
- Hedging outside the above risk parameters must be approved by Council.
- Interest rate options must not be sold outright. However, one for one collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- Purchased borrower swaptions must mature within 24 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate cannot be counted as part of the fixed rate hedge percentage calculation.
- The forward start period on swap/collar strategies is to be no more than 24 months, unless the forward starting swap/collar starts on the expiry date of an existing fixed interest rate instrument (i.e. either

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derivative or fixed rate borrowings) and has a notional amount which is no more than that of the existing fixed interest rate instrument.

#### Approved financial instruments

Approved financial instruments (which do not include shares or equities) are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Loan stock /bond issuance <ul style="list-style-type: none"> <li>Floating Rate Note (FRN)</li> <li>Fixed Rate Note (MTN)</li> </ul> Commercial paper (CP)/Promissory notes
Investments (term <181 days)	Short term bank deposits Bank <u>registered</u> certificates of deposit (RCDs) <u>Treasury bills</u>
Investments (other)	LGFA borrower notes <u>Bank term deposits linked to pre funding maturing debt up to 18 months.</u>
Interest rate risk management	Forward rate agreements ("FRAs") on: <ul style="list-style-type: none"> <li>Bank bills</li> </ul> Interest rate swaps including: <ul style="list-style-type: none"> <li>Forward start swaps/<u>collars</u>. Start date &lt;24 months, unless linked to existing maturing <del>swaps/collars</del><u>fixed interest rate instruments</u></li> <li>Swap extensions and shortenings</li> </ul> Interest rate options on: <ul style="list-style-type: none"> <li>Bank bills (purchased caps and one for one collars)</li> <li>Interest rate swaptions (purchased swaptions and one for one collars only)</li> </ul>
Foreign exchange management	<ul style="list-style-type: none"> <li>Spot foreign exchange</li> <li>Forward exchange contracts (including par forwards)</li> <li>Purchased options</li> </ul>

Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded;

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.



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## Liquidity Risk/Funding Risk

### Risk recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

The management of Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to Council experiences its own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of Council investment assets.
- Financial market shocks from domestic or global events.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

### Liquidity/funding risk control limits

- External term loans and committed debt facilities together with available liquid investments must be maintained at an amount of 110% over existing external debt.
- Council has the ability to pre-fund up to 128 months forecast debt requirements including re-financings. [Debt re-financings that have been pre funded, will remain included within the funding maturity profile until their maturity date.](#)
- The ~~GMSSCFO~~ has the discretionary authority to re-finance existing external debt on more ~~acceptable~~~~favourable~~ terms. Such action is to be reported to the ~~GEOCE~~ and the ~~Finance Committee~~~~Finance and Corporate Committee~~ at the earliest opportunity.

The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to be controlled by the following system:

Period	Minimum %	Maximum %
0 to 3 years	10%	60%
3 to 5 years	15%	60%
5 years plus	15%	60%

- [A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council](#)
- [To minimise concentration risk the LGFA require that not more than the greater of NZD 100 million or 33% of a Councils borrowings from the LGFA will mature in any 12 month period.](#)

~~A maturity schedule outside these limits will require specific Council approval.~~

### Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Council is a party. The credit risk to Council in a default event will be weighted differently depending on the type of instrument entered into.



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Credit risk will be regularly reviewed by the ~~Finance Committee~~ Finance and Corporate Committee. Treasury related transactions would only be entered into with organisations specifically approved by Council.

Counterparties and limits can only be approved on the basis of long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A and above and/or short term rating of A-1 or above.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits:

Counterparty/Issuer	Minimum S&P long term / short term credit rating	Investments maximum per counterparty (\$m)	Risk management instruments maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	none	Unlimited
Local Government Funding Agency (LGFA)	N/A	50.0	none	50.0
NZ Registered Bank	A/ A-1	20.0	25.0	45.0

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Principal × Weighting 100% (unless a legal right of set-off exists).
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.

Each transaction should be entered into a treasury spreadsheet or Treasury Management System and a monthly report prepared to show assessed counterparty actual exposure versus limits.

Individual counterparty limits are kept in a spreadsheet or Treasury Management System by management and updated on a day to day basis. Credit ratings should be reviewed as per delegations in Appendix A on an ongoing basis and in the event of material credit downgrades should be immediately reported to the ~~GMSSCFO~~ and assessed against exposure limits. Counterparties exceeding limits should be reported to the ~~Finance Committee~~ Finance and Corporate Committee.

### Risk management

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. Maturities should be well spread. The approval process must take into account the liquidity of the market and prevailing market conditions the instrument is traded in and repriced from.

### Foreign currency

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts can be used by WDC. Council may purchase currency options as a protection against adverse currency movements. The option term must be no longer than six months.

All foreign transactions over NZD25,000 must be reported to the ~~Financial Controller~~ Finance Manager and/or ~~Group Manager Support Services~~ CFO prior to the placement of an order.

All transactions can only be entered into with banks on council's approved counterparty list (contained within the Investment Policy).

All transactions over NZD25,000 should be included in the monthly ~~Finance Committee~~ Finance and Corporate Committee agenda.

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Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency. Council does not hold investments denominated in foreign currency.

### Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.

Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood.
- Too much reliance is often placed on the specialised skills of one or two people.
- Most treasury instruments are executed over the phone.
- Operational risk is minimised through the adoption of all requirements of this Policy.

### Dealing authorities and limits

Transactions will only be executed by those persons and within limits approved by Council.

### Segregation of duties

As there are a small number of people involved in the treasury activities, adequate segregation of duties among the core functions of deal execution, confirmation, settling and accounting/reporting is not strictly achievable. ~~The risk will be minimised by the processes outlined in Appendix C which the CEO may amend as per their delegated authority without requiring Council resolution.~~ The Finance Department's operating procedures aim to reduce this risk as much as possible.

### Legal risk

Legal risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, WDC may be exposed to such risks.

WDC will seek to minimise this risk by adopting policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

### Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council.

Council's internal/appointed legal counsel must sign off on all documentation.

### Financial covenants and other obligations

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

### Measuring Treasury Performance

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis.

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Management	Performance
Operational performance	<ul style="list-style-type: none"> <li>All policy limits must be complied with, including (but not limited to) counterparty credit limits, control limits and exposure limits.</li> <li>All treasury deadlines are to be met, including reporting deadlines.</li> </ul>
Management of debt and interest rate risk (borrowing costs)	<ul style="list-style-type: none"> <li>The actual borrowing cost (taking into consideration any costs/benefits of entering into interest rate management transactions) should be below the budgeted YTD/annual interest cost amount.</li> <li>Council's Weighted Average Cost of Capital (WACC) is made up of a wholesale interest rate portion and a margin on debt portion. Current WACC is to be measured and compared to a benchmark figure as calculated below: <ul style="list-style-type: none"> <li>The wholesale interest rate is the mid-point policy benchmark rate. Council's policy mid-point represents an average term of 7-years. The market benchmark rate will be calculated every month and represent the 7-year swap rate monthly rolling average over a 7-year period.</li> <li><del>The market benchmark margin (representing where an equivalent credit rated Council funds at the equivalent funding duration) is added to the benchmark interest rate to provide a correct comparison to actual all-up borrowing costs.</del> <ul style="list-style-type: none"> <li><del>As an example, if Council is AA- with an average term of funding of 5 years, then the 5 year rolling average market benchmark rate for AA- Councils using the 5 year margin is applied for the month. If at the next month, Council's average term increases to 7-years, then the 7 year rolling average market benchmark rate for AA- Councils using the 7-year margin is applied for that month.</del></li> </ul> </li> </ul> </li> </ul>

## Policy review

The Policy is to be formally reviewed on a triennial basis as a minimum.

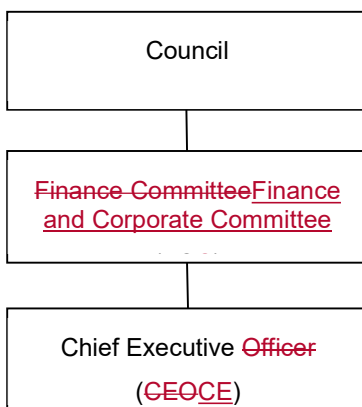
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## Procedures, Processes, Standards & Guidelines

### Governance and management responsibilities

#### Overview of management structure

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, roles\*, reporting lines and treasury duties and responsibilities are outlined in the following section:



\*Reference is also made to other roles reporting to the GEOCE which may change from time to time without requiring Council review of this policy.

Note: Council also has an Audit & Risk Committee which may review treasury functions from time to time.

~~The current treasury management structure can be found in Appendix A and may be amended by the CEO as per their delegated authority without requiring Council resolution.~~

#### Council

Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect Council decides the level and nature of risks that are acceptable, given the underlying objectives of WDC.

Council is responsible for approving the Policy. While the Policy can be reviewed and changes recommended by other persons, the authority to make or change Policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of WDC through the Long Term Plan (LTP) and Financial Strategy along with the adopted Annual Plan.
- Approve and adopt the Liability Management and Investment Policies which are included within this policy.
- Approving the Policy following recommendation by the ~~Finance Committee~~Finance and Corporate Committee, incorporating the following delegated authorities:
  - Borrowing, investment and dealing limits and the respective authority levels delegated to the GEOCE, GMSSCFO and other management.
  - Counterparties and credit limits.
  - Risk management methodologies and benchmarks.
  - Guidelines for the use of financial instruments.
  - Receive a triennial review report on the Policy.

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- Approval for one-off transactions falling outside Policy.

### ~~Finance Committee~~ Finance and Corporate Committee (FCFCC)

Under delegation from Council and as per Terms of Reference:

- Evaluate and approve amendments to Policy.
- Reviewing debt levels for compliance with Councils Annual Plan, Long Term Plan or specific Council resolution and this Policy.
- Review treasury activity through monthly reporting, supplemented by exception reporting.
- Delegating authority to the ~~GEOCE~~ and other officers.

### ~~GEOCE~~

While Council has final responsibility for the Policy governing the management of Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the Chief Executive.

In respect of treasury management activities, the Chief Executive's responsibilities include:

- Ensuring that the policies comply with existing and new legislation.
- Approving the register of authorised signatories.
- Approving new counterparties and counterparty limits.
- In conjunction with the ~~Strategic~~ Leadership Team, approving new external borrowing undertaken in line with Council resolution and approved borrowing strategy.
- In conjunction with the ~~Strategic~~ Leadership Team, approving the opening and closing of bank accounts.
- Receiving advice of non-compliance of Policy and significant treasury events from the ~~GMSSCFO~~.

### Delegation of authority and authority limits

*The current delegations for ~~GEOCE~~ and below can be found in Appendix B and may be amended by the CEO as per their delegated authority without requiring Council resolution. are included in the Delegations Policy and included as part of the Finance Department's operating procedures.*

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Council has the following responsibilities, either directly itself, or via the following stated delegated authorities:

Title	Roles and Delegations	Limit	Comments
Approving and changing Policy	Council	Unlimited	This is a role of Council

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Approve external borrowing for year as set out in the AP/LTP/Financial Strategy.	Council	Unlimited (subject to legislative and other regulatory limitations)	This is a role of Council
Acquisition and disposition of investments other than financial investments	Council	Unlimited	This is a role of Council
Approval for charging assets as security over borrowing	Council	Unlimited	This is a role of Council
Approving transactions outside Policy	<del>FCFCC</del> (delegated by Council)	Unlimited	As per Terms of Reference

## Cash management

~~Finance~~ial Services (see appendix A) has the responsibility to carry out the day-to-day cash and short-term cash management activities. All cash inflows and outflows pass through bank accounts controlled by the finance function.

- ~~Finance~~ial Services will calculate and maintain comprehensive rolling cash flow projections on a daily (two weeks forward), weekly (four weeks forward) and monthly (12 months forward) basis. These cash flow forecasts determine Council's borrowing requirements and surpluses for investment.
- On a daily basis, electronically download all Council bank account information.
- Co-ordinate Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters.
- Undertake short term borrowing functions as required, minimising overdraft costs.
- Ensure efficient cash management through improvement to forecasting.
- Minimise fees and bank charges by optimising bank account/facility structures.
- Monitor Council's usage of overdraft and committed bank facilities. Overdraft facilities are utilised as little as practical. Committed bank overdraft facilities of not more than \$500,000 are maintained.
- Match future cash flows to smooth overall timeline.
- Provide reports detailing actual cash flows during the month compared with those budgeted.
- Maximise the return from available funds by ensuring significant payments are made within the suppliers payment terms, but no earlier than required, unless there is a financial benefit from doing so.
- Interest rate management on cash management balances is not permitted.
- Cash is invested for a term of no more 181 days and in approved instruments and counterparties.

## Reporting

When budgeting interest costs, the actual physical position of existing loans and interest rate instruments must be taken into account.

### Treasury reporting

Current treasury reporting ~~can be found in Appendix D and may be amended by the CEO as per their delegated authority, without requiring Council resolution.~~ is included within Council's monthly Treasury Report which is presented to the Finance and Corporate Committee.

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### Monitoring and reporting of investments

Within one month following the signing of the annual financial statements of a Council Organisation, Council Controlled Organisation or a Council Controlled Trading Organisation:

- a report of the operations of the organisation during the financial year
- a Statement of Financial Position
- a Statement of Financial Performance
- a Statement of Cashflows
- such other statements as required by Council to enable the performance of the organisation to be measured in accordance with the statement of intent and policy objectives.

### Accounting treatment of financial instruments

Council uses financial arrangements ("derivatives") for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of derivatives in a broad sense. Further detail of accounting treatment is contained within the appropriate operations and procedures manual.

Under NZ IPSAS changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

Council's principal objective is to actively manage Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's annual accounts.

The ~~GMSSCFO~~ is responsible for advising the ~~CEOCE~~ of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.

## Relevant Legislation

- WDC is governed by the following relevant legislation:
  - Local Government Act 2002, in particular Part 6 including sections 101, 102, 104, 105, 112 to 116.
  - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
  - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments.

## Related Policies and Documents

Financial Strategy

LTP

Annual Plan

Property Policy

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> <u>Finance Department</u>
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

## Adoption

~~Delete once complete~~—Provide for sign off of policy prior to adoption here along with the details of adoption by Council or a Committee.

This Policy has been approved for adoption by the ~~Financial Controller~~Finance Manager and the General Manager Corporate/CFO~~Group Manager Support Services~~

\_\_\_\_\_  
~~Financial Controller~~Finance Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
~~Group Manager Support Services~~General Manager Corporate/CFO

\_\_\_\_\_  
Date

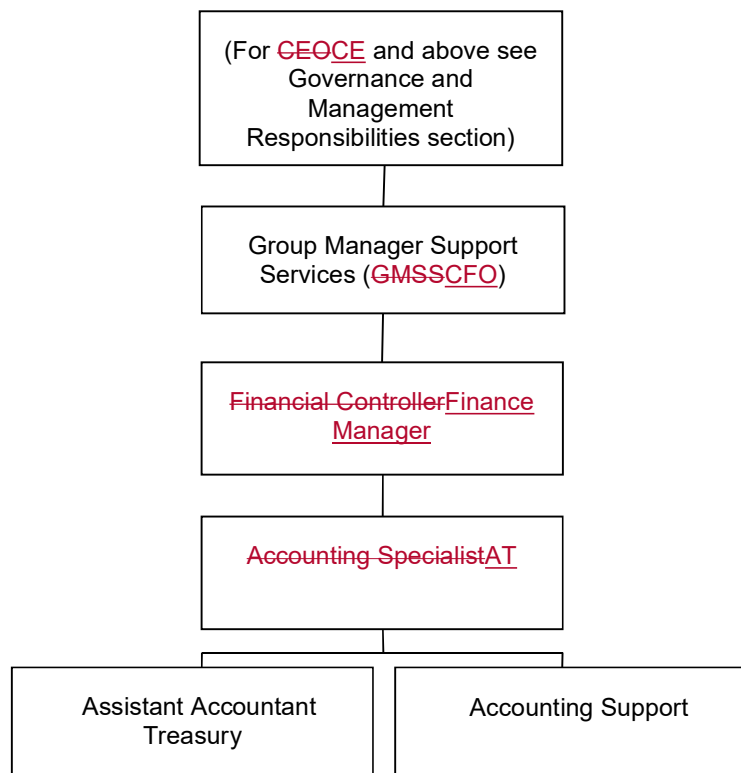
Policy adopted by XXXXXXXX Resolution on XX XXXXXXXXXXXX 20XX



Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	<del>Financial Services</del> <u>Finance Department</u>
Policy Author		Review date	31 <sup>st</sup> May 2018

## Appendix A: ~~Current Treasury Management Structure~~

~~The current treasury management structure may be amended by the CEO as per their delegated authority without requiring Council resolution.~~



### ~~Group Manager Support Services (GMSS)~~

~~The GMSS's responsibilities are as follows:~~

- ~~▪ Management responsibility for all external borrowing and investment activities as delegated by the CEO.~~
- ~~▪ Recommending Policy changes to the Finance Committee for approval.~~
- ~~▪ Managing the long-term financial position of Council as outlined in the LTP.~~
- ~~▪ Ongoing risk assessment of borrowing and investment activity including procedures and controls.~~
- ~~▪ Approving treasury transactions in accordance with delegated authority.~~
- ~~▪ Authorising the use of approved interest rate management instruments within discretionary authority.~~
- ~~▪ Recommending authorised signatories and delegated authorities in respect of all treasury activities.~~
- ~~▪ Proposing new funding requirements to the CEO, and if required submission to the Finance Committee.~~
- ~~▪ Reviewing and making recommendations on all aspects of the Policy to the CEO, including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments.~~
- ~~▪ Conducting a review, at least triennially, of the Policy, treasury procedures and counterparty limits.~~
- ~~▪ Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives.~~

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<u>Financial Services</u> <u>Finance Department</u>
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

- ~~Authorising external borrowing, investing, interest rate, cash management transactions with bank counterparties. Approving all amendments to Council records arising from checks to counterparty confirmations.~~
- ~~The GMSS has oversight, and approves actions undertaken by the Financial Controller, Assistant Accountant Treasury and Accounting Specialist as per delegated authority.~~

### **Financial Controller**

The Financial Controller's responsibilities are as follows:

- ~~Responsible for overseeing the day to day treasury function as delegated by the GMSS.~~
- ~~Monitoring treasury exposures on a regular basis, including current and forecast cash position, interest rate exposures and borrowings.~~
- ~~Account for all treasury transactions in accordance with legislation and generally accepted accounting principles, Council's accounting and funding and financial policies.~~
- ~~Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.~~
- ~~Review and approve quarterly bank reconciliations.~~
- ~~Reconcile monthly summaries of outstanding financial contracts from bank counterparties to internal records.~~
- ~~Reviewing and approving treasury spreadsheet reconciliation to internal records.~~
- ~~Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.~~
- ~~Check compliance against limits and prepare report on an exceptions basis.~~

### **Accounting Specialist**

The Accounting Specialists' responsibilities are as follows:

~~Monitor all treasury exposures daily.~~ Prepare treasury reports.

- ~~Check all treasury deal confirmations against the treasury spreadsheet, software, deal ticket, and treasury ledger, and report any irregularities immediately to the GMSS.~~

### **Assistant Accountant Treasury**

The Assistant Accountant Treasury's responsibilities are as follows:

- ~~Execution of external borrowing, investment, and interest rate management transactions in accordance with set limits. Investigate financing alternatives to minimise borrowing costs, margins and interest rates, making recommendations to the GMSS as appropriate.~~
- ~~Update treasury spreadsheets/software for all new, re-negotiated and maturing transactions.~~
- ~~Carry out the day to day cash and short term cash management activities.~~
- ~~Co-ordinate the compilation of cash flow forecasts and day-to-day cash management responsibilities.~~
- ~~Handle all administrative aspects of bank counterparty agreements and documentation such as loan agreements and ISDA documents.~~
- ~~Monitor and update credit ratings of approved counterparties~~
- ~~Complete general ledger reconciliations to treasury spreadsheet.~~
- Prepare treasury reports.

### **Accounting Support**

The Accounting Support's responsibilities are as follows:

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> <u>Finance Department</u>
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

- ~~Prepare monthly bank reconciliations~~

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> Finance Department
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

## Appendix B: ~~Current Delegated Authority~~

~~For delegated authority above CEO and see Governance and Management Responsibilities section.~~

~~The current delegations by the CEO may be amended by the CEO as per their delegated authority without requiring Council resolution. The table below outlines the current delegated authority for the current treasury management structure.~~

Key:

~~CEO — Chief Executive Officer~~

~~GMSS — Group Manager Support Services~~

~~GMIS — Group Manager Infrastructure & Services~~

~~GMPG — Group Manager Positive Growth~~

~~GMDL — Group Manager District Living~~

~~FCON — Financial Controller~~

~~AA — Assistant Accountant~~

Title	Delegation	Roles and Delegations	Limit
Authorising list of signatories	Authority to maintain list of bank signatories	CEO	Unlimited
Opening/closing bank accounts	Any two delegated officers are authorised to co-jointly open and close bank accounts	CEO, GMSS, GMIS, GMPG, GMDL	Unlimited
Re-financing existing debt	Any two delegated officers are authorised to co-jointly refinance existing debt	CEO, GMSS, GMIS, GMPG, GMDL, FCON	Subject to Policy
Approving new and reviewing re-financed bank facilities.	Any two delegated officers are authorised to co-jointly approve new and refinanced bank facilities	CEO, GMSS, GMIS, GMPG, GMDL, FCON	Subject to Policy
Arrange new external borrowing in accordance with Council resolution or through the adoption of the AP/LTP/Financial Strategy.	Any two delegated officers are authorised to co-jointly arrange new external borrowing	CEO, GMSS, GMIS, GMPG, GMDL, FCON	Per Council approved AP/LTP/Financial Strategy
Negotiate bank facilities	Authority to negotiate existing bank facilities	GMSS	N/A

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> Finance Department
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

<del>Approve/adjust interest rate instruments</del>	<del>Any two delegated officers are authorised to co-jointly approve new interest rate instruments and adjust existing instruments</del>	<del>CEO, GMSS, GMIS, GMPG, GMDL, ECON</del>	<del>Per risk control limits</del>
<del>Maximum daily transaction amount</del>	<del>Each officer has a daily limit on the amount of borrowing, investing, interest rate risk management and cash management (excludes roll-overs on debt and interest rate swaps)</del>	<del>Council CEO GMSS AA</del>	<del>Unlimited \$50M \$35M \$10M</del>

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	Financial Services Finance Department
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

## Appendix C: Current Treasury Procedures and Controls

### Current Segregation of Duties

- The GMSS reports directly to the CEO.
- The Financial Controller reports to the GMSS.
- The Accounting Specialist will report directly to the Financial Controller to control the transactional activities of the Assistant Accountant Treasury.
- If the Assistant Accountant Treasury is not able to execute treasury-related deals, the Financial Controller will do so on their behalf given that the Accounting Specialist is responsible for settlement.
- There is a documented approval and reporting process for borrowing, interest rate and liquidity management activity.

### Procedures

All treasury instruments should be recorded and diarised within a treasury spreadsheet or Treasury Management System, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting must be done immediately following execution/confirmation. Details of procedures including templates of deal tickets should be compiled in an appropriate operations and procedures manual separate to this Policy. Procedures should include:

- Regular management reporting.
- Regular risk assessment, including review of procedures and controls as directed by Council or appropriate sub-committee of Council.

Organisational, systems, procedural and reconciliation controls to ensure:

- All borrowing, investing, interest rate and cash management activity is bona fide and properly authorised.
- Checks are in place to ensure Council accounts and records are updated promptly, accurately and completely.
- All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity.

### Organisational controls

- The GMSS has responsibility for establishing appropriate structures, procedures and controls to support borrowing, investing, interest rate and cash management activity.
- All borrowing, investing, cash management and interest rate risk management activity is undertaken in accordance with approved delegations authorised by Council.

### Cheque/electronic banking signatories

- Positions approved by the CEO.
- Current signatories can be found in TRIM 14/19302.
- Dual signatures are required for all cheques and electronic transfers.
- Cheques must be in the name of the counterparty crossed "Not Negotiable, Account Payee Only" or "Not Transferable, Account Payee Only", via Council's bank account.

### Authorised personnel

- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

### Recording of deals

- All deals are recorded on properly formatted deal tickets by the Assistant Accountant Treasury and approved by the GMSS. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) are maintained and updated promptly following completion of transaction.

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> <u>Finance Department</u>
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

#### **Confirmations**

- ~~All inward deal confirmations including LGFA/bank funding and registry confirmations are received and checked by the Accounting Specialist against completed deal tickets and the treasury spreadsheet records to ensure accuracy.~~
- ~~All deliverable securities are held in a secure location e.g. a safe.~~
- ~~Deals, once confirmed, are filed (deal ticket and attached confirmation) by the Assistant Accountant Treasury in deal date/number order.~~
- ~~The Financial Controller checks all dealing activity, deal tickets and confirmations monthly, to ensure documentation is in order.~~
- ~~Any discrepancies arising during deal confirmation checks which require amendment to Council records are signed off by the GMSS.~~

#### **Settlement**

- ~~The majority of borrowing, investing, interest rate and cash management transactions are settled by direct debit authority.~~
- ~~For electronic payments, batches are set up electronically. These batches are checked by the Assistant Accountant Treasury to ensure settlement details are correct. Payment details are authorised by two approved signatories as per Council registers or by direct debit as per setup authority by Council.~~

#### **Reconciliations**

- ~~Bank reconciliations are performed monthly by the Accounting Support and checked and approved by the Financial Controller. Any unresolved un-reconciled items arising during bank statement reconciliation which require amendment to Council's records are signed off by the GMSS.~~
- ~~A monthly reconciliation of the treasury spreadsheet to the general ledger is carried out by the Assistant Accountant Treasury and approved by the Financial Controller.~~

Policy title			
<b>Audience (Primary)</b>	Internal	<b>Business Owner (Dept)</b>	<del>Financial Services</del> Finance Department
<b>Policy Author</b>		<b>Review date</b>	31 <sup>st</sup> May 2018

### Appendix D: Current Treasury Reporting

The following reports are produced:

Report Name	Frequency	Prepared by	Reviewed by	Recipient
Daily Cash Position Treasury Spreadsheet	Daily	Assistant Accountant Treasury	Financial Controller	GMSS
Treasury Exceptions Report	Daily	Assistant Accountant Treasury	Financial Controller	GMSS
<b>Treasury Report</b> <ul style="list-style-type: none"> <li>Policy limit compliance</li> <li>Borrowing limits</li> <li>Funding and Interest Position</li> <li>Funding facility</li> <li>New treasury transactions</li> <li>Cost of funds vs budget</li> <li>Cash flow forecast report</li> <li>Liquidity risk position</li> <li>Counterparty credit</li> <li>Treasury performance</li> <li>Debt maturity profile</li> <li>Treasury investments</li> </ul>	Monthly	Assistant Accountant Treasury	GMSS / Financial Controller	Finance Committee / CEO
Trustee Report	As required by the Trustee	Assistant Accountant Treasury	GMSS	Trustee company



## 5.1 Financial Report for the 10 months ending 30 April 2018

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 31 May 2018  
**Reporting officer:** Alan Adcock (General Manager – Corporate/CFO)

### 1 Purpose

To provide the operating result for the ten months ending 30 April 2018.

### 2 Recommendation

That the Finance and Corporate Committee notes the operating results for the ten months ending 30 April 2018.

### 3 Background

#### 3.1 Operating Result – Full Year Forecast

The year to date position is a surplus of \$16.1 million, compared to a budgeted surplus of \$5.9 million, resulting in a favourable variance of \$10.2 million.

The forecast completed in April indicates a net surplus for the financial year ending 30 June 2018 of \$15.6 million compared with a budgeted surplus of \$9.6 million, resulting in a favourable variance of \$6.0 million.

#### 3.2 Capital Project Expenditure

The Capital Projects expenditure as at 30 April 2018 is currently \$14.9 million less than budget. Council is forecasting to spend a total of \$53.9 million against the \$75.3 million budget, with a forecast carry forward of \$24.8 million. The major carry forwards are:

New Council Premises	\$7.2m
LED Streetlight upgrades	\$2.7m
Sports and Recreation LoS (Pohe Island development)	\$1.9m
New Airport evaluation	\$1.3m
Seawall renewals (Ngunguru)	\$1.5m
Wastewater City LoS (Tawera tank)	\$1.1m
Parihaka transmission mast upgrade	\$0.9m
Cycleways (Rail Corridor)	\$0.8m

### **3.3 External Net Debt and Treasury**

Total net external debt at the end of April 2018 was \$114.4 million compared to year to date revised budgeted net debt of \$135.2 million, resulting in net debt being \$20.7 million under budget.

### **3.4 WDC Treasury Operations**

As at 30 April 2018 cash and term deposits held of \$27.6 million was comprised of:

- \$10.0 million of term deposits relating to short term borrowings not yet required.
- \$12.0 million of term deposits relating to excess cash not currently required.
- \$5.6 million of cash on hand.

#### **Economic Outlook**

The OCR remained at 1.75% in the May MPS as expected. The Reserve Bank stated it is expecting the OCR remain at this level “for a considerable period of time”.

Long term US interest rates have increased with US treasury bond yields pushing above 3.00% for the first time since 2013 due to higher inflation expectations and the Federal Reserves’ indicated timing of interest rate hikes.

Long term NZ rates have followed suit, increasing from 3.06% to 3.26% during April.

## **4 Accounts receivable and arrears**

Total arrears as at 30 April 2018 was \$3.9 million, compared to \$4.1 million in the previous year.

## **5 Significance and engagement**

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council’s Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

## **6 Attachments**

1. Monthly key indicators
2. Monthly activity summary
3. Monthly income statement
4. Capital projects expenditure – graphs
5. Treasury report

**MONTHLY KEY INDICATORS**  
**APRIL 2018**



	YTD to April 2018					Full Year Forecast			
	YTD	Revised	Variance	YTD	YTD	Full Year	Revised	Variance	Full Year
	(Surplus)/ Deficit	Budget (Surplus)/ Deficit	(Surplus)/ Deficit	Indicator	Trend Current / previous month	Forecast (Surplus)/ Deficit	Budget (Surplus)/ Deficit	(Surplus)/ Deficit	Indicator
	\$ m	\$ m	\$ m			\$ m	\$ m	\$ m	
<b>OPERATING</b>									
Total Rates	(76.8)	(76.1)	(0.7)	●		(92.9)	(92.4)	(0.5)	●
User Fees	(17.5)	(17.2)	(0.3)	●		(21.0)	(20.7)	(0.3)	●
Operating Subsidies and Grants	(5.6)	(5.5)	(0.1)	●		(6.4)	(6.6)	0.2	●
Total Operating Income	(104.2)	(101.8)	(2.4)	●	↑	(126.3)	(124.3)	(2.0)	●
Personnel Costs	21.7	23.8	(2.1)	●		26.3	28.2	(1.9)	●
Professional Fees / R&M / Asset Operating Expenditure	22.7	23.7	(1.0)	●		29.6	29.4	0.2	●
Other Operating Expenditure	21.7	22.9	(1.2)	●		29.8	30.0	(0.2)	●
Total Operating Expenditure	104.5	111.5	(7.0)	●	↑	133.1	136.9	(3.8)	●
(Surplus)/Deficit from Operations	0.3	9.7	(9.4)	●	↑	6.8	12.6	(5.8)	●
<b>CAPITAL</b>									
Capital Subsidies	(11.6)	(13.1)	1.5	●		(14.8)	(17.1)	2.3	●
Development Contributions	(4.6)	(2.4)	(2.2)	●		(5.5)	(3.0)	(2.5)	●
Total Capital Income	(16.5)	(15.6)	(0.9)	●	↓	(23.0)	(22.7)	(0.3)	●
External Net Debt	114.4	135.2	(20.8)	●					
Net Interest on debt	5.3	6.3	(1.0)	●		6.7	7.6	(0.9)	●
Total (Surplus) / Deficit	(16.1)	(5.9)	(10.2)	●	↓	(15.6)	(9.6)	(6.0)	●

**Note:** The above information includes excerpts taken from the Monthly Income Statement. The shaded lines above represent key totals from the Monthly Income Statement but are not totals of the lines above.

KEY	
●	Favourable to budget
●	Unfavourable, but within 5% of budget
●	Unfavourable, over 5% of budget
↑	Favourable to previous month
↓	Unfavourable to previous month

**Key Contributors to Unfavourable Variances**

The full year forecast unfavourable variance for subsidies is partly due to carrying forward part of the LED streetlight upgrade.



# MONTHLY ACTIVITY SUMMARY

## APRIL 2018

	YTD to 30 April 2018					Full Year Forecast			
	Actual YTD (Surplus) / Deficit \$m	Budget YTD (Surplus) / Deficit \$m	Variance (Surplus) / Deficit \$m	YTD Indicator	YTD Trend Current / previous month	Full Year Forecast (Surplus) / Deficit \$m	Revised Budget (Surplus) / Deficit \$m	Variance (Surplus) / Deficit \$m	Full Year Indicator
<b>Total Council</b>	(16.1)	(5.9)	(10.2)	●	↑	(15.6)	(9.6)	(6.0)	●
<b>Transportation</b>	7.4	6.7	0.7	●	↓	10.1	7.6	2.5	●
<b>Water</b>	(4.7)	(2.5)	(2.2)	●	↑	(5.5)	(3.6)	(1.9)	●
<b>Solid Waste</b>	(3.3)	(2.9)	(0.4)	●	↓	(3.3)	(3.0)	(0.3)	●
<b>Waste Water</b>	(7.0)	(5.4)	(1.6)	●	↑	(7.3)	(5.9)	(1.4)	●
<b>Storm Water</b>	3.1	3.8	(0.7)	●	↑	3.1	3.5	(0.4)	●
<b>Flood Protection</b>	(0.3)	(0.1)	(0.2)	●	↑	(0.3)	0.0	(0.3)	●
<b>Community Facilities</b>	14.5	16.3	(1.8)	●	↓	23.1	23.8	(0.7)	●
<b>Economic Growth</b>	1.1	1.5	(0.4)	●	↓	0.7	0.8	(0.1)	●
<b>Planning &amp; Regulatory</b>	0.2	0.4	(0.2)	●	↓	0.7	0.7	0.0	●
<b>Support Services</b>	(27.1)	(23.7)	(3.4)	●	↑	(36.8)	(33.4)	(3.4)	●

**KEY:**

Favourable to budget



Unfavourable, but within 5% of budget



Unfavourable, over 5% of budget



Favourable to previous month



Unfavourable to previous month



## MONTHLY INCOME STATEMENT

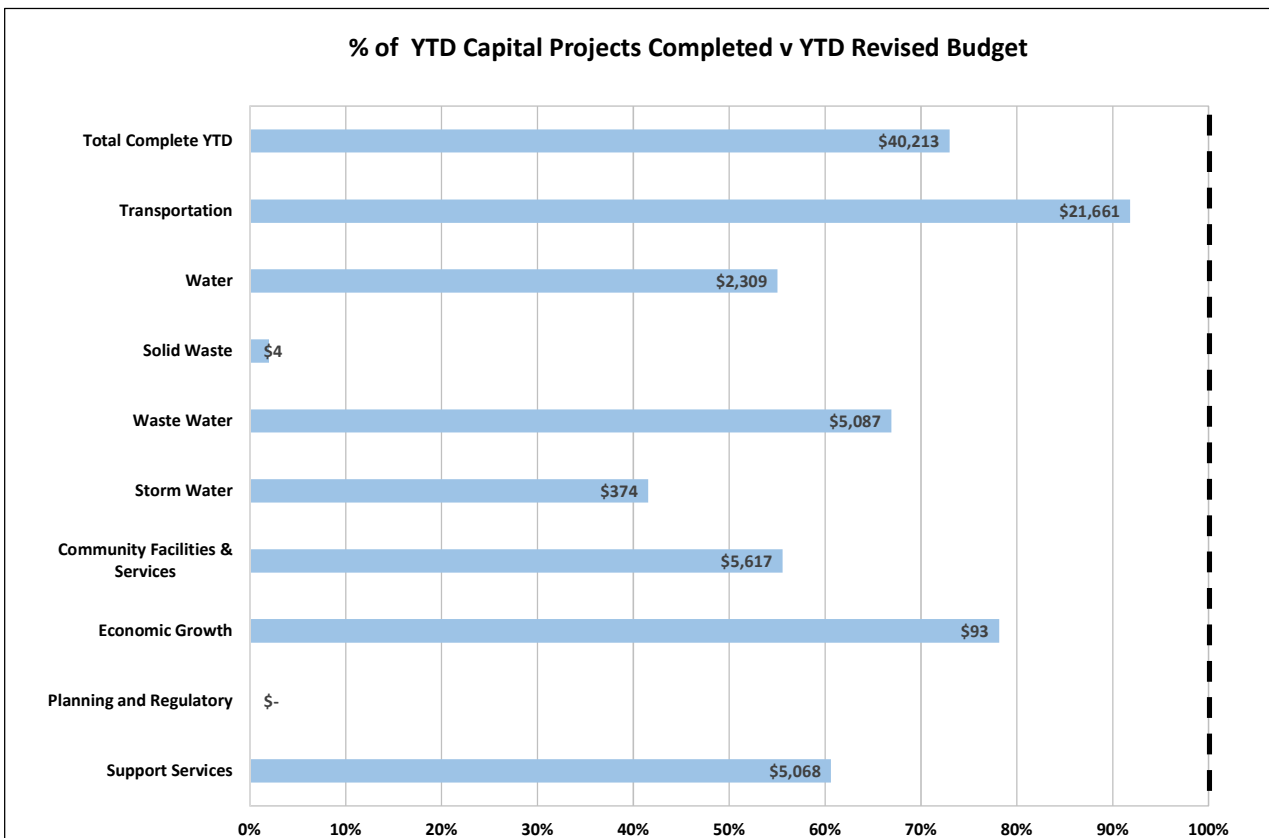
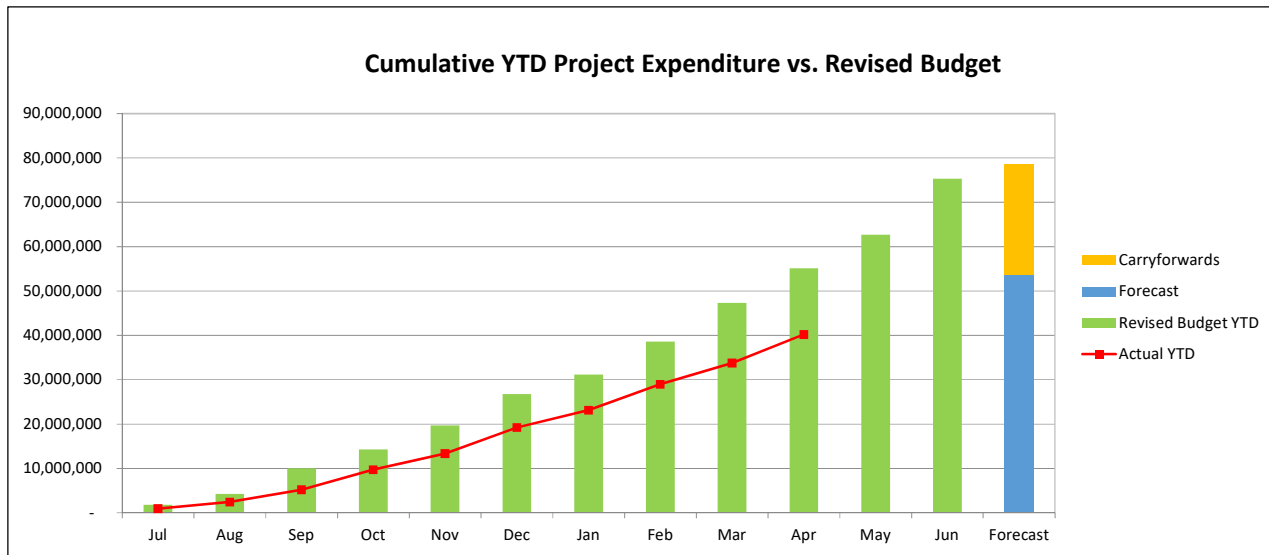
### 30 APRIL 2018

<b>Council Summary</b>	<b>Actual YTD \$000</b>	<b>Revised Budget YTD \$000</b>	<b>Forecast 2017-18 \$000</b>	<b>Revised Budget 2017-18 \$000</b>	<b>Variance 2017-18 \$000</b>
<b>Operating Income</b>					
General Rates	(44,210)	(44,454)	(53,380)	(53,590)	210
Activity Targeted Rates	(21,298)	(21,137)	(25,608)	(25,486)	(122)
Metered water	(11,246)	(10,485)	(13,901)	(13,275)	(626)
User Fees	(17,478)	(17,191)	(21,045)	(20,744)	(301)
Other Income	(3,127)	(2,657)	(4,832)	(4,191)	(641)
Interest Received - Cash Balances	(1,191)	(378)	(1,151)	(394)	(757)
Operating Grants & Subsidies	(5,645)	(5,522)	(6,391)	(6,649)	258
<b>Total Operating Income</b>	<b>(104,196)</b>	<b>(101,824)</b>	<b>(126,308)</b>	<b>(124,329)</b>	<b>(1,979)</b>
<b>Operating Expenditure</b>					
Personnel Costs	21,737	23,786	26,313	28,174	(1,861)
Professional Fees	4,733	4,240	6,295	5,809	485
Repairs and Maintenance	13,823	15,696	18,124	18,710	(586)
Asset Operating Expenditure	4,128	3,742	5,192	4,854	339
Other Operating Expenditure	21,746	22,926	29,786	30,024	(238)
Depreciation	31,905	34,432	39,546	41,322	(1,775)
Interest Expense - External Borrowings	6,451	6,673	7,860	8,009	(149)
<b>Total Operating Expenditure</b>	<b>104,524</b>	<b>111,494</b>	<b>133,116</b>	<b>136,901</b>	<b>(3,785)</b>
<b>(Surplus)/Deficit from Operations</b>	<b>329</b>	<b>9,670</b>	<b>6,808</b>	<b>12,572</b>	<b>(5,764)</b>
<b>Capital Income</b>					
Capital Subsidies	(11,610)	(13,051)	(14,819)	(17,074)	2,255
Capital Scheme Rates	(29)	(29)	(36)	(35)	()
Lump Sum Contributions	(223)	(44)	(127)	(53)	(74)
Development Contributions	(4,602)	(2,441)	(5,477)	(3,028)	(2,449)
Non Cash - Vested Assets	0	0	(2,500)	(2,500)	0
<b>Total Capital Income</b>	<b>(16,464)</b>	<b>(15,566)</b>	<b>(22,958)</b>	<b>(22,689)</b>	<b>(269)</b>
<b>Capital Grant Expenditure</b>					
Capital grant expenditure	9	0	547	540	8
<b>Total Capital Grants</b>	<b>9</b>	<b>0</b>	<b>547</b>	<b>540</b>	<b>8</b>
<b>(Surplus)/Deficit from Operating Capital</b>	<b>(16,455)</b>	<b>(15,566)</b>	<b>(22,411)</b>	<b>(22,150)</b>	<b>(261)</b>
<b>Total (Surplus)/Deficit</b>	<b>(16,127)</b>	<b>(5,895)</b>	<b>(15,603)</b>	<b>(9,578)</b>	<b>(6,025)</b>





## CAPITAL PROJECT EXPENDITURE AS AT 30 APRIL 2018





**TREASURY REPORT**  
**30 APRIL 2018**



**STANDARD AND POORS CREDIT RATING:**

**AA**

Outlook: Stable

**DEBT SUMMARY:**

**As at 30 April 2018**

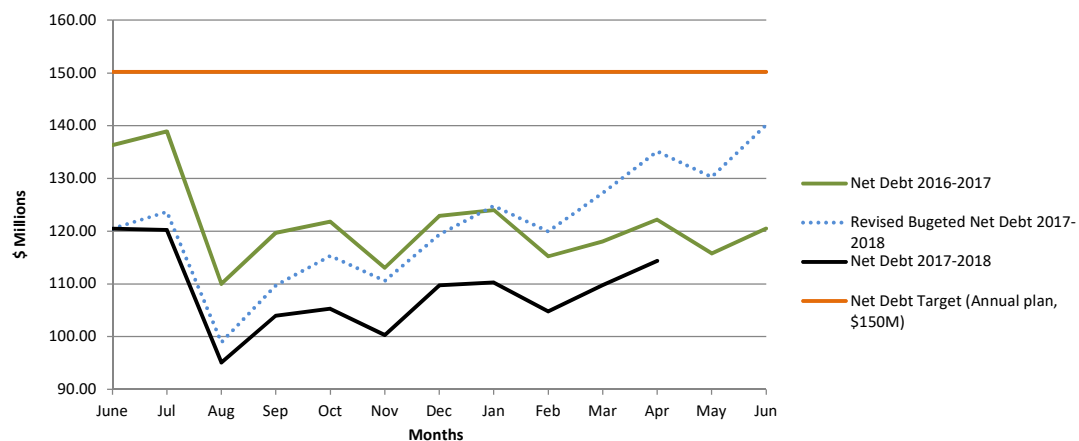
<b>External Debt</b>		
Opening public debt as at 1 April 2018		142,000,000
Plus loans raised during month	5,000,000	
Less loan repayments made during month (Note: Facility movement has been netted)	(5,000,000)	
Net movement in external debt		-
<b>Total External Debt</b>		<b>142,000,000</b>
Less: Cash balances (excluding funds held on behalf)	5,606,552	
Term deposits (Funds held on deposit until required for project funding)	22,000,000	
Total cash and term deposits		27,606,552
<b>Total Net External Debt</b>		<b>114,393,448</b>

*Note: Council also holds \$2.0m of LGFA borrower notes. These are not included in net external debt as per Council's Treasury Risk Management Policy.*

**External debt is represented by:**

Less than 1 Year	29,000,000
1-3 Years	20,000,000
3-5 Years	53,000,000
Greater than 5 Years	40,000,000
<b>Total</b>	<b>142,000,000</b>

**NET EXTERNAL DEBT COMPARED TO BUDGET:**



<b>Internal Funding</b>		
Community Development Funds		10,213,208
Property Reinvestment Reserve - Available for Reinvestment	1,585,335	
Property Reinvestment Reserve - Accumulated	28,699,668	
		30,285,003
Water Reserve		35,932,391
<b>Total</b>		<b>76,430,602</b>

Note: Reserves Funding is disclosed to ensure transparency of Council's use of cashflow management to fund capital works.

Where funds are raised through property sales or targeted rates for Water, but they are not required for immediate investment in that asset category, Council's Revenue and Financing policy allows them to be used for other purposes, rather than being held on deposit.

To ensure total transparency of this we create Reserve Accounts so that the appropriate funding can be made available and transferred back when it is required. The timing of projects requiring these funds is set out in our Long Term Plan (LTP) and/or Annual Plan (AP).

These Reserves are not a liability to an external party, and are not part of Council's debt obligations.

The Property Reinvestment Reserve is split to record funds that were used specifically for capital works in previous years; and a smaller amount representing recent unbudgeted sales where the funds received have offset external debt.

The only situation where our Net Debt would increase as a result of these Reserves is if major expenditure on Water Assets or property purchases is brought forward from the dates set out in the LTP/AP.



## 5.2 Corporate Capital Projects Report for the month ending 30 April 2018

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 31 May 2018  
**Reporting officer:** Alan Adcock (General Manager – Corporate/CFO)

### 1 Purpose

To provide the Corporate Capital Projects Report for the month ending 30 April 2018.

### 2 Recommendation

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 30 April 2018.

### 3 Background

This report provides an update on Corporate Capital Projects expenditure to date compared to budget, as well as the forecast spend for the year and carry forwards against budget.

### 4 Discussion

The Capital Projects expenditure for Corporate as at 30 April 2018 is currently \$3.8 million less than budget. Corporate is forecasting to spend a total of \$1.4 million against the \$10.3 million budget, with forecast carryforwards of \$8.9 million. \$7.2 million of this relates to the Council Premises which is awaiting LTP consultation before further work can be done.

Delays in IT spend are primarily related to the timing that system upgrades are available from TechnologyOne which have affected the overall program.

### 5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

### 6 Attachments

Corporate Capital Projects Report



## CORPORATE CAPITAL PROJECTS REPORT

AS AT 30 April 2018

(Figures include both Operating and Capital Expenditure)

	Actual YTD \$000	Revised Budget YTD \$000	Variance YTD \$000	Full Year Forecast \$000	Full Year Revised Budget \$000	Forecast (Underspent )/ Overspent \$000	Forecast Carry Forwards \$000	Total (Underspent )/ Overspent \$000
<b>Support Services</b>								
<i>Business Support</i>								
Council Premises	62	2,330	(2,268)	0	7,274	(7,274)	7,214	(60)
Council Vehicle Replacements	84	210	(126)	177	210	(33)	0	(33)
Information Centre Upgrade	22	148	(126)	22	148	(126)	0	(126)
Office Furniture	11	0	11	20	0	20	0	20
<b>Business Support Total</b>	<b>180</b>	<b>2,688</b>	<b>(2,509)</b>	<b>220</b>	<b>7,632</b>	<b>(7,413)</b>	<b>7,214</b>	<b>(199)</b>
<i>ICT</i>								
Accounts Payable Automation	37	60	(23)	37	60	(23)	0	(23)
Asset Management Software Upgrade	21	50	(29)	85	94	(9)	9	0
Computer Tech for Building, Animal Control & Parking	0	39	(39)	0	124	(124)	124	0
Decision Support System Development	0	80	(80)	15	80	(65)	65	0
Digitisation of Records	286	708	(422)	432	850	(418)	418	0
Electronic Agenda Management System	14	0	14	14	0	14	0	14
IB Project	50	53	(2)	50	53	(2)	0	(2)
IT Network Upgrades	0	60	(60)	20	60	(40)	40	0
Minor ICT Projects	30	0	30	18	0	18	0	18
OC Project	138	380	(242)	181	650	(469)	469	0
Performance Management System Development	23	105	(82)	139	174	(35)	35	0
Web & Intranet Development	12	255	(243)	135	337	(202)	202	0
Workflow Systems Development	0	90	(90)	0	158	(158)	158	0
<b>ICT Total</b>	<b>612</b>	<b>1,880</b>	<b>(1,268)</b>	<b>1,127</b>	<b>2,639</b>	<b>(1,512)</b>	<b>1,519</b>	<b>7</b>
<i>People &amp; Capability</i>								
Office Furniture	7	8	(1)	8	10	(2)	0	(2)
<b>People &amp; Capability Total</b>	<b>7</b>	<b>8</b>	<b>(1)</b>	<b>8</b>	<b>10</b>	<b>(2)</b>	<b>0</b>	<b>(2)</b>
<b>Support Services Total</b>	<b>799</b>	<b>4,576</b>	<b>(3,777)</b>	<b>1,355</b>	<b>10,282</b>	<b>(8,927)</b>	<b>8,733</b>	<b>(194)</b>
<b>Total</b>	<b>799</b>	<b>4,576</b>	<b>(3,777)</b>	<b>1,355</b>	<b>10,282</b>	<b>(8,927)</b>	<b>8,733</b>	<b>(194)</b>





## 5.3 Northland Events Centre Trust – Recruitment of Trustee

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 31 May 2018  
**Reporting officer:** Nicolene Pestana (Acting Manager Democracy and Assurance)

### 1 Purpose

To note the recruitment process for the replacement of a trustee to the Northland Events Centre Trust (NECT).

### 2 Recommendation

That the Finance and Corporate Committee notes the recruitment process to fill the vacant trustee position on the Northland Events Centre Trust.

### 3 Background

The Northland Events Centre Trust (NECT) is a Council Controlled Organisation established by the Whangarei District Council in 2010 to operate and maintain a high quality multi-purpose events centre at Okara Park.

The trust deed for the Northland Events Centre Trust provides that there shall be no less than three and no more than five Trustees. Appointment of the Trustees shall be made as follows:

- (i) One Trustee to be appointed by Northland Regional Council;
- (ii) The balance of the Trustees shall be appointed by Whangarei District Council

Each appointment is to be made for a specific term.

On 1 March 2018, the Chair of the Trust, Warwick Syers resigned, resulting in a vacancy on the trust. On 23 March 2018, Alistair Wells was appointed by the trustees as the interim Chairperson until the next AGM in either September or October.

Current membership of the Trust is as follows:

- 1. Ken Wilson - appointed by Council in June 2015
- 2. Deborah Harding – appointed by Council in June 2016 for three years
- 3. Councillor Phil Halse – appointed by Council in December 2016
- 4. Alistair Wells – NRC Appointment

## 4 Discussion

### Process for appointment of Trustees

Council has developed a process of identifying skill requirements and developing a position description for Trustees when a vacancy occurs in a Council Controlled Organisation.

### Skills and requirements for the vacant position

NECT is required to provide the skills and requirements that Council should consider when recruiting for the vacant position. These are listed below. The full position description is attached to this report for reference. Note that the position is not paid and is voluntary.

### Preferred skills, knowledge and experience

- Professional experience as a Chartered Professional Accountant
- Previous experience as a Trustee, Board Member or in an organisational structure

### Time Commitments and Expectations

- Attendance at monthly board meetings of approximately three hours' duration
- Workload of approximately two to three hours per week

### Recruitment process

The recruitment process below will be undertaken:

### Vacancy advertised

The position is advertised in order to meet expectations and obligations that Council should follow an open and transparent process when making Trustee appointments. The vacancy will be advertised from 1 June 2018. It will be advertised using Council's normal methods on Seek, our website and via Council News in the Whangarei Leader and the Northern Advocate (at the request of the Trust). NECT trustees will also meet to consider potential trustees and make recommendations of suitable candidates.

### Council Appointment

Applicants will be reported to Council for a decision in either June (if the process is completed), or July.

## 5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via [Agenda publication on the website, Council News and Facebook.

## 6 Attachments

1. Position description for Northland Events Centre Trust trustee

## Northland Events Centre Trust

### Trustee Role Description

The Northland Events Centre is the responsibility of a Trust Board comprised of five Trustees, four approved by the Whangarei District Council and one appointed by Northland Regional Council. All trustee positions are voluntary and this vacant position is a Whangarei District Council appointed member to represent the community for a term of three years.

NECT actions and direction are determined by the Trust Deed, which details the objectives of the Trust. These include the operation and maintenance of a high quality multi-purpose events centre to maximize use to enable the events centre to be used for a wide range of activities for the benefit of the region and to actively seek opportunities to hold major events.

NECT is a Council Controlled Organisation (CCO) and retains independent operation and governance. This independence ensures NECT can act autonomously of the Council to achieve the objects of the Trust Deed.

#### **Preferred Skills, Knowledge and Experience**

- Professional experience as a Chartered Professional Accountant
- Previous experience as a Trustee, Board Member or in an organisational governance role

#### **Time Commitments / Expectations**

- Attendance at monthly board meetings of approximately three hours' duration
- Workload of approximately two to three hours per week



## **5.4 Operational Report – Finance and Corporate – May 2018**

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 31 May 2018  
**Reporting officer:** Alan Adcock (General Manager – Corporate/CFO)

### **1 Purpose**

To provide a brief overview of work across services that the Finance and Corporate Committee is responsible for.

### **2 Recommendation**

That the Finance and Corporate Committee notes the operational report for May 2018.

### **3 Background**

The purpose of the Finance and Corporate Committee is to oversee Council and CCOs financial management and performance, including operation of the administrative and internal support functions of Council.

This report provides a brief overview of some of the operational highlights for May 2018 and provides some further comment on future planned activities.

### **4 Significance and engagement**

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda publication on the website.

### **5 Attachment**

Operational Report – Finance and Corporate – May 2018



# Operational Report – Finance and Corporate – May 2018

## Information Communications Technology (ICT)

Across both ICT Teams the workload remains high. Projects are tracking to schedule with planning progress accelerating for some projects through the month of March. Additionally, the team are involved in working through the ICT architecture and analysis to support the NTA service re-modelling process.

### ICT Operations

Service levels across the month of April were consistent with the team finishing the month overall ahead of target at 96% resolution within service level time frames. There was one major outage across the Technology One Platform, affecting user login capability. The issue was resolved within an hour. Cyber intrusion detection systems indicate that threat levels also remain consistent.

The Disaster Recovery and Business Continuity cutover LIVE test was completed on the weekend of the 14 – 15 April as previously reported. The process was run to schedule and was successful. Several recommendations and a brief report from the exercise will be made available to the Audit and Risk Committee.

Operational activities include:

- Reviewing and managing minor work requests
- Infrastructure monitoring and support activities
- Application and Desktop support – business as usual.

### ICT Projects

All Trilogy Phase 2 projects are continuing to progress as expected. Resources from across the organisation are largely locked in, with many Department Managers working through the process of “backfilling” Key Business User staff. In addition to this, the programme is also designing an extensive change management plan to help staff adjust to the changes that are coming and keep engagement throughout the duration of the programme.

- Upgrade Technology One to Ci Anywhere – next software upgrade
  - Planning Phase – Scheduling is due to be finalised in May, with the Design phase expected to commence late May / early June.
- Corporate Performance Management – implementation of software to track, trace, monitor manage and report key performance indicators across Council.
  - Execution Phase – Testing of the Phase 1 deliverables is in progress, Phase 1 is on track for a Go Live of 30 July. This first phase will include the delivery of 2018 – 28 LTP performance measure tracking.
- Website Platform Redevelopment (Digital Platform) – Review and re-development of our existing WDC websites
  - Planning Phase – has been completed with a full execution plan to be delivered in mid-May. The Design phase is due to begin end of May.

- Asset Management and GIS upgrade/replacement – review, upgrade and/or replacement of the existing Asset Management system including a GIS (Spatial System) upgrade (necessary due to the dependencies between the software products)
  - Planning Phase – a closed RFP has been released. This process is expected to conclude in late June after which a full schedule will be developed for the implementation.
- Digitisation of Property Files – Execution Phase
  - Land Use consent digitisation is currently in progress.

## Finance

### LTP

The Finance team has continued to review the LTP budgets and preparing to make the final changes following deliberations decisions. Updated financial reports are being prepared for scrutiny by AuditNZ.

### Annual Report

Planning for YE 2018 is progressing both internally and through continued communication with Audit NZ. Focus is on items highlighted by Audit NZ in their audit planning document. Audit NZ have completed their interim audit, with the report to be tabled as an Agenda Item in the June Audit and Risk Committee.

### Purchase to Pay

A project has been established to address a number of areas for improvement in the purchase to pay process across the business. This is ongoing.

## Revenue

### Land Rates

Average property sales per month are 250, with 268 in March and 238 in April. Sales are tracking approximately 15% less than the previous two years.

The team has been working with ratepayers to ensure data integrity for the 2018-2019 rating year and proposed changes to the rating structure

### Water Rates

Details of water rates transactions for April are as follows:

Water Rates Summary - April							
	Consumption	Supply Charge	Backflow	Special Reading Fee	Penalties	Excess Water Remission	Arrears
Amount(\$)	\$1,280,000	\$67,000	\$10,000	\$9,000	\$27,000	-\$12,000	434,000
Transactions (Number)	4,770	4,754	288	198	1,296	23	1,980
Average (\$)	268.34					- 521.74	

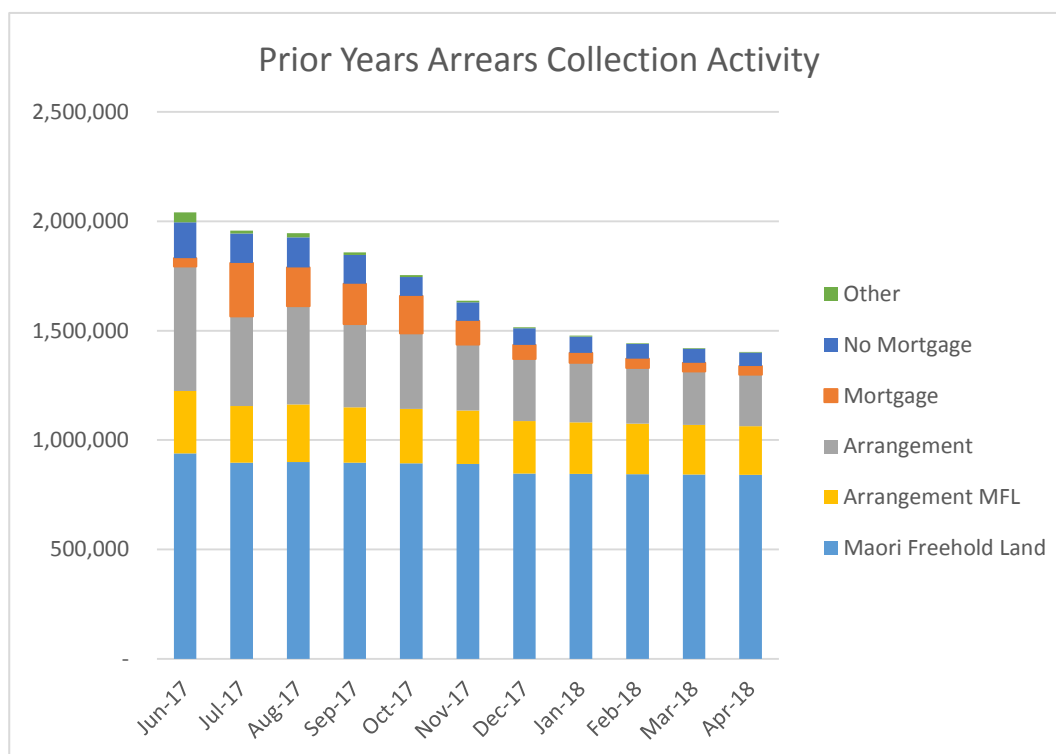


## Collection and Recovery

Land rate arrears at 30 April are:

- \$1,919,000 (March \$1,976,000) of which:
  - \$1,402,000 (March \$1,420,000) relate to prior years' arrears.
 Māori Freehold Land comprises \$1,063,000 of prior years' arrears.

In April, telephone follow up increased as the new collections team member has been able to devote more time to this task. Arrears are tracking lower than the previous year.



Water rates arrears are \$434,000 (1,980 debtors), with \$106,000 (650 debtors) being 90 days or more. Half of the arrears relate to a large property owner who usually pays on time.

Sundry debtors' arrears are \$533,000 with \$107,000 being 90 days or more. Similarly, almost two-thirds of the arrears relate to one tenant of council owned property which has since been paid.

## Business Improvement

The Business Improvement Department is heavily involved in a number of ICT Strategic Projects as well as a number of high priority business initiatives. Below is a breakdown of the progress of the high priority initiatives.

### 1. Reviewing and improving the Health and Safety (H&S) processes in relation to the organisation's Enterprise solutions. Progress to date:

#### Progress Made

- BIGGEST WIN this month: agreement in principle for the system Supplier record to be created by Health and Safety Team. Removes a handoff to Procurement which in turn removes a 2-3-day turnaround wait and removes effort for Health and Safety Team manually managing return handback.
- New Kete Contractor Register tested and now available in production. There is now a single place to store Health and Safety Contractor records.
- Completion of updated and extended training material.
- Completion of high level knowledge transfer session to Health and Safety Team (prepares them to plan roll out training and be responsible for any future process changes)
- Completed one-on-one training with Health and Safety Manager to enable creation of new processes in Promapp.
- Completed review of Identified Improvements and determined no vendor consultancy required (aligns with Trilogy change moratorium).
- Identified attendees for informational walk thru of tasks key outcomes and achievements
- Updated Policy walked thru with WDC Rep

#### Next Steps

- Updated Policy to be signed off
- Workshop with Finance, Procurement and Health and Safety Team to: - identify and agree on low level aspects of Health and Safety Team creating the system Supplier record. - review proposed combined Welcome Letter - Review proposed new format and content of New Supplier form
- Process workshop with Health and Safety Team and WDC Rep to walk thru and sign off all processes
- Training session with Health and Safety Team to walk thru new training material and practice actions they might not be familiar with
- Book Informational 'Walk Through' of tasks key outcomes and achievements

### 2. Reviewing the Building Control Department processes and systems end-to-end, starting with the Building Consents process (and focussing on digitisation at this stage). This involves working with the department to understand the issues and current processes, then aligning these to the organisation's Enterprise solutions.

#### Progress Made

- Options Analysis Document Delivered 13/4/18. The Options Analysis document maps directly to the end-to-end process map that has been created for Building Consents and provides options and recommendations across the entire Building Consents process (not just for day forward digitisation). This document and the documented process flow for Building Consents will be very useful for the following IT Projects.
- Document Reviewed and comments made by Business Records/Business Improvement staff 16/4/18

## Next steps

- Apply appropriate updates
- Release next version 8/5/18
- Re-assess document expectations 11/5/18
- Review by each BC department and apply updates 18/5/18
- Define end date for final reviews – tbc.
- Document the other processes within the Building Control Department
- Agree and implement quick wins.

### **3. Reviewing the Venues and Events Department (V&E) processes and systems end-to-end and in particular to understand the cost of delivery of various types of events so they can review and revise pricing and fees.**

#### Progress Made

To date we have met with Team Leaders and staff members and mapped their operational processes in draft. We are currently reviewing these before presenting them back to those groups for final review and sign off. This exercise has identified several inconsistencies and duplications which, if resolved, will create improved clarity and opportunities for improvement. Examples include: the multiple storage of documents and information at Forum North; variations between the booking contracts used at the two venues; variations in the use of deposit invoices. The anticipated timeframe for completion of this piece of work is the end of May.

### **4. Review how the organisation manages and controls projects and looks for improvements and consistency for controlling projects.**

#### Progress Made

- Stakeholder interviews with all departments executing projects completed.
- Report by department & an overall summary draft complete.

#### Next Steps

- Finalise and distribute review reports with individual departments.
- Operational Leadership Team and Strategic Leadership Team to ratify recommended action items & approach for this Programme.
- Form project team to implement the initiatives.

### **5. Implement a Business Improvement 'Funnel' to direct and manage business process and system change to ensure all changes are prioritised and managed effectively and efficiently in a consistent manner across the organisation.**

#### Progress Made

- Worked with our SharePoint vendor Information Leadership to get the Statement of Work for implementing a basic ideation management solution in Kete.
- Reviewed Statement of Work and clarification requested from our vendor.
- Implementation & rollout project plan.

#### Next Steps

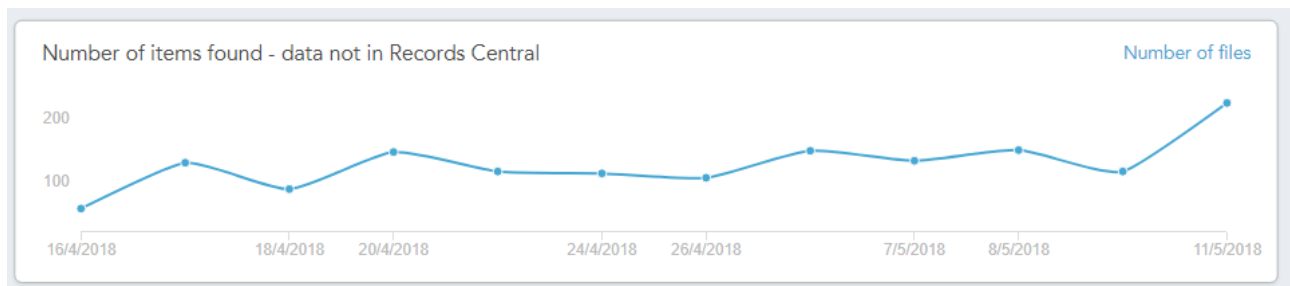
- Review scope of work with Information Management. Determine level of engagement, communication needs, release plan & risks if any.
- Prepare Business case & get Statement of Work approval
- Firm up implementation timeline.

## Business Support

### Information Management

Uplifting of property files for digitisation has been the focus in the information management area and the work will be continuing throughout the month of May. This is being done as part of the digitisation project and will represent a significant milestone.

As physical files are being packed for dispatch to our digitisation service provider a check against electronic records is completed. The graph below which shows the number of physical files found which were not previously recorded in our electronic systems. Records are being continuously updated to improve information quality and allow for future searchability.



Prompted by the emptying of archives space because of digitisation, as well as future planning for the new Council building, initial discussions have begun on the future requirements and options for management of physical records.

Other pieces of significant work underway:

- Nearing completion of a digital environment to manage and search for corporate images
- A managed file share which is visible through Kete search and meets Public Records Act compliance is well underway
- Creation of folders in Kete outside of standard practice is being worked through with departments
- Retention and disposal rules in Kete have been completed and a documented process for application of this is being developed

### Procurement

Procurement support and advice continues to be available across the business.

The review of the Procurement Policy, is on track with a target date for adoption by the end of the financial year. A Briefing for Elected Members has been rescheduled to allow for more consultation with the business.

The final report for the internal audit of Procurement processes has been signed off is ready for presentation to SLT before going to the Audit & Risk Committee.

Procurement project work has been done for:

- Civic Building Security and Alarm Monitoring
- Civic Building Cleaning
- Civic Building Warrant of Fitness
- Pensioner Housing Maintenance
- Whau Valley Water Treatment plant construction

In addition, we have provided advice and assistance to Departments on a number of projects including:

- Health and Safety (H&S) documentation review
- Asset Management SaaS
- Pensioner Housing Reroofing
- Engineering Assessment Support
- Active Recreation and Sport Strategy consultant

## **Property Assets**

### **Civic Buildings**

- Walton Plaza Level 1 Strategy/Policy/District Development consolidation nearing completion. Physical demolition and rebuild works will be completed May 10<sup>th</sup>
- Construction works to commence in the Building Department at Forum North. Quote received and approved.
- Walton Plaza Level 2 remodelling works to commence May 2018. This work will open up the office space and create a larger kitchen/dining space for staff socialisation. This will encourage more interaction and less “lunching at desks”.
- Quotes received and contract awarded for Tikipunga Library carpark extension and reconfiguration.
- Civic Building BWO Management RFP closes May 10. Wormald are the incumbent supplier.

### **Fleet/Phones**

- The five year vehicle replacement programme has been drafted. This has further highlighted the policy non-conformance risk. We are currently holding 20 vehicles that are outside of policy requirements i.e. replace at four years or 100,000kms – whichever comes first. Total cost of replacement of these vehicles - >\$600,000.00
- We are experiencing a very high volume in mobile phone replacement requests. Major reasons being – the older phones are reaching their natural end of life and also the older technology does not enable staff to operate efficiently in today's mobile environment. We have issued/replaced more than 100 new mobile phones in the past 6 months.

### **Lease/Asset Management**

- Business support are currently facilitating the drafting and execution of more than 40 leases and licences for the business
- Routine maintenance has commenced at the Town Basin now the high season has passed. Business Support coordinate this work for the District Development Team. Capital works programme for 2018/19 to be confirmed.

## Communications

### Brand

Last month's Briefing and proceeding media coverage, prompted some public feedback as expected. To this report's deadline 16 May, we received around 40 public comments across social media and our mail room via Customer Services, plus approximately 15 letters to the editor across local newspapers including Whangarei Report, Whangarei Leader and Northern Advocate.

### Graphics BAU

Our graphics team handled weekly Council News production, Whangarei Rally, production of an updated Swimming Pools and Fences brochure, as well as the usual service requests from within Council. We have been assisting with introduction of the Image Library to Kete, which will eventually allow all staff to search and access digital images from any part of the organisation – rather than the current system that few users can access.

### Long Term Plan

Council News stories have outlined the key issues from the Consultation Document, while public meetings have been promoted through social media and radio advertising. Work is well underway on layout of the final LTP document.

### Mayoral communications

We researched and wrote speeches for the Mayor and Deputy Mayor, plus crafted the fortnightly Whangarei Report column highlighting transportation issues and Civic Honours. We also managed communications for the Mayor's office including letters of complaint, congratulations, thanks, requests for mayoral media statements and articles for local publications.

### Media and public relations

The following Council related matters were covered by the media in April:

- proposed rate increase for motels
- water quality in Northland rivers
- Kamo Scouts clean up RSA graves at Maunu cemetery
- first container-only cargo leaves Northport
- WDC to grant permission for "Kiwi Crossing" signs
- non-compliant swimming pools
- Anzac Day commemorations
- Waipu Coronation Hall fund-raising
- pipes to be removed from Marsden Bay shoreline
- LTP submission hearings
- Rally of Whangarei celebrates 30 years
- Council re-branding
- Government cans Northland four-laning State Highway One proposal
- Puriri Park Road and HNZ housing development
- Roadworks begin on Whangarei Heads Road
- Vine Street behaviour causes filthy street
- Camera obscura
- GMO ban

- Civic Honours nominations open
- cheaper rates if Northland Regional Council joins Local Government Funding Association
- Cr Benney stands up to robbers
- mayors meeting with Transport Minister
- Te Matau a Pohe closed for painting
- Whatitiri Springs sold to Crown
- kauri die-back cleaning stations
- dumped rubbish at Onerahi
- Plastic coating on parking tickets
- under age liquor sales
- Peter Snell Road traffic calming
- land purchase for recreation park in Waipu
- Helmsdale Road sealing
- fly dumping in Otaika Creek
- liquor licence hours
- tsunami siren testing
- Have Your Say event
- kiwi for Pukenui Forest
- Sculpture Symposium
- Ruakaka Primary classroom
- first sod turned for Camera Obscura.

The following topics were raised in Letters to the Editor (Northern Advocate):

- thanks to Northlanders who went to Wellington on State Highways business
- rubbish charges
- fly tipping
- Council re-branding
- Port Nikau development
- job titles
- use of Council funds
- rising rates
- call for money to be spent on rural roads
- Waipu Recreation Park
- One Tree Point boat ramp.

## **Website and social media**

Work continues with the District Plan department on the upcoming urban plan change pre-consultation. This will be dove-tailed into the *heretowhere* website at the end of this month, using the same simple layout and format.

We are continuing to support planning and design of the new website under the ICT department's Digital Platform project, together with monthly attendance at the ICT Think Tank and Digital Council.

We have now started using Facebook Business Manager to help manage Facebook administration and will bring all Council pages into one central location over time.

## People and Capability

### Our korero - Organisation survey

Our korero is a business survey looking at our progress in our new way of working. The survey questions are specifically written for local government organisations. The benchmark is made up of data from 1700 participants from eight other councils.

#### Next steps

SLT have received the high level analysis of our survey results from Ask Your Team, the company that developed the survey. An Action Plan has been developed from that analysis. Initially the Action Plan will focus on:

- Developing a clear strategy
- Implementing the strategy
- Improving relationships between groups, teams and levels across the business
- Remuneration
- Living the values

We are currently communicating results through the organisation at both Group and Department levels. Each Department will then identify two areas they would like to work on.

### New Employees, Transfers, Vacant Positions and Leavers

<b>New Employees/Transfers</b>	<b>Name</b>	<b>Start Date</b>
Building Approvals and Compliance Officer	Monica Popata	23-Apr-18
<b>Roles filled and waiting to start</b>	<b>Name</b>	<b>Start Date</b>
Team Leader – Infrastructure Planning	Sarah Irwin	7-May-18
Water Treatment Technician	Shane Gebhardt	14-May-18
Business Analyst	Rachel Welton	14-May-18
Support Assistant – Building Inspections	Lolly Muliipu	14-May-18
General Manager – Strategy & Democracy	Dominic Kula	21-May-18
Community Development Adviser	Jacki Cooper	TBA
<b>Roles not yet filled</b>	<b>Status</b>	
Manager – Infrastructure Development	Advertising	
Customer Services Representative	Advertising	
Bibliographic Services Librarian	Advertising	
Roading Corridor Assistant	Shortlisting	
Team Leader – Infrastructure Support & Contract Payments	Shortlisting	
District Plan Planner	Shortlisting	
Building Control Officers	Interviewing	
Traffic Engineer – NTA	Interviewing	
Senior Project Engineer – NTA	Interviewing	
Systems Engineer	Interviewing	
Manager – Democracy & Assurance	Interviewing	
Data Warehouse Administrator	Interviewing	
Team Leader – Rates	Interviewing	
Project Engineer (Fixed Term - 12 Months)	Reviewing	
Manager - Health & Bylaws	Reviewing	



Team Leader – Development Engineering	Under review
Water Treatment Coordinator	Under review
Team Leader – RMA Consents	Under review
<b>Leavers</b>	
David Floyd	Project Engineer
Rachel Pascoe	Team Leader – Communications Operations
Jenny Calder	Team Leader – Operations
Yilin Guo	Data Analyst

## Democracy and Assurance

The Democracy Team supported eleven Council and Committee meetings and briefings, three Resource Consent public hearings and the LTP Submission Hearings. Support was also given at the Have Your Say Event Consultation for the LTP. Additionally, 33 liquor licence applications were processed for determination by the Chair of the District Licensing Committee.

### Official information requests

The number of official information requests received by council has continued to increase significantly with 30 new requests received since April 2018. The following is a summary of the April/ May requests:

- A range of information relating to tenders by WDC for paint work in the last two years
- Two further requests for a range of information relating to sealing Wrights Road
- Complaint information relating to a specified address
- Six separate requests containing various questions with reference to an objection to the Rally NZ Event
- All communications and advice relating to the disposal of "Puriri Park"
- Various questions on Prosper Northland's use of space at the HUB
- All information relating to 11 recent random audits of swimming pool fences conducted in March 2018.
- Funds provided by the Council for irrigation schemes in the last 10 years.
- Various questions regarding the maintenance and publication of a register of elected members interests.
- All information relating to licence to stormwater/ waste water issues in relation to specified properties at Whananaki beach.
- Various information relating to the Winstones Quarry hearing and Mineral Extraction Area buffer zones.
- Formal complaint to the Ombudsman regarding non-release of an investigative report to council.
- A wide range of information relating to an unsuccessful tender for a Waste and Recycling Contract.
- Further request regarding a council decision on signage compliance.
- Information on any discussions regarding the introduction of a fuel tax in Whangarei District.
- A variety of information on funding applications to NZTA for sealing subsidies for Wright Road between 2014 and 2018.
- Various questions regarding dust and noise related nuisance on Pigs Head Rd as a result of the Rally NZ Event.
- Questions regarding costs associated with the replacement of signage on Pigs Head Road.

- Various questions from Fairfax regarding sexual harassment complaints received by Council (NOTE all Councils and government departments have received this request).
- All information relating to the death of two dogs on a private property and the subsequent involvement of Armourguard.
- All information regarding the rating and valuation of land within the Port Nikau Environment received since the area became operative.
- Information on how the 500m setback on the Winstones Quarry was formed and when.
- All information relating to the receipt and discussion of an investigative report by Council.
- All information relating to investigation of a dog attack.

## **Audit and Risk**

Internal Audit for the Procurement process has been completed and final report is due shortly. There are several findings that will be included as part of the procurement process review that is due shortly. The final report for this internal audit will be available to the June Audit and Risk Committee.

Work continues risk registers to review and report for the next audit and risk committee.

Staff continue to monitor insurance and process claims; insurance renewal process will begin in a couple of months so a review of process is scheduled to start that process.

## **Consultation and Engagement**

Consultation on the Long-Term Plan 2018-28 is now complete. Individual submissions were received from 653 members of the public, organisations, groups or businesses. Of those submitters, 148 indicated they would like to speak to their submission. All this group were called and 116 people subsequently did hearings in front of Council over three days.

Over the course of consultation period, 361 people attended public meetings to discuss the Consultation Document and issues they saw as important for their communities. Brief promotions focussed on seeking feedback were presented in four workplaces, reaching 132 people. Two information stands were also held at the Whangārei Growers Market.

## **Maori Liaison and Development**

### **Te Huinga**

- Te Huinga hapū forum increasing capacity to better engage with Council will hold a hui 24 June 2018 to re-affirm their current representatives.
- Other interested hapū/Māori groups have expressed interests to liaise with Council.
- Reviewing Proposal - Council's Maori Relationship's team are working through the proposal with a sub-group of Te Huinga and will report back when progress has been made.

## **Māori Relationships Department**

The Māori Relationships Department has been very active providing cultural advice with numerous departments within the organisation on the following matters:

- Black Sticks Gold Medal ceremony – 11 May 2018.
- Treaty of Waitangi staff training – 9 May 2018.
- Hapū engagement with various Council projects.
  - Pohe Island Dog Park
  - Subdivision at Awaroa River Road
  - Omauri Marae Preapplication hui
  - Poroti Springs discussion
  - Ngunguru Cycleway
  - NZ Citizenship



**RESOLUTION TO EXCLUDE THE PUBLIC**

That the public be excluded from the following parts of proceedings of this meeting.

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

1.	The making available of information would be likely to unreasonably prejudice the commercial position of persons who are the subject of the information. {Section 7(2)(c)}
2.	To enable the council (the committee) to carry on without prejudice or disadvantage commercial negotiations. {(Section 7(2)(i))}.
3.	To protect the privacy of natural persons. {Section 7(2)(a)}.
4.	Publicity prior to successful prosecution of the individuals named would be contrary to the laws of natural justice and may constitute contempt of court. {Section 48(1)(b)}.
5.	To protect information which is the subject to an obligation of confidence, the publication of such information would be likely to prejudice the supply of information from the same source and it is in the public interest that such information should continue to be supplied. {Section 7(2)(c)(i)}.
6.	In order to maintain legal professional privilege. {Section 2(g)}.
7.	To enable the council to carry on without prejudice or disadvantage, negotiations {Section 7(2)(i)}.

**Resolution to allow members of the public to remain**

If the council/committee wishes members of the public to remain during discussion of confidential items the following additional recommendation will need to be passed:

**Move/Second**

"That \_\_\_\_\_ be permitted to remain at this meeting, after the public has been excluded, because of his/her/their knowledge of Item \_\_\_\_\_.

This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because \_\_\_\_\_.

*Note:*

*Every resolution to exclude the public shall be put at a time when the meeting is open to the public.*