

## Finance and Corporate Committee Agenda

**Date:** Thursday, 28 February, 2019

**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.

<b>1. Declarations of Interest</b>	
<b>2. Apologies</b>	
<b>3. Confirmation of Minutes of Previous Finance and Corporate Committee Meeting</b>	
3.1 Minutes Finance and Corporate Committee 29 November 2018	3
<b>4. Decision Reports</b>	
4.1 Whangarei District Airport Draft Statement of Intent 2019 - 2020	7
<b>5. Information Reports</b>	
5.1 Financial Report for the 7 months ending 31 January 2019	21
5.2 Corporate Capital Projects Report for the month ended 31 January 2019	39
5.3 Whangarei District Airport Half Yearly Reports to 31 December 2018	43
5.4 Whangarei Art Museum Trust Half Yearly Financial Reports to 31 December 2018	61
5.5 Whangarei District Council Credit Rating	83
5.6 Finance and Corporate - Operational Report - February 2019	93
<b>6. Public Excluded Business</b>	
<b>7. Closure of Meeting</b>	

## 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, 29 November, 2018  
**Time:** 9:00 a.m.  
**Location:** Council Chamber  
 Forum North, Rust Avenue  
 Whangarei

<b>In Attendance</b>	<b>Cr Shelley Deeming (Chairperson)</b> <b>Her Worship the Mayor Sheryl Mai</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 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 Anna Murphy</b>
<b>Not in Attendance</b>	<b>Cr Sharon Morgan</b>
<b>Scribe</b>	<b>Jennie Thomas (Democracy Adviser)</b>

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### 1. **Declarations of Interest**

There was no declaration of interest made at this meeting.

### 2. **Apology**

Cr Sharon Morgan

**Moved By** Cr Greg Martin

**Seconded By** Cr Sue Glen

That the apology be sustained.

**Carried**

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

**3.1 Minutes Finance and Corporate Committee 25 October 2018**

**Moved By** Her Worship the Mayor

**Seconded By** Cr Tricia Cutforth

That the minutes of the Finance and Corporate Committee meeting held on Thursday 25 October 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 4 months ending 31 October 2018**

**Moved By** Cr Greg Martin

**Seconded By** Cr Gavin Benney

That the Finance and Corporate Committee notes the operating results for the four months ending 31 October 2018.

**Carried**

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

**Moved By** Her Worship the Mayor

**Seconded By** Cr Sue Glen

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

**Carried**

**4.3 Operational Report - Finance and Corporate - November 2018**

**Moved By** Cr Greg Innes

**Seconded By** Cr Sue Glen

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

**Carried**

**5. Public Excluded Business**

There was no business conducted in public excluded.

**6. Closure of Meeting**

The meeting concluded at 9.49am.

Confirmed this 28<sup>th</sup> day of February 2019

Councillor Shelley Deeming (Chairperson)





## 4.1 Whangarei District Airport - Draft Statement of Intent 2019/2020

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**Reporting officer:** Mike Hibbert (Commercial Property Manager)

### 1 Purpose

To adopt the Whangarei District Airport Draft Statement of Intent in accordance with Section 64 of the Local Government Act 2002.

### 2 Recommendation

That the Finance and Corporate Committee endorses the Draft Statement of Intent 2019/2020 for the Whangarei District Airport.

### 3 Background

The Draft Statement of Intent has been reviewed for appropriateness in relation to the delivery of services, management and governance of the Whangarei District Airport and obligations to meet Section 64, Schedule 8, clause 9 (contents of the statement of intent) under the Local Government Act 2002.

Attached is the Draft Statement of Intent 2019/2020 for the Whangarei District Airport.

Included in this draft SOI are:

- Increased revenue:
  - Additional revenue from the implementation of parking charges and new and expanded lease agreements.
  - Increased landing fees schedule
- Reduced professional fees due to near completion and implementation of new Civil Aviation Authority Safety Management System (SMS):

#### Capital Projects

A summary of High Priority capital projects is included in appendix A for the next three years. These are expected to be funded through existing airport reserves.

As part of developing further the relationship of the Joint Venture Partners and exploring economic development and sustainability, a ten-year plan (attachment 2) is included. Each project has been prioritised as High, Low or Dev (Development Opportunity).

All projects are subject to Council and Ministry approval on a case by case basis and will be funded on a 50:50 share. Projects beyond 2021 will be reviewed subject to the future operation of the airport at Onerahi.

## **4 Significance and engagement**

Having considered the Significance and Engagement Policy this proposal or decision is not considered significant and the public will be informed via Agenda publication on the website.

## **5 Attachment**

1. Whangarei District Airport - Draft Statement of Intent 2019/20
2. WDA 10 Year Capital Project Plan

# **Whangarei District Airport**



## **Statement of Intent**

**For the Year Ending 30 June 2020**

# Whangarei District Airport

## Statement of Intent For the Year Ending 30 June 2020

The following statement has been prepared in accordance with The Local Government Act 2002, (s9, Schedule Eight).

### Introduction

The Whangarei District Airport (Airport), situated at Onerahi in Whangarei, is operated under a joint venture partnership agreement between the Whangarei District Council (Council) and the Crown, represented by the Ministry of Transport (MoT). The day-to-day operational activities of the Airport are managed under the aegis of Council by way of a management contract with a contractor (currently Northland Aviation Limited). The Airport acts as a gateway to the Whangarei District and Northland, and this aspect remains a focus of Council in providing an airport service of high quality and efficiency.

### a. Objectives

- i. That the Airport is operated as a fully serviceable District Airport for the use of visitors, residents and ratepayers of the Whangarei District;
- ii. That the short and long term objectives of the Airport operation meet the needs of scheduled and non-scheduled aviation operators and their customers;
- iii. That standards of safety are promoted and maintained, recognising New Zealand Civil Aviation Authority (CAA) and other safety and health requirements;
- iv. That the Airport is operated with regard to appropriate environmental practices, legislation, and in recognition of the designation requirements in the District Plan.

### b. Governance

The airport is owned and operated under a joint venture agreement between the Whangarei District Council and the Crown. Council operates the airport as the Airport Authority under the Airport Authorities Act 1966 (s3). Day to day management is effected by way of a management contract with Northland Aviation Limited.

### c. Nature and Scope of Activities to be Undertaken

- i. The Airport Authority is engaged in operating the Airport in a cost effective and efficient manner to meet the objectives set out above, and in accordance with the terms of the Aerodrome Operating Certificate issued by the Civil Aviation Authority;
- ii. Meet the Civil Aviation Authority certification requirements;
- iii. The Authority will continue to seek opportunities to widen its revenue base in areas consistent with the Airport operation. Such activities include leasing land within the Airport precinct for aviation related activities and reviewing both existing charges and exploring other options.

**d. The Ratio of Consolidation Shareholders' Funds to Total Assets, and the Definitions of Those Terms**

The airport is operated as a joint venture with the land being owned 100% by the Crown, buildings and lighting being owned 100% by Council, and runways, plant and equity being 50% owned by the Crown and 50% by Council. The ratio of the joint venture partners' funds to total assets is calculated as at 30 June 2018 as 97.7%.

**e. Financial Statements**

See Appendix A.

**f. Performance Measures**

Performance Measure	2019/20 Target	How
To operate within agreed financial budgets	Actual spend ≤ budget	Meet annual forecast as detailed in appendix A Financial Statement
Maintain user satisfaction	>75%	Record and report very satisfactory and satisfactory ratings through annual user survey
Maintain Airport Certification	To meet certification standards as required by CAA.  Implement Safety Management System (SMS)	Fulfil expectations of CAA as determined by annual CAA Audit  Meet required legislative timeframes
Health & Safety	Achieve overall decline in incidents	Manage and review Health & safety policies and procedures
Explore economic development opportunities	Encourage new business development and existing business expansion.	Engage alternate aviation and airport service providers and enable existing business to grow through lease management and land use consent process

**g. Distribution of Accumulated Profits and Capital Reserves**

There is to be no distribution of accumulated profits or capital reserves to Joint Venture Partners during the year.

## **h. Information to be Provided to Partners During the Year**

- i. Monthly report on financial position including variance reporting on revenue and expenditure comparing actual figures with estimated figures, and statement of monthly financial position to be provided to the Airport Authority Board (via Whangarei District Council Property Manager/Finance Team);
- ii. Management to report via email to Council staff on notable events and seek approval prior to any extraordinary expenditure;
- iii. Annual financial estimates, for operational activities and capital expenditure, to the Joint Venture Partners;
- iv. Report all findings, documenting all suggestions, no later than 30 June of each operating year for the purpose of improving customer satisfaction;
- v. Annual Statement of Intent to the Airport Authority Board;
- vi. Annual financial statements, including statement of accounting policies; statement of balance sheet; statement of income; statement of movements in equity; statement of cash flows; notes to the financial statements and Auditors' report to be provided to Joint Venture Partners together with Auditors' management letter;
- vii. Annual statement of performance, based upon performance measures to be provided to Joint Venture Partners;
- viii. Half yearly report including financial statements (as detailed in (v) above) and financial forecast for the balance of the year to be provided to the Joint Venture Partners.

## **i. Statement of Procedures for Acquisition of Shares by Partners in Other Entities**

Partners will not acquire shares in any other organisation related to the Airport operation without the prior written agreement of both Joint Venture Partners.

## **j. Activities for Which the Board Seeks Compensation From any Local Authority**

Council has provision in its capital estimates for the expenditure of funds on non-aviation related items at the Airport as a community contribution to amenities at the airport and occasional capital sum investment in the assets owned by Council at the airport.

## **k. Commercial Value of the Joint Venture Partners' Investment in the Group and the Manner in Which, and the Times at Which, That Value is to be Reassessed**

The commercial value of the partners' investment is set out in the statement of accounting policies included in this statement. It is noted that the land is a restricted asset and revaluation on a commercial basis would be misleading. The financial statements for the year ended 30 June 2018 record the total equity in the partnership of \$4,934,425 (2017 \$5,014,605).

## Appendix A : Statement of Financial Statement

### Statement of Accounting Policies

#### 1.1 Reporting entity

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

## 2 Significant accounting policies

### 2.1 Basis of preparation

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Airport will continue to operate in the foreseeable future.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting Accrual (Public Sector) on the basis that the Airport does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

#### Goods and services tax

The Airport is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars.

### 2.2 Revenue and expenses

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

#### (i) Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

#### (ii) Interest income

Interest revenue is recorded as it is earned during the year.

#### (iii) Sale of services

Revenue from the sale of services is recognised when the services are provided to the customer.

#### (iv) Administration, overheads and other costs.

These are expensed when the related service has been received.

### 2.2 Income tax

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

### 2.3 Bank accounts and cash

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown as current liabilities in the statement of financial position.

### 2.4 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a doubtful debt expense.

## 2.5 Property, plant and equipment

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses.

### (i) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

### (ii) Use of assets

For an asset to be used by the Airport, the asset is impaired if the value to the Airport in using the asset falls below the carrying amount of the asset.

### Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life
Land	Indefinite
Airside	0-140 years
Buildings	4-40 years
Landside	0-140 years
Sundries	5-64 years
Services	0-40 years

## 2.6 Investments

Investments comprise investments in terms deposits with banks.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

## 2.7 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

## 2.8 Lease expense

Lease payments are recognised as an expense on a straight-line basis over the lease term.

## 2.9 Tier 2 PBE Accounting Standards applied

The Airport have not applied any Tier 2 Accounting Standards in preparing its financial statements.

## 2.10 Changes in Accounting Policies and Transition to the new PBE SFR-A (PS) Standards

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard, and comparative information for the year ended 30 June 2014 has been restated to comply with the new standard. The significant adjustments arising on transition to the new standard are provided in note 16.

### (i) Income tax

Income tax is calculated using the tax payable method, therefore no deferred tax has been calculated for the current year. This treatment differs to prior years where the deferred tax method was used on a voluntary basis. It was determined that using the deferred tax method provided no additional benefit. This change in accounting treatment has resulted in an adjustment to the comparative tax expense and deferred tax liability, as well as an adjustment to the comparative years opening retained earnings balance.



## PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

	BUDGET 30 June 2020	BUDGET 30 June 2021	BUDGET 30 June 2022
<b>Income</b>			
Landing fees	393,874	393,874	393,874
Sundry income advertising	8,000	8,000	8,000
Other Recoveries	6,000	6,000	6,000
Operational Recoveries	22,000	22,000	22,000
Rent received	150,000	150,000	150,000
Interest received	5,000	5,000	5,000
Carpark Income	130,000	130,000	130,000
<b>Total Income</b>	<b>714,874</b>	<b>714,874</b>	<b>714,874</b>
<b>Less Expenses</b>			
<b>Airfield Expenses</b>			
Drainage	5,000	5,000	5,000
Fencing	1,000	1,000	1,000
Grounds R&M	44,000	44,000	44,000
Runway R&M	10,000	10,000	10,000
Lighting R&M	15,000	15,000	15,000
Other R&M	20,000	20,000	20,000
	<b>95,000</b>	<b>95,000</b>	<b>95,000</b>
<b>Terminal Expenses</b>			
Insurance	13,260	13,525	13,796
Cleaning	32,000	32,500	32,500
Advertising	3,000	3,000	3,000
Rates	22,380	23,241	24,135
Electricity	32,000	32,000	32,000
Weather station	7,000	4,250	4,250
Security	8,000	8,000	8,000
Other expenses	16,200	16,200	16,200
	<b>133,840</b>	<b>132,716</b>	<b>133,880</b>
<b>Administration Expenses</b>			
Management Fee	274,314	279,526	284,837
Telephone	1,600	1,600	1,600
Audit fees	20,000	20,000	20,000
Accounting Fees	13,000	13,000	13,000
Certification	2,000	2,000	2,000
Conferences	4,500	4,500	4,500
Other Professional fees	21,500	6,500	21,500
	<b>336,914</b>	<b>327,126</b>	<b>347,437</b>
<b>Total Expenses before depreciation</b>	<b>565,754</b>	<b>554,841</b>	<b>576,317</b>
<b>Net Surplus (Loss) before depreciation</b>	<b>149,120</b>	<b>160,033</b>	<b>138,557</b>
Depreciation	268,266	276,632	317,164
<b>Net Surplus (Loss) before tax</b>	<b>(119,146)</b>	<b>(116,599)</b>	<b>(178,607)</b>
Tax Expense	-	-	-

<b>Net Surplus / (Deficit)</b>	<b>(119,146)</b>	<b>(116,599)</b>	<b>(178,607)</b>
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	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2022</b>
<b>Capital Expenditure</b>			
Power & Transformer Upgrade	16,482		
Re-roof Terminal	55,000		
Car Park Extension	90,000		
Security Flood Lighting		30,000	
Apron Extension			350,000
<b>Total capital expenditure</b>	<b>161,482</b>	<b>30,000</b>	<b>350,000</b>

### PROSPECTIVE STATEMENT OF MOVEMENTS IN EQUITY

	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2022</b>
<b>Opening Equity as at 1 July</b>	4,756,561	4,637,415	4,520,816
Plus Profit (Loss) for the year	(119,146)	(116,599)	(178,607)
Total increase/(decrease) in equity	(119,146)	(116,599)	(178,607)
<b>Closing Equity as at 30 June</b>	<b>4,637,415</b>	<b>4,520,816</b>	<b>4,342,209</b>

### PROSPECTIVE STATEMENT OF FINANCIAL POSITION

	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2022</b>
Equity	4,637,415	4,520,816	4,342,209
<b>Total Equity</b>	<b>4,637,415</b>	<b>4,520,816</b>	<b>4,342,209</b>

#### Current Assets

Cash and Cash equivalents	289,308	419,341	207,898
Trade and other receivables	68,248	68,248	68,248
	357,556	487,589	276,146

#### Current Liabilities

Trade and other payables and accruals	114,553	114,553	114,553
Working Capital	243,003	373,036	161,593

#### Non Current Assets

Property plant and equipment	4,394,412	4,147,780	4,180,616
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**Long Term Liability**

Deferred income tax liability	-	-	-
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**Total Net Assets**

**4,637,415**

**4,520,816**

**4,342,209**

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## Whangarei District Airport: Capital Investment Plan

Schedule	Task	Comments	Cost Est	Priority
2018 - 2019				
COMPLETED				
Runway	Enviroshield - cracking and water infiltration	capitalised	\$50,827	
Barrier arms	Carpark (Approved)	return on investment	\$150,000	
Security	Upgrade in CCTV	Part of Car-park	\$10,000	
Thrifty Yard	Development (Approved by Thrifty)	return on investment	\$28,520	
Air NZ Storage	Development (Approved by Air NZ)	return on investment	\$20,346	
Total	COMPLETED BY JUNE 2019		\$259,693	
2019 - 2020				
Power & Transformer Upgrade	Required for any further development.		\$16,482	HP
Car park extention	Development - manage increased parking requirements	return on investment	\$90,000	HP
Re-Roof Terminal	partial replacemnt of original roof		\$55,000	HP
Walkway	Development	Cover from Carpark	\$35,000	LP
Rental Carpark	Development (Increase in enquiry)	return on investment	\$159,245	DEV
Crash Fire	Development - Required due to growth. (Required if Air NZ increase service)	cost recoverable	\$500,000	DEV
Total			\$855,727	
2021 - 2022 Pending long term future of Airport at Onerahi				
Security Flood Lighting	Improving Security lighting and flood lighting of main parking areas and roads outside Terminal.		\$30,000	HP
Entrance Driveway	Drainage		\$120,000	LP
Taxiways	Development to Runway 024 / reseal existing / Fuel access		\$400,000	LP
Total			\$550,000	
2022 - onwards Pending long term future of Airport at Onerahi				
Apron	Extention		\$350,000	HP
Terminal Building	minoir expansion	based on usage	\$1,000,000	LP
Sealed Areas. - Runway	Reseal - Scheduled for 2023, could be defered.	assumed life to 2023	\$500,000	LP
Control Tower	Purchase	Meeting Rooms, VIP lounge, Airport	\$200,000	DEV
Runway	Seal Starter Extention	Buy time - can depart ATR	\$800,000	DEV
Total			\$2,850,000	

HP-High priority   LP- Low priority   Dev- Development Opportunity



## 5.1 Financial Report for the 7 months ending 31 January 2019

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**Reporting officer:** Alan Adcock (General Manager – Corporate/CFO)

### 1 Purpose

To provide the operating result for the seven months ending 31 January 2019.

### 2 Recommendation

That the Finance and Corporate Committee notes the operating results for the seven months ending 31 January 2019.

### 3 Background

#### 3.1 Operating Result – Full Year Forecast

The year to date position is a surplus of \$17.3 million, compared to a budgeted surplus of \$8.0 million, resulting in a favourable variance of \$9.3 million.

The forecast net surplus for the financial year ending 30 June 2019 is \$22.6 million compared with a budgeted surplus of \$14.8 million, resulting in a favourable variance of \$7.8 million. These results are based on forecast figures provided by budget managers in November 2018. The forecast figures will be updated for February 2019 reporting.

#### 3.2 Capital Project Expenditure

The Capital Projects expenditure as at 31 January 2019 is currently \$11.9 million less than budget. At this point, Council is forecasting to spend a total of \$72.0 million against the \$94.5 million budget, with a forecast carry forward of \$21.4 million.

The major carry forwards are:

• Civic Centre	\$9.6m
• Whau Valley New Water Treatment Plant	\$4.2m
• Pohe Island Development	\$1.2m
• Parihaka Transmission Mast Upgrade	\$0.9m
• Recycling Bins Purchase	\$0.7m
• Coastal Structure Renewals	\$0.7m

- Sports and Recreation LoS (Pohe Island Development) \$0.6m

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

Total net external debt at the end of January 2019 was \$101.5m compared to year to date budgeted net debt of \$133.4m, resulting in net debt being \$31.9m under budget.

This favourable variance is due to assumptions made regarding the opening net debt balance of the 2018-28 Long Term Plan, the favourable operating surplus (see section 3.1), and the year to date favourable variance in capital expenditure (see section 3.2).

As at 31 January 2019 cash and term deposits held of \$50.4m was comprised of:

- \$10.0 million of term deposits relating to prefunding undertaken
- \$10.0 million of term deposits relating to short term borrowings not yet required
- \$24.0 million of term deposits relating to excess cash not currently required
- \$6.4m cash on hand

Council is currently receiving slightly higher interest rates than the borrowing rate on a portion of these deposits.

### **3.4 Economic Outlook**

There was no Official Cash Rate (OCR) Announcement during January, so the OCR remained at 1.75%. The Reserve Bank of New Zealand has previously indicated the next increase is not expected until early 2021 although the market is expecting the next move to be a cut.

Long term rates followed global interest rate markets with the NZ 10-year swap rate falling from 2.63% to 2.52%.

The low long term swap rates are partially offset by higher global credit spreads which will increase the cost of any future borrowing. Council has utilised prefunding to reduce its exposure.

## **4 Accounts receivable and arrears**

Total arrears as at 31 January 2019 was \$4.2 million compared to \$3.5 million in the previous year. The increase has arisen due to payment of some large rates assessments being put on hold pending resolution of outstanding issues.

## **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 Quarterly cashflow statement
- 5 Quarterly balance sheet
- 6 Capital projects expenditure – graphs
- 7 Treasury report



**MONTHLY KEY INDICATORS**  
JANUARY 2019



	YTD to January 2019					Full Year Forecast			
	Actual	Revised Budget	Variance	YTD	YTD Trend	Full Year Forecast	Revised Budget	Variance	YTD
	YTD \$ m	YTD \$ m	YTD \$ m	Indicator	Current / previous month	2018-19 \$ m	2018-19 \$ m	2018-19 \$ m	Indicator
<b>OPERATING</b>									
Total Rates	55.2	55.2	0.0	●		97.3	97.3	0.0	●
Development Contributions	5.8	2.7	3.1	●		6.9	4.6	2.3	●
Subsidies and Grants	12.3	13.5	(1.2)	●		25.9	25.8	0.1	●
User Fees	8.1	8.1	0.0	●		14.4	14.1	0.3	●
<b>Total Operating Income</b>	<b>88.2</b>	<b>84.7</b>	<b>3.5</b>	●	↑	<b>155.8</b>	<b>151.9</b>	<b>3.9</b>	●
Personnel Costs	15.3	16.9	1.6	●		28.8	29.8	1.0	●
Other Operating Expenditure	31.7	33.5	1.8	●		61.5	60.7	(0.8)	●
<b>Total Operating Expenditure</b>	<b>73.8</b>	<b>76.7</b>	<b>2.9</b>	●	↓	<b>136.9</b>	<b>135.9</b>	<b>(1.0)</b>	●
<b>Surplus/(Deficit) from Operations</b>	<b>14.4</b>	<b>8.0</b>	<b>6.4</b>	●	↑	<b>18.9</b>	<b>16.1</b>	<b>2.8</b>	●
<b>Total Surplus/(Deficit)</b>	<b>16.8</b>	<b>8.0</b>	<b>8.8</b>	●	↓	<b>22.6</b>	<b>14.8</b>	<b>7.8</b>	●
<b>EXTERNAL DEBT FUNDING</b>									
External Net Debt	101.5	133.4	31.9	●					
Net Interest on debt	3.5	3.7	(0.2)	●		6.5	6.5	0.0	●

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**

- Environment Court appeals
- Electricity
- SNA PC project District Plan

**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.



# MONTHLY ACTIVITY SUMMARY JANUARY 2019



YTD to 31 January 2019						Full Year Forecast			
	Actual Surplus/ (Deficit) \$m	Revised Budget 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>Surplus/(deficit) from operations</b>	14.4	8.0	6.4	●	↑	18.9	16.1	2.8	●
<b>Transportation</b>	(3.7)	(4.4)	0.7	●	↑	(7.6)	(7.7)	0.1	●
<b>Water</b>	3.9	2.8	1.1	●	↓	3.0	2.1	0.9	●
<b>Solid Waste</b>	1.9	1.8	0.1	●	↓	2.5	2.6	(0.1)	●
<b>Waste Water</b>	6.9	6.4	0.5	●	↓	9.2	8.5	0.7	●
<b>Storm Water</b>	(2.0)	(2.1)	0.1	●	↑	(4.8)	(4.7)	(0.1)	●
<b>Flood Protection</b>	0.2	0.1	0.1	●	↑	0.1	0.1	0.0	●
<b>Community Facilities</b>	(12.8)	(15.2)	2.4	●	↑	(35.6)	(35.9)	0.3	●
<b>Governance &amp; Strategy</b>	0.4	0.0	0.4	●	↓	(0.9)	(0.9)	0.0	●
<b>Planning &amp; Regulatory</b>	(0.2)	(1.0)	0.8	●	↓	(7.8)	(8.3)	0.5	●
<b>Support Services</b>	19.8	19.6	0.2	●	↑	60.8	60.2	0.6	●

## KEY:



Favourable to budget



Unfavourable, but within 5% of budget



Unfavourable, over 5% of budget



Favourable to previous month



Unfavourable to previous month

**Note:** The above information is at Council Operations level and excludes non-cash adjustments



## MONTHLY INCOME STATEMENT

### 31 JANUARY 2019

Council Summary	Actual	Revised Budget	Forecast	Revised Budget	Variance*
	YTD	YTD	2018-19	2018-19	2018-19
	\$000	\$000	\$000	\$000	\$000
<b>Operating income</b>					
Rates	55,187	55,248	97,284	97,322	(38)
Development and other contributions	5,774	2,707	6,891	4,640	2,251
Subsidies and grants***	12,272	13,457	25,920	25,762	158
Fees and charges	8,109	8,080	14,417	14,144	274
Interest revenue	890	29	1,130	53	1,076
Other revenue	5,974	5,193	10,166	10,013	154
<b>Total operating income</b>	<b>88,207</b>	<b>84,713</b>	<b>155,809</b>	<b>151,934</b>	<b>3,875</b>
<b>Operating expenditure</b>					
Other expenditure	31,660	33,518	61,540	60,731	(809)
Depreciation and amortisation	22,408	22,587	38,980	38,720	(260)
Finance costs	4,437	3,686	7,606	6,609	(997)
Personnel costs	15,324	16,932	28,809	29,806	998
<b>Total operating expenditure</b>	<b>73,829</b>	<b>76,723</b>	<b>136,935</b>	<b>135,867</b>	<b>(1,068)</b>
<b>Surplus/(deficit) from operations</b>	<b>14,378</b>	<b>7,990</b>	<b>18,874</b>	<b>16,068</b>	<b>2,806</b>
<b>Plus non-cash income adjustments</b>					
Vested assets income	5,360	1,750	9,140	3,000	6,140
Gain on disposal of assets	-	-	-	-	-
<b>Total non-cash income adjustments</b>	<b>5,360</b>	<b>1,750</b>	<b>9,140</b>	<b>3,000</b>	<b>6,140</b>
<b>Less non-cash expenditure adjustments</b>					
OPEX on capital projects**	914	1,776	3,855	4,275	421
Loss on disposal of assets	1,530	-	1,551	-	(1,551)
<b>Total non-cash expenditure adjustments</b>	<b>2,444</b>	<b>1,776</b>	<b>5,406</b>	<b>4,275</b>	<b>(1,131)</b>
<b>Total non-cash adjustment</b>	<b>2,916</b>	<b>(26)</b>	<b>3,734</b>	<b>(1,275)</b>	<b>5,009</b>
<b>Total surplus/(deficit)</b>	<b>17,294</b>	<b>7,964</b>	<b>22,608</b>	<b>14,792</b>	<b>7,816</b>

\* Favourable variances are recorded as positive amounts (unfavourable variances as negative amounts)

\*\* This expenditure is included within the Capital Projects Report

\*\*\* The 2018/19 budget has been revised to reflect the Kamo Cycleway and Porowini-Maunu intersection projects brought forward approved at the 25 October 2018 Council Meeting





**QUARTERLY CASH FLOW STATEMENT**  
**YTD TO DECEMBER 2018**

	Actual 2018-19	Actual 2017-18	Annual Plan 2018-19
<b>Council Summary</b>	<b>YTD</b>	<b>YTD</b>	<b>Full Year</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
Rates (inc metered water)	55,205	53,197	96,625
Grants & Subsidies received	7,318	8,323	22,373
Other income	20,371	16,115	27,155
Interest & dividends received from investments	1,176	1,610	590
Payments to suppliers and employees	(47,836)	(43,040)	(94,345)
Interest paid	(3,758)	(4,101)	(6,609)
<b>Net cash (to) / from operating activities</b>	<b>32,476</b>	<b>32,104</b>	<b>45,789</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	1,638	279	-
Maturity of investments and loans	-	20,320	-
Purchase and development of fixed assets	(22,142)	(22,080)	(58,763)
Purchase of investments and loans provided	-	-	-
<b>Net cash flows (to) / from investing activities</b>	<b>(20,504)</b>	<b>(1,481)</b>	<b>(58,763)</b>
<b>Cash flows from financing activities</b>			
Loans raised	25,000	20,000	12,974
Loan repayments received	175	116	-
Repayment of public debt	(25,000)	(40,000)	-
Loans granted	(40)	-	-
<b>Net cash flows (to) / from financing activities</b>	<b>135</b>	<b>(19,884)</b>	<b>12,974</b>
<b>Net Cash Movement increase / (decrease)</b>	<b>12,107</b>	<b>10,739</b>	<b>-</b>
<b>Cash Reconciliation</b>			
Cash, cash equivalents and bank overdrafts at the beginning of the year	39,419	21,535	300
Cash, cash equivalents and bank overdrafts at the end of the period	51,527	32,274	300
<b>Net increase / (decrease) in cash, cash equivalents and bank overdrafts</b>	<b>12,107</b>	<b>10,739</b>	<b>-</b>

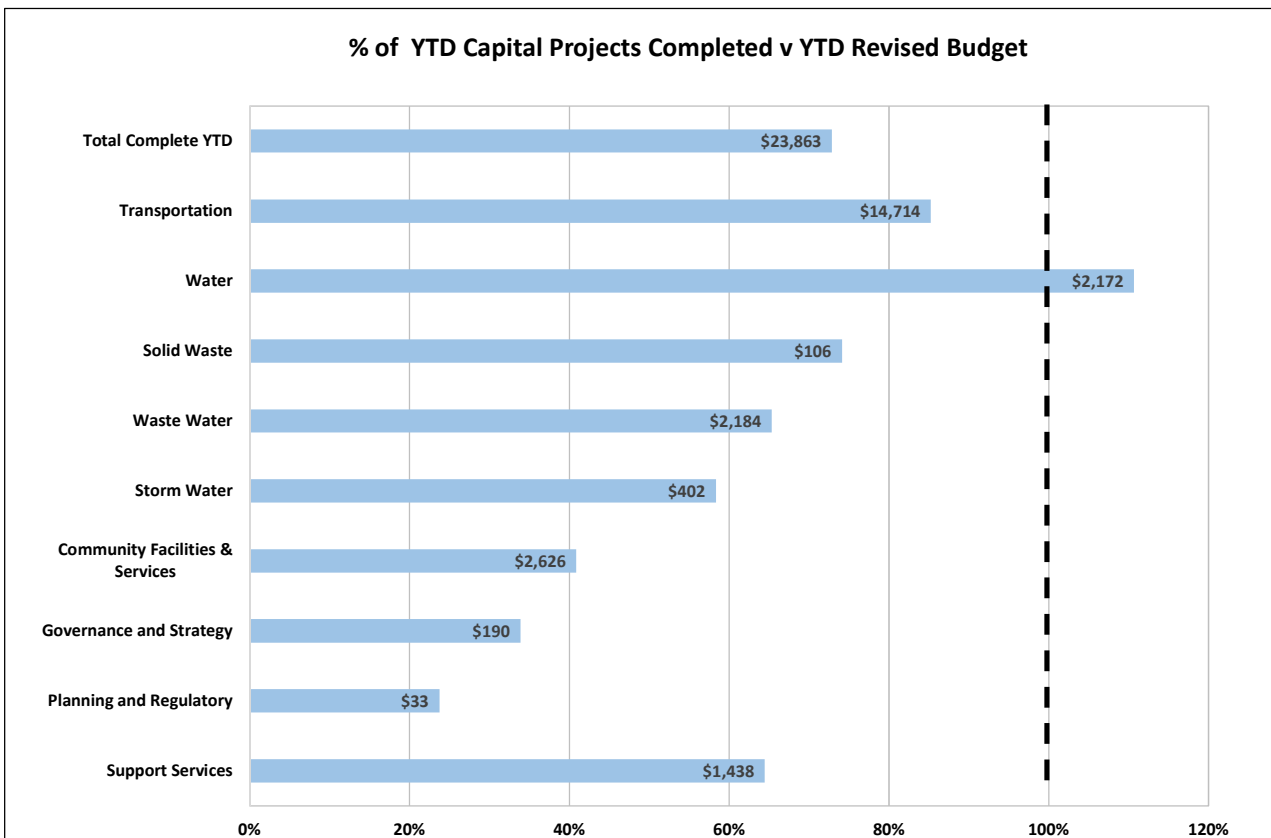
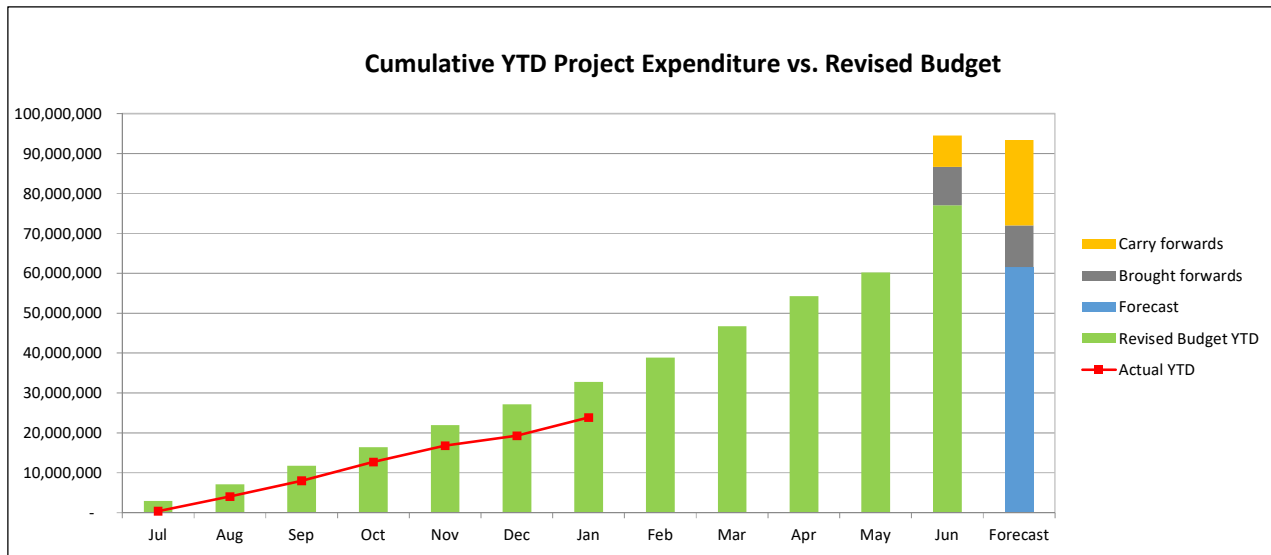


## QUARTERLY BALANCE SHEET AS AT 31 DECEMBER 2018

Council Summary	Actual 2018-2019 YTD \$000	Annual Plan 2018-19 Full year \$000	Variance \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	51,527	300	51,227
Debtors and receivables	17,019	17,057	(38)
Other financial assets	272	607	(335)
Other current assets	1,152	822	330
<b>Total current assets</b>	<b>69,969</b>	<b>18,786</b>	<b>51,183</b>
<b>Non-current assets</b>			
Derivative financial instruments	7	10	(3)
Investment in CCO's and similar entities	10,173	11,589	(1,416)
Investment in other entities	3,306	2,924	382
Property, plant and equipment	1,574,467	1,610,830	(36,363)
Intangible assets	4,722	8,540	(3,818)
Forestry assets	891	787	104
Investment properties	53,965	55,919	(1,954)
<b>Total non-current assets</b>	<b>1,647,531</b>	<b>1,690,599</b>	<b>(43,068)</b>
<b>Total assets</b>	<b>1,717,500</b>	<b>1,709,385</b>	<b>8,115</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and deferred revenue	23,792	21,615	2,177
Derivative financial instruments	304	283	21
Current borrowings	29,000	29,000	-
Employee benefits liabilities	2,641	2,478	163
Provisions	670	108	562
<b>Total current liabilities</b>	<b>56,407</b>	<b>53,484</b>	<b>2,923</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	11,881	11,233	648
Non-current borrowings	123,000	108,860	14,140
Employee benefits liabilities	352	399	(47)
Provisions	1,389	1,368	21
Payables and deferred revenue	101	156	(55)
<b>Total non-current liabilities</b>	<b>136,723</b>	<b>122,016</b>	<b>14,707</b>
<b>Total liabilities</b>	<b>193,130</b>	<b>175,500</b>	<b>17,630</b>
<b>Net assets</b>	<b>1,524,370</b>	<b>1,533,885</b>	<b>(9,515)</b>
<b>Equity</b>			
Retained earnings	910,003	896,165	13,838
Other reserves	75,414	71,933	3,481
Asset revaluation reserve	538,952	565,787	(26,835)
<b>Total equity attributable to Council</b>	<b>1,524,370</b>	<b>1,533,885</b>	<b>(9,515)</b>



### CAPITAL PROJECT EXPENDITURE AS AT 31 January 2019





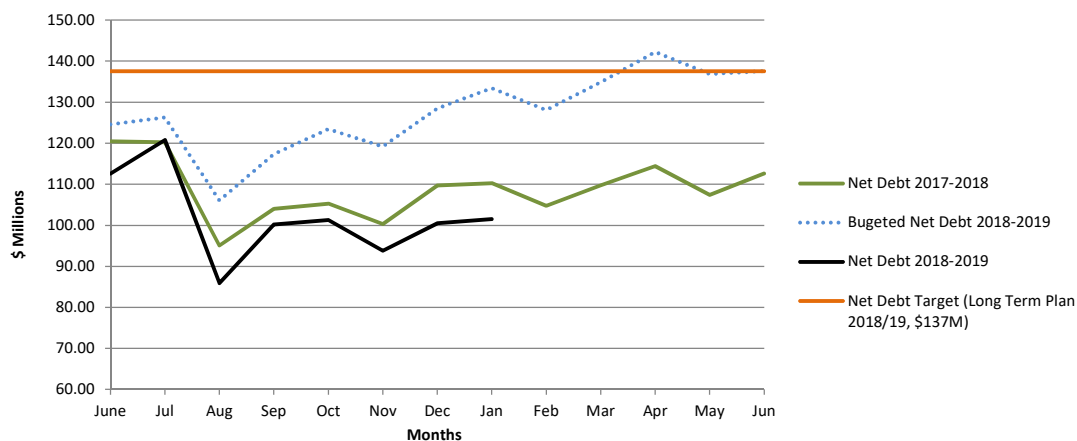
**TREASURY REPORT**  
**31 JANUARY 2019**

**STANDARD AND POORS CREDIT RATING:****AA**

Outlook: Positive

**DEBT SUMMARY:****As at 31 January 2019**

<b>External Debt</b>		
Opening public debt as at 1 January 2019		
		152,000,000
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>152,000,000</b>
Less: Cash balances (excluding funds held on behalf)	6,453,589	
Term deposits (Funds held on deposit until required for project funding)	44,000,000	
Total cash and term deposits		50,453,589
<b>Total Net External Debt</b>		<b>101,546,411</b>
<i>Note: Council also holds \$2.1m of LGFA borrower notes. These are not included in net external debt as per Council's Treasury Risk Management Policy.</i>		
<b>External debt is represented by:</b>		
Less than 1 Year		29,000,000
1-3 Years		43,000,000
3-5 Years		30,000,000
Greater than 5 Years		50,000,000
<b>Total</b>		<b>152,000,000</b>

**NET EXTERNAL DEBT COMPARED TO BUDGET:**

<b>Internal Funding*</b>		
Community Development Funds		
		10,429,543
Property Reinvestment Reserve - Available for Reinvestment	3,285,985	
Property Reinvestment Reserve - Accumulated	29,123,106	
		32,409,091
Water Reserve		30,865,000
<b>Total</b>		<b>73,703,634</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 31 January 2019

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**Reporting officer:** Alan Adcock (General Manager – Corporate/CFO)

### 1 Purpose

To provide the Corporate Capital Projects Report for the month ending 31 January 2019.

### 2 Recommendation

That the Finance and Corporate Committee notes the Corporate Capital Projects Report for the month ending 31 January 2019.

### 3 Background

This report provides an update on the Corporate Capital Projects expenditure to date compared with 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 31 January is \$83k less than budget. Corporate is forecasting to spend a total of \$4.9 million against the \$16.2 million budget, with carry forwards of \$11.3 million.

The carry forwards relate to the Civic Centre project (\$9.6million) the timing of which will be affected by some complex decisions over the next few months; and ICT projects (\$1.6 million) that will span the 2019 and 2020 financial years.

### 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 31 January 2019

(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 Improvement</i>								
Business Improvement Projects	6	33	(27)	106	100	6	0	6
Workflow Systems Development	0	95	(95)	226	226	0	0	0
<b>Business Improvement Total</b>	<b>6</b>	<b>128</b>	<b>(122)</b>	<b>332</b>	<b>326</b>	<b>6</b>	<b>0</b>	<b>6</b>
<i>Business Support</i>								
Business Support Projects	0	0	0	102	102	0	0	0
Civic Buildings Renewals & Improvements	26	0	26	26	0	26	0	26
Council Premises	64	5	59	350	9,968	(9,618)	9,618	(0)
Council Vehicle Replacements	45	118	(72)	187	235	(49)	45	(4)
Furniture Renewals	0	6	(5)	10	10	0	0	0
Information Centre Upgrade	0	0	0	126	126	0	0	0
Water Services Building Renewals	0	20	(20)	20	20	0	0	0
<b>Business Support Total</b>	<b>136</b>	<b>148</b>	<b>(13)</b>	<b>821</b>	<b>10,461</b>	<b>(9,640)</b>	<b>9,663</b>	<b>22</b>
<i>ICT</i>								
Accounts Payable Automation	24	23	1	19	23	(4)	0	(4)
Asset Management Software Upgrade	308	272	36	653	854	(202)	202	0
CiA Upgrade	259	329	(70)	913	1,480	(566)	565	(1)
Computer Tech for Building, Animal Control & Parking	0	10	(10)	114	124	(10)	10	0
Corporate Performance Management	81	149	(68)	253	435	(182)	155	(27)
Decision Support System Development	0	46	(46)	0	161	(161)	161	0
Digitisation of Records	370	481	(111)	819	899	(80)	81	1
IT Equipment New	20	18	2	49	51	(2)	8	5
IT Network Upgrades	0	29	(28)	24	33	(10)	0	(10)
LIDAR	0	0	0	128	128	0	0	0
Minor ICT Projects	11	25	(14)	66	82	(16)	0	(16)
Web & Intranet Development	184	569	(385)	687	1,127	(440)	440	0
<b>ICT Total</b>	<b>1,257</b>	<b>1,950</b>	<b>(693)</b>	<b>3,724</b>	<b>5,397</b>	<b>(1,673)</b>	<b>1,622</b>	<b>(51)</b>
<i>People &amp; Capability</i>								
Office Furniture	4	6	(1)	10	10	(0)	0	(0)
<b>People &amp; Capability Total</b>	<b>4</b>	<b>6</b>	<b>(1)</b>	<b>10</b>	<b>10</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>
<b>Support Services Total</b>	<b>1,403</b>	<b>2,232</b>	<b>(829)</b>	<b>4,886</b>	<b>16,194</b>	<b>(11,307)</b>	<b>11,284</b>	<b>(23)</b>
<b>Total</b>	<b>1,403</b>	<b>2,232</b>	<b>(829)</b>	<b>4,886</b>	<b>16,194</b>	<b>(11,307)</b>	<b>11,284</b>	<b>(23)</b>



## 5.3 Whangarei District Airport Half Yearly Financial Reports to 31 December 2018

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**Reporting officer:** Mike Hibbert (Commercial Property Portfolio Manager)

### 1 Purpose

To provide the half yearly financial report to Council for the Whangarei District Airport.

### 2 Recommendation

That the Finance and Corporate Committee notes the half yearly financial report to 31 December 2018 for the Whangarei District Airport.

### 3 Background

Section 66 of the Local Government Act (2002) advises that Council Controlled Organisations (CCOs) must deliver a financial report to Council on their half yearly operations. To that end, the half year reports for the 2018/19 financial year for the Whangarei District Airport are attached.

### 4 Whangarei District Airport

Attachments 1 and 2 detail the financial performance to date of the airport and the anticipated forecast for the end of year 30 June 2019.

Overall a slightly less than favourable result compared to budget is anticipated due mainly to delayed revenue from car parking charges and additional professional fees from Safety Management System (SMS) development. The negative variances have been partially offset by additional rental revenue and increased landing fees, with operational savings in maintenance, audit and general miscellaneous.

### 5 Significance and engagement

The decisions or matters in this report 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. Half year report for Whangarei District Airport to 31 December 2018
2. Whangarei District Airport 6 Month Forecasting 2018-19

**Whangarei District Airport  
Financial statements  
For the six months ended  
31 December 2018**

# Whangarei District Airport

## Financial statements - 31 December 2018

### Contents

	Page
Entity Information	2
Financial statements	
Statement of financial performance	3
Statement of financial position	4
Cash flow statement	5
Notes to the financial statements	
1 Statement of accounting policies for the six months ended 31 December 2018	6
2 Significant accounting policies	6
3 Revenue from operations	8
4 Other expenses	8
5 Income tax	8
6 Bank accounts and cash	9
7 Debtors and other receivables	9
8 Property, plant and equipment	10
9 Creditors and accrued expenses	11
10 Equity	11
11 Contingencies	11
12 Related party transactions	12



**Entity Information****Legal name**

Whangarei District Airport (the Airport).

**Type of entity and legal basis**

The Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

The Airport acts as a gateway to the Whangarei District and Northland, and is provided for the use of visitors, residents and ratepayers of the Whangarei District.

**The Airport's purpose**

The Airport's primary objective is to operate a fully serviceable airport for the use of visitors, residents and ratepayers of the Whangarei District.

**Structure of the Airport's operations, including governance arrangements**

The Whangarei District Council has overall responsibility for the management and governance of the Airport. Council is delegated the responsibility of Governance, while the operational management of the Airport is controlled by way of a contract with Northland Aviation Limited.

**Main sources of the Airport's cash and resources.**

Revenue from operations are the primary sources of funding to the Airport.

**Authorisation**

The Board of Whangarei District Airport authorised these financial statements presented on the following pages 3 to 12

For and on behalf of the Board:

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S Mai  
Mayor

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S Deeming  
Chair - Finance and Corporate Committee

**Whangarei District Airport**  
**Statement of financial performance**  
**For the six months ended**  
**31 December 2018**

**Statement of financial performance**

For the six months ended 31 December 2018

	Note	31 December 2018 Actual \$	30 June 2019 Budget \$	30 June 2018 Actual \$
<b>Revenue</b>				
Revenue from operations	3	277,787	628,000	546,847
Interest revenue		1,281	10,000	13,670
Bad debts recovered	3	-	-	5,000
<b>Total revenue</b>		<u>279,068</u>	<u>638,000</u>	<u>565,517</u>
<b>Expenditure</b>				
Repairs and maintenance		43,252	96,000	85,460
Management fee		133,124	266,248	162,769
Depreciation and amortisation	8	99,412	221,205	198,071
Other expenses	4	106,458	197,402	199,398
<b>Total operating expenditure</b>		<u>382,246</u>	<u>780,855</u>	<u>645,698</u>
<b>Surplus/(deficit) before tax</b>		(103,178)	(142,855)	(80,181)
Income tax expense	5	-	-	-
<b>Surplus/(deficit) after tax</b>		<u>(103,178)</u>	<u>(142,855)</u>	<u>(80,181)</u>

*Summary of significant accounting policies and the accompanying notes form part of these financial statements.*

**Whangarei District Airport**  
**Statement of financial position**  
**As at 31 December 2018**

**Statement of financial position**  
As at 31 December 2018

	Note	31 December 2018 Actual \$	30 June 2019 Budget \$	30 June 2018 Actual \$
<b>ASSETS</b>				
<b>Current assets</b>				
Bank accounts and cash	6	452,973	664,787	609,534
Debtors	7	52,211	62,500	68,248
Provision for income tax		-	-	-
<b>Total current assets</b>		<u>505,184</u>	<u>727,287</u>	<u>677,782</u>
Property, plant and equipment	8	4,392,502	4,156,124	4,371,196
<b>Total non-current assets</b>		<u>4,392,502</u>	<u>4,156,124</u>	<u>4,371,196</u>
<b>Total assets</b>		<u>4,897,686</u>	<u>4,883,411</u>	<u>5,048,978</u>
<b>LIABILITIES</b>				
Creditors and other payables	9	66,437	65,000	114,553
<b>Total current liabilities</b>		<u>66,437</u>	<u>65,000</u>	<u>114,553</u>
<b>Non-current liabilities</b>				
Deferred income tax		-	-	-
<b>Total non-current liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>66,437</u>	<u>65,000</u>	<u>114,553</u>
<b>ASSETS LESS LIABILITIES</b>		<u>4,831,249</u>	<u>4,818,411</u>	<u>4,934,425</u>
<b>ACCUMULATED FUNDS</b>				
Retained earnings	10	1,548,057	1,535,219	1,651,233
Contributed Capital	10	3,283,192	3,283,192	3,283,192
<b>Total equity</b>		<u>4,831,249</u>	<u>4,818,411</u>	<u>4,934,425</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

**Whangarei District Airport**  
**Cash flow statement**  
**For the six months ended**  
**31 December 2018**

**Cash flow statement**

For the six months ended 31 December 2018

	<b>31 December 2018 Actual \$</b>	<b>30 June 2018 Actual \$</b>
<b>Cash flows from operating activities</b>		
Revenue from operations	308,116	576,886
Interest received	<u>4,902</u>	<u>10,637</u>
	<b><u>313,018</u></b>	<b><u>587,523</u></b>
<b>Cash was applied to / from</b>		
Payments to suppliers	338,037	427,769
Income tax paid	-	-
Goods and services tax (net)	<u>10,826</u>	<u>(2,536)</u>
Total cash provided to operating activities	<b><u>348,863</u></b>	<b><u>425,233</u></b>
<b>Net cash flow from operating activities</b>	<b><u>(35,845)</u></b>	<b><u>162,290</u></b>
 Purchase and development of property, plant and equipment	 <u>120,716</u>	 <u>42,227</u>
Total cash provided to investing and financing activities	<u>120,716</u>	<u>42,227</u>
<b>Net cash flow from investing activities</b>	<b><u>(120,716)</u></b>	<b><u>(42,227)</u></b>
 Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	 <b>(156,561)</b>	 120,063
<b>Bank accounts and cash, and bank overdrafts at the beginning of the year:</b>	<b><u>609,534</u></b>	<b><u>489,471</u></b>
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b><u>452,973</u></b>	<b><u>609,534</u></b>

*Summary of significant accounting policies and the accompanying notes form part of these financial statements.*

## **1 Statement of accounting policies for the six months ended 31 December 2018**

### **1.1 Reporting entity**

The Whangarei District Airport is a Council controlled organisation as defined under section 6 of the Local Government Act 2002. The Airport is administered by the Whangarei District Council in a joint venture operation with the Ministry of Transport and is domiciled in New Zealand.

## **2 Significant accounting policies**

### **2.1 Basis of preparation**

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Airport will continue to operate in the foreseeable future.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting Accrual (Public Sector) on the basis that the Airport does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

#### **Goods and services tax**

The Airport is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

#### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (\$) . The functional currency of the Entity is New Zealand dollars.

The financial statements are presented in New Zealand dollars.

### **2.2 Revenue and expenses**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

#### **(i) Grants**

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

#### **(ii) Interest income**

Interest revenue is recorded as it is earned during the year.

#### **(iii) Sale of services**

Revenue from the sale of services is recognised when the services are provided to the customer.

#### **(iv) Administration, overheads and other costs.**

These are expensed when the related service has been received.

### **2.3 Income tax**

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

### **2.4 Bank accounts and cash**

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown as current liabilities in the statement of financial position.

### **2.5 Debtors**

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

## **2 Significant accounting policies (continued)**

### **2.6 Property, plant and equipment**

Property, plant, and equipment is recorded at cost, less accumulated depreciation and impairment losses.

#### **(i) Asset sales**

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

#### **(ii) Use of assets**

For an asset to be used by the Airport, the asset is impaired if the value to the Airport in using the asset falls below the carrying amount of the asset.

### **Depreciation**

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives of major classes of assets have been estimated as follows:

<b>Class of PP&amp;E</b>	<b>Estimated useful life</b>
Land	Indefinite
Airside	0-140 years
Buildings	4-40 years
Landside	0-140 years
Sundries	5-67 years
Services	0-40 years

### **2.7 Investments**

Investments comprise investments in terms deposits with banks.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

### **2.8 Creditors and accrued expenses**

Creditors and accrued expenses are measured at the amount owed.

### **2.9 Lease expense**

Lease payments are recognised as an expense on a straight-line basis over the lease term.

### **2.10 Tier 2 PBE Accounting Standards applied**

The Airport has not applied any Tier 2 Accounting Standards in preparing its financial statements.

### **2.11 Changes in Accounting Policies**

There are no changes in accounting policies.

**Whangarei District Airport**  
**Notes to the financial statements**  
**31 December 2018**  
(continued)

### 3 Revenue from operations

	December 2018	Budget 2019	Actual 2018
	\$	\$	\$
Landing fees	185,790	350,000	349,973
Rent received	70,488	145,000	152,515
Operating expenses recoveries	7,992	22,000	27,831
Other recoveries	10,305	6,000	8,943
Other revenue	3,212	105,000	7,585
<b>Total revenue from operations</b>	<b>277,787</b>	<b>628,000</b>	<b>546,847</b>

### 4 Other expenses

	December 2018	Budget 2019	Actual 2018
	\$	\$	\$
Cleaning	9,599	30,000	26,853
Electricity	17,211	32,000	33,747
Auditors fees for financial statements	11,048	20,000	20,224
Other expenses	68,600	115,402	115,946
Loss on disposals of PPE	-	-	1,901
Bad debts written off	-	-	24,753
Movement in doubtful debt provision	-	-	(24,026)
<b>Total other expenses</b>	<b>106,458</b>	<b>197,402</b>	<b>199,398</b>

### 5 Income tax

	December 2018 Actual \$	June 2018 Actual \$
<b>Relationship between tax expense and accounting profit</b>		
Accounting surplus/(deficit) before tax	(103,178)	(80,181)
Plus / (Less): adjustment for non-tax deductible items	-	(17,933)
<b>Taxable surplus (deficit)</b>	<b>(103,178)</b>	<b>(98,114)</b>
Tax at 28%	(28,890)	(27,472)
Plus/(less) tax effect of:		
Tax losses utilised	28,890	27,472
Tax losses carried forward	-	-
<b>Tax expense</b>	<b>-</b>	<b>-</b>

**Whangarei District Airport**  
**Notes to the financial statements**  
**31 December 2018**  
(continued)

## 6 Bank accounts and cash

	December 2018 Actual \$	June 2018 Actual \$
Bank deposits	248,022	528,164
Bank balances	<u>204,951</u>	<u>81,370</u>
<b>Total bank accounts and cash</b>	<b><u>452,973</u></b>	<b><u>609,534</u></b>

### Cash at bank and on hand

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

## 7 Debtors and other receivables

	December 2018 Actual \$	June 2018 Actual \$
Debtors and other receivables	52,439	68,476
Provision for doubtful receivables	<u>(228)</u>	<u>(228)</u>
<b>Net debtors</b>	<b><u>52,211</u></b>	<b><u>68,248</u></b>



## 8 Property, plant and equipment

	Work in progress \$	Land \$	Landside \$	Buildings \$	Airside \$	Services \$	Sundries \$	Total \$
<b>Year ended 30 June 2018</b>								
Opening carrying amount	4,031	810,000	374,069	831,792	2,372,864	41,354	94,831	4,528,941
Additions	10,459	-	4,031	-	3,980	-	27,786	46,256
Disposals	(4,031)	-	-	-	-	-	(1,901)	(5,932)
Impairment charge recognised in profit and loss	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(8,880)	(51,221)	(120,853)	(2,491)	(14,626)	(198,071)
<b>Balance at 30 June 2018</b>	<b>10,459</b>	<b>810,000</b>	<b>369,220</b>	<b>780,571</b>	<b>2,255,991</b>	<b>38,863</b>	<b>106,090</b>	<b>4,371,194</b>
<b>2018 6 months ended 31 December 2018</b>								
Opening balance	10,459	810,000	369,220	780,571	2,255,991	38,863	106,090	4,371,194
Additions	120,716	-	-	-	-	-	-	120,716
Disposals	-	-	-	-	-	-	-	-
Impairment charge recognised in profit and loss	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(4,337)	(25,288)	(60,469)	(1,256)	(8,062)	(99,412)
<b>As at 31 December 2018</b>	<b>131,175</b>	<b>810,000</b>	<b>364,884</b>	<b>755,283</b>	<b>2,195,524</b>	<b>37,608</b>	<b>98,028</b>	<b>4,392,502</b>

There are no restrictions over the title of the Airport's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

**Whangarei District Airport**  
**Notes to the financial statements**  
**31 December 2018**  
(continued)

## 9 Creditors and accrued expenses

	December 2018 Actual \$	June 2018 Actual \$
Accrued expenses	32,478	71,878
Trade creditors and other payables	1,727	10,443
Rents in advance	<u>32,232</u>	<u>32,232</u>
<b>Total creditors and accrued expenses</b>	<b><u>66,437</u></b>	<b><u>114,553</u></b>

Creditors and accrued expenses are non-interest bearing and normally settled 30 day terms. Therefore the carrying value of creditors, accrued expenses and rents in advance approximate their fair value.

## 10 Equity

	December 2018 Actual \$	June 2018 Actual \$
Retained earnings	1,548,057	1,651,233
Contributed Capital	<u>3,283,192</u>	<u>3,283,192</u>
<b>Balance at 31 December 2018</b>	<b><u>4,831,249</u></b>	<b><u>4,934,425</u></b>

	December 2018 Actual \$	June 2018 Actual \$
<b>Retained Earnings</b>		
Balance at 1 July	1,651,235	1,731,414
Surplus/(deficit) for the year	<u>(103,178)</u>	<u>(80,181)</u>
<b>Balance at 31 December 2018</b>	<b><u>1,548,057</u></b>	<b><u>1,651,233</u></b>

	December 2018 Actual \$	June 2018 Actual \$
<b>Contributed Capital</b>		
Loans Repaid	256,512	256,512
Local Community	12,500	12,500
Ministry of Transport	1,987,834	1,987,834
Whangarei District Council	<u>1,026,346</u>	<u>1,026,346</u>
<b>Balance at 31 December 2018</b>	<b><u>3,283,192</u></b>	<b><u>3,283,192</u></b>

## 11 Contingencies

The Airport has no contingent liabilities (2018: nil) and no contingent assets (2018: nil).

## **12 Related party transactions**

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Airport would have adopted in dealing with the party at arm's length in the same circumstances.

All related party transactions have been entered into at arm's length.



**Whangarei District Airport****Forecasting 2018-19****Up to and including period 6**

<b>Revenue</b>	<b>Actuals YTD</b>	<b>Full year forecast</b>	<b>Full year budget</b>	<b>Variance</b>	<b>Commentary</b>
User Fee/Charge	185,790	371,580	350,000	21,580	Higher usage of airport
Impound Fees	4	4	-	4	
Misc Income - advertisi	3,208	8,000	8,000	-	
Other Recoverie - rates	10,305	10,305	6,000	4,305	FY forecast - complete for the year
Operational Rec	7,992	14,000	22,000	(8,000)	Opex/Power
Other Rentals	70,488	155,977	145,000	10,977	Rent/Lease/Licences - new additions
Invest Interest	1,280	3,000	10,000	(7,000)	Funds used resulting in lower interest
Other Interest	1	1	-	1	
Carpark Income	-	53,000	97,000	(44,000)	Starts March: 4 months of budget
<b>Total Income</b>	<b>279,067</b>	<b>615,866</b>	<b>638,000</b>	<b>(22,134)</b>	
<b>Expenditure</b>					
Conference Registratio	6,067	11,113	4,500	(6,613)	Extra people MOT and SMS
Conference Travel	-	-	-	-	Included above
Administration	-	-	5,200	5,200	Not required
Refreshments Pr	623	1,500	-	(1,500)	SMS user group
General Misc	488	5,000	10,000	5,000	increased coding accuracy
Tele/Comm	735	1,600	1,600	(0)	
Other Insurance	-	13,000	13,000	(0)	
Advert Other	1,722	3,000	3,000	-	
Rates Paid	9,834	19,668	19,902	234	
Electricity	17,211	34,423	32,000	(2,423)	
Water Rates Pd	(659)	1,700	1,700	0	
Building Compli	139	139	-	(139)	
Certification	988	1,000	2,000	1,000	Savings here as certification complete for 18/19
Weather Forecas	1,620	4,000	4,000	(0)	
Flags/Decoratio	261	-	-	-	
Weed and Pest C	1,897	4,000	4,000	(0)	
Management Fee	133,124	269,199	266,248	(2,951)	CPI Increase ( half year)
H&S Compl	93	93	-	(93)	
Bank Fees/Char	181	500	500	0	
Cleaning	9,599	30,000	30,000	-	Exterior clean/quarterly charges to be received
Security	3,240	8,000	8,000	0	
Payments to Ext	1,572	1,572	-	(1,572)	
Accounting Fees	12,400	13,000	13,000	(0)	
Legal Fees	354	354	-	(354)	
Other Profess	26,395	34,000	20,000	(14,000)	Consultance: SMS development
Audit -External	11,048	21,996	20,000	(1,996)	
Runway Maintena	-	2,000	20,000	18,000	Completed resurfacing
Drainage	-	5,000	5,000	0	
Hireage Expense	650	650	-	(650)	
Grounds R&M	15,984	35,000	40,000	5,000	Mowing frequency reduced due to weather
Fence (Repairs	-	1,000	1,000	(0)	
Sealed Area R&M	330	330	-	(330)	
Lighting R&M	11,550	17,000	15,000	(2,000)	Harbour light issues greater than normal
Other (Repairs	15,388	20,000	20,000	0	
Depn Buildings	25,288	50,576	41,825	(8,751)	
Depn Landside	4,337	8,673	16,520	7,847	
Depn Airside	60,469	156,010	156,010	(0)	
Depn Services	1,256	2,511	2,362	(149)	
Depn Sundries	8,062	16,124	4,488	(11,636)	
<b>Total Expenditure</b>	<b>382,245</b>	<b>793,730</b>	<b>780,855</b>	<b>(12,875)</b>	
<b>Net Profit / (Loss)</b>	<b>(103,177)</b>	<b>(177,864)</b>	<b>(142,855)</b>	<b>(35,009)</b>	



## 5.4 Whangarei Art Museum Trust Half Yearly Financial Reports to 31 December 2018

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**Reporting officer:** Tracey Schiebli (Manager Democracy and Assurance)

### 1 Purpose

To provide the half yearly financial report to Council for the Whangarei Art Museum Trust (WAMT).

### 2 Recommendation

That the Finance and Corporate Committee notes the half yearly financial report to 31 December 2018 for the Whangarei Art Museum Trust.

### 3 Background

Section 66 of the Local Government Act (2002) requires that Council Controlled Organisations (CCOs) must deliver a financial report to council on their half yearly operations. To that end, the half year reports for the 2018/19 financial year for the Whangarei Arts Museum Trust are attached.

### 4 Whangarei Art Museum Trust

Attachments 1 and 2 detail the financial performance to date of the Trust, and the anticipated forecast for the year ending 30 June 2019.

The half yearly result shows a surplus of \$57,470 for WAMT. The surplus arises from lower than planned salary and wage costs due to the Museum Director vacancy, and lower than planned exhibition fees.

Hundertwasser is reporting a half year surplus of \$5m, which arises as revenue and expenditure were not included in the 2018/19 Statement of Intent. For the first six months, Hundertwasser work in progress costs of \$3.7m have been recognised in the Balance Sheet.

Hundertwasser project milestones are reported through the WDC Infrastructure Group. WAMT's 2019-20 Statement of Intent will include financial projections for the Hundertwasser project.

## **5 Significance and engagement**

The decisions or matters in this report 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. Half yearly report for Whangarei Art Museum to 31 December 2018
2. Whangarei Art Museum year end forecast for 2018-19



Whangarei Arts & Museums  
Forecasting 2018-19  
Up to and including period 6

<b>Revenue</b>	<b>Actuals YTD</b>	<b>Full year forecast</b>	<b>Full year budget</b>	<b>Variance</b>
Administration	50	50	-	50
Hireage Fees	1,000	2,460	2,500	(40)
Sales of Goods	865	865	1,500	(635)
Admission Fees	-	1,000	3,480	(2,480)
Operational Recoveries	-	-	-	-
Grants Received	331,239	567,099	567,675	(576)
Donations Received	927	1,802	3,500	(1,698)
Donations Received	5,022,789	5,400,000	-	5,400,000
Subscriptions	-	-	1,500	(1,500)
Invest Interest	48,680	48,882	400	48,482
Other Interest	11	11	-	11
<b>Total Income</b>	<b>5,405,560</b>	<b>6,022,169</b>	<b>580,555</b>	<b>5,441,614</b>

**Expenditure**

Salary & Wages	70,824	164,000	179,000	15,000
Conference Registration	-	2,000	2,000	-
Conference Travel	-	2,224	2,224	-
ACC Levies	386	852	900	48
Recruitment	4,375	10,000	-	(10,000)
Refreshments	439	5,286	6,111	825
Freight/Cartage	3,102	5,558	4,612	(946)
General Misc	300	1,644	1,600	(44)
Tele/Comm	153	1,530	1,530	-
Postage/Courier	224	816	816	-
Photocopying	-	1,020	1,020	-
Collection Care	171	2,040	2,040	-
Other Insurance	-	7,140	7,140	-
Books	500	1,112	612	(500)
Magazines	-	100	100	-
Koha Donation	89	89	-	(89)
Prof Subscription	-	1,020	1,020	-
Other Subscription	-	-	-	-
Advert Other	13,085	22,963	15,850	(7,113)
Rent Paid	85,500	171,000	171,000	-
Rates Paid	-	612	612	-
Electricity	18,000	36,720	36,720	-
Water Rates Pd	-	1,326	1,326	-
Travelling Exp	93,083	96,828	3,745	(93,083)
Gifts & Promos	60	235	300	65
Signs	2,720	2,720	1,500	(1,220)
Graphic/Print	4,908	9,218	7,218	(2,000)
Gen Stationery	169	24	-	(24)
Off Stationery	45	1,000	1,000	-
Minor Office	43	3,543	-	(3,543)
Photography	435	2,156	2,156	-
Annual Software	700	700	-	(700)
Computer Coms	233	2,109	1,836	(273)
Misc Materials	-	-	-	-
Waste/Recycling	-	7,140	7,140	-
Management Fee	5,000	10,000	10,000	-
Bank Fees/Charges	550	1,300	300	(1,000)
Cleaning	700	2,660	1,836	(824)
Security	836	1,300	1,300	-
Payments to Ext	473	9,152	15,000	5,848
Exp Cons/Contra	150	150	-	(150)
Exhibition Fees	5,431	49,500	49,500	-
Other Professional Fees	7,031	7,031	-	(7,031)
Audit Fees	7,613	15,203	15,180	(23)
R & M Buildings	2,223	9,236	9,236	-

Whangarei Arts & MuseumsForecasting 2018-19Up to and including period 6

Maint Repair	-	816	816	-
Hired Plant Ext	305	253	-	(253)
Lighting R&M	995	7,995	1,428	(6,567)
Other (Repairs	142	298	312	14
Depn Buildings	557	1,127	1,140	13
Depn Buildings	3,434	3,434	-	(3,434)
Depn Office Equ	1,355	3,005	3,300	295
Depn Plant/Equipment	4,301	8,251	7,900	(351)
Minor Asset Purchases	997	1,197	1,200	3
<b>Total Expenditure</b>	<b>341,638</b>	<b>696,633</b>	<b>579,576</b>	<b>(117,057)</b>
<b>Net Profit / (Loss)</b>	<b>5,063,922</b>	<b>5,325,536</b>	<b>979</b>	<b>5,324,557</b>

**Whangarei Art Museum Trust  
Financial statements  
For the six months ended  
31 December 2018**

# Whangarei Art Museum Trust

## Financial statements - 31 December 2018

### Contents

	Page
Entity Information	2
Financial statements	
Statement of financial performance	3
Statement of financial position	4
Cash flow statement	5
Notes to the financial statements	
1 Statement of accounting policies for the six months ended 31 December 2018	6
2 Summary of significant accounting policies	6
3 Donations	8
4 Council funding	8
5 Other revenue	8
6 Interest revenue	9
7 Other expenses	9
8 Employee related costs	9
9 Bank accounts and cash	9
10 Debtors and other receivables	10
11 Property, plant and equipment	11
12 Creditors and accrued expenses	12
13 Equity	12
14 Contingencies	12
15 Other guarantees	15
16 Capital commitments and operating leases	15
17 Trustee fees	15
18 Related party transactions	16

**Entity Information****Legal name**

Whangarei Art Museum Trust (WAMT).

**Type of entity and legal basis**

WAMT is incorporated in New Zealand under the Charitable Trusts Act 1957. WAMT is controlled by the Whangarei District Council and is a council controlled organisation as defined in section 6 of the Local Government Act 2002.

**WAMT's objective**

WAMT actions and directions are determined by the Trust Deed which details the objectives of WAMT. These include the operation of the museum and the requirement to support and stimulate the artistic and cultural life of the Whangarei District. WAMT has commenced with the construction phase of the Hundertwasser Art Centre with Wairau Maori Art Gallery (HWMAC) project as detailed in Note 14.

**Structure of the Trust's operations, including governance arrangements**

WAMT comprises a Board of seven Trustees who oversee the governance of the Trust, four approved by the Whangarei District Council and three are appointed by WAMT directly. An Art Museum Director is responsible for the day-to-day operations of WAMT, and three other part time staff plus volunteers who support the Director in delivering against the WAMT's objectives.

**Main sources of the Trust's cash and resources**

Operating grants received from Whangarei District Council and central government agencies are the primary sources of WAMT funding, in addition to other national and district charitable funding sources. WAMT also receives funding through donations to be used specifically for the HWMAC.

**WAMT's Outputs**

WAMT displays WAMT and Council owned art and facilitates art exhibitions for the general public.

**Authorisation**

The Board of the Whangarei Art Museum Trust authorised these financial statements presented on the following pages 3 to 16.

For and on behalf of the Board.

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Chairperson

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Trustee

**Whangarei Art Museum Trust**  
**Statement of financial performance**  
**For the six months ended 31 December 2018**

**Statement of financial performance**

For the six months ended 31 December 2018

	Note	31 December 2018 Actual \$	30 June 2019 Budget \$	30 June 2018 Actual \$
<b>Revenue</b>				
Donations	3	5,070,660	3,500	5,314,884
Council funding	4	284,295	567,675	3,490,332
Other revenue	5	1,915	8,980	2,376
Interest revenue	6	48,692	400	47,499
<b>Total revenue</b>		<b>5,405,562</b>	<b>580,555</b>	<b>8,855,091</b>
<b>Expenditure</b>				
Employee related costs	8	75,586	179,900	136,731
Depreciation and amortisation	11	9,647	12,340	19,195
Other expenditure	7	256,405	387,336	647,825
<b>Total operating expenditure</b>		<b>341,638</b>	<b>579,576</b>	<b>803,751</b>
<b>Surplus/(deficit)</b>		<b>5,063,924</b>	<b>979</b>	<b>8,051,340</b>
<b>Surplus/(deficit) attributable to:</b>				
Whangarei Art Museum Trust		57,470	979	43,316
HWMAC		5,006,454	-	8,008,024
		<b>5,063,924</b>	<b>979</b>	<b>8,051,340</b>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

**Whangarei Art Museum Trust**  
**Statement of financial position**  
**As at 31 December 2018**

**Statement of financial position**  
As at 31 December 2018

	Note	31 December 2018 Actual \$	30 June 2019 Budget \$	30 June 2018 Actual \$
<b>ASSETS</b>				
<b>Current assets</b>				
Bank accounts and cash	9	7,937,062	1,327,083	4,001,506
Debtors	10	<u>343,259</u>	<u>43,717</u>	<u>3,513,744</u>
<b>Total current assets</b>		<b><u>8,280,321</u></b>	<b><u>1,370,800</u></b>	<b><u>7,515,250</u></b>
Property, plant and equipment	11	<u>6,503,203</u>	<u>2,195,745</u>	<u>2,767,426</u>
<b>Total non-current assets</b>		<b><u>6,503,203</u></b>	<b><u>2,195,745</u></b>	<b><u>2,767,426</u></b>
<b>Total assets</b>		<b><u>14,783,524</u></b>	<b><u>3,566,545</u></b>	<b><u>10,282,676</u></b>
<b>LIABILITIES</b>				
Employee cost payable		-	-	8,334
Creditors and accrued expenses	12	<u>386,764</u>	<u>55,819</u>	<u>941,504</u>
<b>Total current liabilities</b>		<b><u>386,764</u></b>	<b><u>55,819</u></b>	<b><u>949,838</u></b>
<b>Total liabilities</b>		<b><u>386,764</u></b>	<b><u>55,819</u></b>	<b><u>949,838</u></b>
<b>NET ASSETS</b>		<b><u>14,396,760</u></b>	<b><u>3,510,726</u></b>	<b><u>9,332,838</u></b>
<b>Equity</b>				
Retained earnings	13	14,396,750	3,510,716	9,332,828
Contributed equity	13	<u>10</u>	<u>10</u>	<u>10</u>
<b>Total equity attributable to Whangarei Art Museum Trust</b>		<b><u>14,396,760</u></b>	<b><u>3,510,726</u></b>	<b><u>9,332,838</u></b>

Summary of significant accounting policies and the accompanying notes form part of these financial statements

**Whangarei Art Museum Trust**  
**Cash flow statement**  
**For the six months ended 31 December 2018**

**Cash flow statement**

For the six months ended 31 December 2018

	<b>31 December 2018 Actual \$</b>	<b>30 June 2018 Actual \$</b>
<b>Cash flows from operating activities</b>		
Council funding	<b>3,163,823</b>	334,612
Donations received	<b>5,183,715</b>	3,286,981
Other revenue	<b>1,915</b>	2,176
Payments to suppliers and employees	<b>(717,164)</b>	151,217
Interest received	<b>48,690</b>	47,499
	<b><u>7,680,980</u></b>	<b><u>3,822,485</u></b>
<b>Cash flows from investing activities</b>		
Purchase of PPE	<b><u>(3,745,424)</u></b>	<b><u>(1,322,438)</u></b>
	<b><u>(3,745,424)</u></b>	<b><u>(1,322,438)</u></b>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	<b>3,935,556</b>	2,500,047
<b>Bank accounts and cash, and bank overdrafts at the beginning of the year</b>	<b><u>4,001,506</u></b>	<b><u>1,501,459</u></b>
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b><u>7,937,062</u></b>	<b><u>4,001,506</u></b>

Summary of significant accounting policies and the accompanying notes form part of these financial statements



## **1 Statement of accounting policies for the six months ended 31 December 2018**

### **1.1 Reporting entity**

The Whangarei Art Museum Trust (WAMT) is incorporated as a trust under the Charitable Trusts Act 1957, is domiciled in New Zealand and registered under the Charities Act 2005, registration number CC28917. It is a Council controlled organisation as defined under Section 6 of the Local Government Act 2002.

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that WAMT will continue to operate in the foreseeable future.

The financial statements have been prepared on a going concern basis. WAMT is reliant on Council's continued support of its operations. Council has included funding for WAMT in its 2018-2028 Long - Term Plan. The level of funding for the 2019/2020 financial year is expected to assume the same level of funding. Funding is reviewed on an annual basis. WAMT has also received a letter of support from Council to ensure its going concern basis for a period of one year from the date of the approval of the 2017/18 financial statements.

The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that WAMT does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

### **Budget**

The budget to 30 June 2019 does not include HWMAC - as at the time of preparation we did not have confirmation to proceed.

### **Goods and services tax**

WAMT is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars.

### **Revenue and expenses**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

#### **(i) Grants and donations**

Grants and donations are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

#### **(ii) Pledges**

Pledges are not recognised as revenue as WAMT is unable to control the access to the funds. Pledges are disclosed as a contingent asset when the money is pledged and recognised as revenue when the pledged money is received.

#### **(iii) Donated assets**

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

#### **(iv) Interest income**

Interest revenue is recorded as it is earned during the year.

#### **v) Sale of goods**

Revenue from the sale of goods is recognised when the goods are sold to the customer.

#### **(vi) Volunteer services**

Volunteer services received are not recognised as revenue or expenditure as WAMT is unable to reliably measure the fair value of the services received.

#### **(vii) Advertising, marketing, administration, overhead, and fundraising costs**

## 2 Summary of significant accounting policies (continued)

These are expensed when the related service has been received.

### 2.2 Bank accounts and cash

Bank accounts and cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### 2.3 Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

### 2.4 Property, plant and equipment

Property, plant, and equipment (excluding donated assets) are recorded at cost, less accumulated depreciation and impairment losses. WAMT does not revalue its property, plant and equipment. WAMT undertakes periodic impairment assessments of its property, plant and equipment.

#### (i) Artworks and donated assets

Purchased artworks are recognised at cost. Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised. Artworks have an indefinite useful life and are not depreciated. Impairment is recognised if identified as below.

#### (ii) Asset sales

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

#### (iii) Use of assets

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

### Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

<b>Class of PP&amp;E</b>	<b>Estimated useful life</b>	<b>Depreciation rates</b>
Leasehold improvements	10-100 years	1%-10%
Office equipment	2-10 years	20%-50%
Plant and equipment	6-60 years	1.6%-17%
Computer equipment	2-5 years	20%-50%
Artworks	Indefinite	-

### 2.5 Investments

Investments comprise investments in term deposits with banks, listed bonds, and listed shares.

Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

### 2.6 Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

### 2.7 Lease expense

Lease payments are recognised as an expense on a straight-line basis over the lease term.

### 2.8 Tier 2 PBE Accounting Standards applied

WAMT has not applied any Tier 2 Accounting Standards in preparing its financial statements.

**Whangarei Art Museum Trust**  
**Notes to the financial statements**  
**For the six months ended 31 December 2018**  
(continued)

## 2 Summary of significant accounting policies (continued)

### 2.9 Changes in Accounting Policies.

There are no changes in accounting policies.

## 3 Donations

	December 2018 \$	Budget 2019 \$	Actual 2018 \$
Donations - general	927	3,500	3,452
Donations - HWMAC	<u>5,069,733</u>	<u>-</u>	<u>5,311,432</u>
<b>Total Donations</b>	<b><u>5,070,660</u></b>	<b><u>3,500</u></b>	<b><u>5,314,884</u></b>

Donations for HWMAC are explained in note 14.

## 4 Council funding

	December 2018 \$	Budget 2019 \$	Actual 2018 \$
Council funding	<u>284,295</u>	<u>567,675</u>	<u>3,490,332</u>
<b>Total council funding</b>	<b><u>284,295</u></b>	<b><u>567,675</u></b>	<b><u>3,490,332</u></b>

## 5 Other revenue

	December 2018 \$	Budget 2019 \$	Actual 2018 \$
Other grants	-	8,980	-
Other	<u>1,915</u>	<u>-</u>	<u>2,376</u>
<b>Total other revenue</b>	<b><u>1,915</u></b>	<b><u>8,980</u></b>	<b><u>2,376</u></b>

**Whangarei Art Museum Trust**  
**Notes to the financial statements**  
**For the six months ended 31 December 2018**  
(continued)

**6 Interest revenue**

	December 2018 \$	Budget 2019 \$	Actual 2018 \$
Interest received - general	812	400	765
Interest received - HWMAC	<u>47,880</u>	<u>-</u>	<u>46,734</u>
<b>Total interest received</b>	<b><u>48,692</u></b>	<b><u>400</u></b>	<b><u>47,499</u></b>

**7 Other expenses**

	December 2018 \$	Budget 2019 \$	Actual 2018 \$
Rent paid	85,500	171,000	170,332
Other expenses	37,694	125,129	85,703
Exhibition costs	12,877	66,027	46,233
Management fees	5,000	10,000	10,000
Auditors fees for 2019 financial statements	7,613	15,180	15,180
Additional disbursements in relation to audit of 2017 financials	-	-	47
Other expenses - HWMAC	<u>107,721</u>	<u>-</u>	<u>320,330</u>
<b>Total other expenses</b>	<b><u>256,405</u></b>	<b><u>387,336</u></b>	<b><u>647,825</u></b>

**8 Employee related costs**

	December 2018 \$	Budget 2019 \$	Actual 2018 \$
Salaries and wages	<u>75,586</u>	<u>179,900</u>	<u>136,731</u>
<b>Total employee related costs</b>	<b><u>75,586</u></b>	<b><u>179,900</u></b>	<b><u>136,731</u></b>

**9 Bank accounts and cash**

	December 2018 \$	Actual 2018 \$
Cash on hand	200	200
Bank balances - general	265,255	115,560
Bank balances - HWMAC	<u>7,671,607</u>	<u>3,885,746</u>
<b>Total bank accounts and cash</b>	<b><u>7,937,062</u></b>	<b><u>4,001,506</u></b>

**Whangarei Art Museum Trust**  
**Notes to the financial statements**  
**For the six months ended 31 December 2018**  
 (continued)

**10 Debtors and other receivables**

	December 2018 \$	Actual 2018 \$
Sundry debtors	305,001	504,458
Receivables	<u>38,258</u>	<u>3,009,286</u>
<b>Total debtors and other receivables</b>	<u><b>343,259</b></u>	<u><b>3,513,744</b></u>

Whangarei Art Museum Trust  
Notes to the financial statements  
For the six months ended 31 December 2018  
(continued)

## 11 Property, plant and equipment

2018	Plant and equipment \$	Leasehold improvement s \$	Office equipment \$	Artwork \$	Work in progress \$	Total \$
<b>Balance at 1 July 2017</b>	<b><u>74,323</u></b>	<b><u>283,308</u></b>	<b><u>13,994</u></b>	<b><u>438,179</u></b>	<b><u>393,254</u></b>	<b><u>1,203,058</u></b>
<b>Year ended 30 June 2018</b>						
Additions	1,155	-	-	-	1,583,563	1,584,718
Disposals	-	-	-	-	(1,155)	(1,155)
Depreciation charge	<u>(8,591)</u>	<u>(7,917)</u>	<u>(2,687)</u>	<u>-</u>	<u>-</u>	<u>(19,195)</u>
<b>Balance at 30 June 2018</b>	<b><u>66,887</u></b>	<b><u>275,391</u></b>	<b><u>11,307</u></b>	<b><u>438,179</u></b>	<b><u>1,975,662</u></b>	<b><u>2,767,426</u></b>
<b>Balance as at 1 July 2018</b>	<b><u>66,887</u></b>	<b><u>275,391</u></b>	<b><u>11,307</u></b>	<b><u>438,179</u></b>	<b><u>1,975,662</u></b>	<b><u>2,767,426</u></b>
Additions	-	-	-	-	3,745,424	3,745,424
Disposals	-	-	-	-	-	-
Depreciation charge	<u>(4,301)</u>	<u>(3,991)</u>	<u>(1,355)</u>	<u>-</u>	<u>-</u>	<u>(9,647)</u>
<b>Balance at 31 December 2018</b>	<b><u>62,586</u></b>	<b><u>271,400</u></b>	<b><u>9,952</u></b>	<b><u>438,179</u></b>	<b><u>5,721,086</u></b>	<b><u>6,503,203</u></b>

Work in progress relates to costs associated with the design and construction phase of the HWMAC project. This is explained in note 14.

Included in the artwork asset class are a number of donated assets recorded at nil value because values are not readily obtainable.

There are no restrictions over the title of the WAMT's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

**Whangarei Art Museum Trust**  
**Notes to the financial statements**  
**For the six months ended 31 December 2018**  
(continued)

## 12 Creditors and accrued expenses

	December 2018 \$	Actual 2018 \$
Accrued expenses	332,153	680,734
Trade creditors	<u>54,611</u>	<u>260,770</u>
<b>Total creditors and accrued expenses</b>	<b><u>386,764</u></b>	<b><u>941,504</u></b>

## 13 Equity

	December 2018 \$	Actual 2018 \$
<b>a) Equity</b>		
Retained earnings	14,396,750	9,332,828
Capital contribution	<u>10</u>	<u>10</u>
<b>Balance at 31 December 2018</b>	<b><u>14,396,760</u></b>	<b><u>9,332,838</u></b>
<b>b) Retained earnings</b>		
Balance at 1 July	9,332,826	1,281,488
Surplus/(deficit) for the year	<u>5,063,924</u>	<u>8,051,340</u>
<b>Balance 30 June</b>	<b><u>14,396,750</u></b>	<b><u>9,332,828</u></b>
<b>c) Contributed equity</b>		
Capital contribution	<u>10</u>	<u>10</u>
<b>Balance 30 June</b>	<b><u>10</u></b>	<b><u>10</u></b>

## 14 Contingencies

WAMT has no contingent liabilities (2018: nil)

### Contingent Assets

#### **Hundertwasser Art Centre Wairau Maori Art Gallery (HWMAC)** **Background**

In 1993, artist Friedensreich Hundertwasser was invited by the then Mayor of Whangarei to design an art centre for the city. He chose the former Northland Harbour Board building in the Town Basin (the Building).

Council considers that it is important to have a high level of transparency around the project and its funding.

#### **Referendum**

After several years of debate a binding referendum was held in June 2015 in regards to the use of the Building. A majority voted for HWMAC as the Whangarei District Community's preferred option for re-development. As a condition of the referendum, there was a two-year period to June 2017 in which to raise the required funding needed. By June 2017 WAMT with the assistance of the Prosper Northland Trust (PNT) reached the required funding target. Donations and pledges came from the government, general public, community groups, corporates, businesses and the Lotteries Commission. The terms of the referendum have been met and the project has been initiated, and the re-development works have commenced.

#### **Operator and Guarantees and Indemnities**

Whangarei Art Museum Trust (WAMT), a CCO of Whangarei District Council will operate the HWMAC on an on-going basis once re-development is completed.

## **14 Contingencies (continued)**

There is no intention for Council to provide funding for the operating costs of the HWMAC once it begins operation and is open to the public. Underwriting mechanisms have been established to cover any trading losses/operating deficits and re-entry and termination costs up to \$2 million over a ten year period, with the maximum amount payable in any single year \$500 thousand.

Westpac is the first guarantor, to a maximum amount of \$1.25 million. To facilitate the establishment of this guarantee WAMT will deposit \$1.0 million with Westpac.

However, once any cumulative losses reaches \$750 thousand, Westpac has the option to crystallize its exposure and be relieved from any further obligations.

At this point, the second guarantor, WAMT will cover any remaining amount up to \$1.25 million, using any remaining funds from their \$1 million deposit with Westpac and a further cash bond of \$250 thousand.

Together these arrangements cover any potential losses up to the first \$1.25 million.

The remaining \$750 thousand of the \$2 million is covered by a guarantee from the Ngatiwai Trust Board.

Because the maximum amount payable in any single year is \$500 thousand, at the expiration of the 7th year the guarantors' total liability shall reduce from \$2.0 million to \$1.5 million (with a further \$500 thousand reduction each year thereafter).

Council is satisfied that these underwriting mechanisms are appropriate.

There are controls in place that allow both Whangarei District Council and Westpac to directly monitor the performance of the HWMAC if significant losses start to accumulate.

### **Tender Process**

A tender process for the HWMAC construction contract was held in at the end of 2017 and in early 2018. The construction contract has been awarded to Trigg Construction Limited. The building consent has been issued by Council. The tender process and the building consent process has determined a finalised project construction cost of \$26.09 million.

### **The land and the building**

Council owns the land and the former Harbour Board building. The building is currently recognised by Council at a nil value because it requires seismic strengthening and is presently not habitable.

Extensive engineering for seismic strengthening being additional structural foundations to support HWMAC on the reclaimed land was required. As a result, it was determined it was not feasible to redevelop the building, so the building will be deconstructed.

### **Lease and Ownership of the HWMAC Structure**

Council and WAMT have entered into a Lease for the HWMAC. The Lease has a nominal annual rental of \$1 and a lease term of 34 years and 11 months. The lease commenced on 11 June 2018 and expires on 11 May 2052. The portion of land being leased has not been subdivided and is part of a wider parcel owned by council. It would have been Council's preference to lease the land in-perpetuity but under the Resource Management Act, 35 years is the maximum period that a lease can be issued for a sub parcel of land. WAMT will retain substantially all the risk and rewards incidental to ownership of the HWMAC building. Due to this control, WAMT will recognise the HWMAC building in it's financial statements.



## 14 Contingencies (continued)

### Council funding for the project

Council spent an initial sum of \$1.1m between 2011 to 2013 on consents and other pre-project costs for the project. Council provided for additional partial capital funding for "Old Harbour Board Development" in the 2015-25 Long-Term Plan of \$1.4 million in year three (2017-18 - inflated \$) and \$1.5 million in year four (2018-19 - inflated \$), a total of \$2.9 million. This Council funding is factored in as part of the required funding for the project. It has been determined that Council will not own any part of HWMAC, so consequently it was determined that it was more appropriate to provide the funding to the project as a grant. This grant was included in the 2017-18 financial statements.

### Donations/Pledges and Contributions

At 31 December 2018, the total amount of money collected/pledged to WAMT was \$29.8m (including interest received of \$135k)

Category	Amount (\$000)
Donations/Pledges	11,071
Council contribution	4,077
Pledges	<u>14,474</u>
	<u>29,622</u>

#### 1. Donations/Pledges

These consists of two components:

- Donations received: These are donations that have been received and treated as revenue. At 31 December 2018 the total amount of donations collected was: \$10.7m
- Pledges receivable: These are pledges that have been received by WAMT and all the conditions have been fulfilled. They have not been collected and therefore recognised as revenue. At 31 December 2018 the total amount of pledges receivable was: \$300k

#### 2. Council contribution.

Council spent an initial sum of \$1.1m between 2011 to 2013 on consents and other pre project costs.

Council provided a total of \$2.977m for funding of the development of the 'Old Harbour Board Development' in the 2015-25 Long-Term Plan. This amount was recognised as a grant receivable from WDC at the end of June 2018.

This funding is factored in as part of the required funding for the project. At 31 December 2018 the total amount of council funding was: \$4.1 million.

#### 3. Pledges

As all the conditions of the Referendum have been met and the project has commenced, remaining pledges are in essence unconditional, although subject to individual funding agreements. When money is received as part of an overall pledge amount it becomes a donation and recognised as revenue. Remaining pledges do not meet the definition of an asset so are not recorded as an asset of WAMT (as per IPSAS 23). Instead, pledges have been disclosed as a contingent asset in the below table (as per IPSAS 19).

Pledges have an element of uncertainty of collection so the collectability of pledges needs to be assessed. As at 31 December 2018 the pledges have been assessed and analysed as follows:

Pledge Source	Pledged (\$000)	Collectability %	Net Pledge (\$000)
Government	11,640	100 %	11,640
Local Government	1,000	100 %	1,000
Lotteries	-	- %	-
Corporates	140	100 %	140
Charitable Trusts	1,500	100 %	1,500
Professional firms	74	100 %	74
General public	<u>133</u>	90 %	<u>120</u>
<b>Total</b>	<u>14,487</u>		<u>14,474</u>

## 14 Contingencies (continued)

There are in kind trade products and services that have been or will be donated to the overall project. All in-kind trade products & services provided were of a minor nature and therefore have not been quantified.

Professional services – various professional services in the form of time have and will continue to be donated to the overall project. These include, legal, accounting, project and other management, planning, architectural, design etc. As at 31 December 2018, material professional services to the value of \$261k have been quantified and recognised.

## 15 Other guarantees

Payroll services are outsourced to Payroll Plus Ltd, who require a letter of credit for \$7,500 as guarantee that any direct debits up to this amount will be honoured.

## 16 Capital commitments and operating leases

### Capital commitments

WAMT has commitments of \$15m at 31 December 2018 (2018: \$18.9m).

	December 2018 \$	Actual 2018 \$
<b>Capital commitments</b>		
HWMAC Project (see note 15 above)	<u>15,021,000</u>	<u>18,997,887</u>
<b>Total capital commitments</b>	<u>15,021,000</u>	<u>18,997,887</u>

### Operating leases as lessee

WAMT leases property as part of its normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	December 2018 \$	Actual 2018 \$
Not later than one year	171,001	171,001
Later than one year and not later than five years	285,006	370,504
Later than five years	<u>28</u>	<u>29</u>
<b>Total non-cancellable operating leases</b>	<u>456,035</u>	<u>541,534</u>

The operating lease consists of the annual rental paid to Council. WAMT also receives a rent concession of the same amount from Council. The lease was renewed for a 5-year period, in accordance with the deed of renewal and variation of lease.

### New Lease

Council and WAMT have entered into a lease for the HWMAC. The lease has a nominal annual rental of \$1 and a lease term of approximately 35 years.

## 17 Trustee fees

All trustees work on a voluntary basis and receive no fees (2018: nil).

**Whangarei Art Museum Trust**  
**Notes to the financial statements**  
**For the six months ended 31 December 2018**  
(continued)

## 18 Related party transactions

The related party disclosures below are for transactions that are not within a normal supplier or client/recipient relationship. This means that the terms and conditions on those transactions are either more or less favourable than those expected in a normal transaction. Any other related party transactions are no more or less favourable.

### Related party transactions significant to WAMT requiring disclosure

	December 2018 \$	Actual 2018 \$
<b>Receipts received from Council</b>		
Grants	<u>284,295</u>	<u>3,490,332</u>
Details of grants received from Council are detailed in note 4.		
	December 2018 \$	Actual 2018 \$
Grants outstanding	<u>36,295</u>	<u>3,011,083</u>
<b>Balance at 30 June</b>	<u><b>36,295</b></u>	<u><b>3,011,083</b></u>

The grants payable to WAMT of \$36,295 (2018: \$3,011,083) at balance date relates to Council's share of WAMT's audit fee (\$3,795) and annual operating grant outstanding (\$32,500).



## 5.5 Whangarei District Council Credit Rating

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**Reporting officer:** Alan Adcock (General Manager – Corporate/CFO)

### 1 Purpose

To inform Council of the updated credit rating outlook from Standard and Poors.

### 2 Recommendation

That the Finance and Corporate Committee notes the 2019 Standard and Poors credit rating report and notes its contents.

### 3 Background

Whangarei District Council (WDC) uses the ratings agency Standard and Poors (S&P) to provide our credit rating, which allows LGFA, banks and other funders to determine the risks involved in lending to WDC and thus the interest rates our debt incurs. The better our credit rating, the less interest we are charged on debt. In addition, the credit rating process provides a hardnosed independent commercial assessment of WDC's financial position, financial policies and management capability. This serves to provide evidence to Elected Members and ratepayers of the state of WDC's financial position and strategy.

As noted in our last full credit rating review, Whangarei District Council's stand-alone credit strength is greater than that of the New Zealand Government. However, under their ratings methodology they will not rate a local body higher than their sovereign, so our rating was effectively capped at AA Stable, the same as New Zealand Government's at that time.

### 4 Discussion

On January 31, 2019, they revised the rating outlook on New Zealand to positive from stable.

Consequently, they have revised their outlook on the long-term ratings on Whangarei District Council to Positive from Stable because the ratings on the council were constrained by the long-term foreign-currency rating on New Zealand.

In March they will be conducting their normal annual review process, and it is unlikely that the new AA Positive rating will change as no significant changes are proposed to Council's long term financial position at this time and we remain capped by the sovereign's credit rating.

## **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 Attachment**

2019 Credit Rating Research Update

# RatingsDirect®

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## Research Update:

# Whangarei District Council Outlook Revised To Positive Following Similar Action On New Zealand; Ratings Affirmed

### Primary Credit Analyst:

Martin J Foo, Melbourne + 61 3 9631 2016; [Martin.Foo@spglobal.com](mailto:Martin.Foo@spglobal.com)

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Anthony Walker, Melbourne + 61 3 9631 2019; [anthony.walker@spglobal.com](mailto:anthony.walker@spglobal.com)

## Table Of Contents

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Overview

Rating Action

Outlook

Rationale

Ratings Score Snapshot

Key Sovereign Statistics

Related Criteria

Related Research

Ratings List

## Research Update:

# Whangarei District Council Outlook Revised To Positive Following Similar Action On New Zealand; Ratings Affirmed

## Overview

- On Jan. 31, 2019, we revised the rating outlook on New Zealand to positive from stable.
- Consequently, we are revising our outlook on the long-term ratings on Whangarei District Council to positive from stable because the ratings on the council are constrained by the long-term foreign-currency rating on New Zealand.
- At the same time, we are affirming our 'AA/A-1+' long- and short-term issuer credit ratings on Whangarei.
- Although Whangarei's stand-alone credit profile is currently higher than New Zealand's, we believe the council could not withstand a distress scenario better than the sovereign, and that the council's credit metrics would deteriorate in line with those of the sovereign in a distress scenario.

## Rating Action

On Feb. 1, 2019, S&P Global Ratings revised its outlook on New Zealand's Whangarei District Council to positive from stable. At the same time, we affirmed our 'AA/A-1+' long- and short-term issuer credit ratings on Whangarei.

## Outlook

The positive outlook on Whangarei reflects that on the sovereign because the ratings on the council are constrained by the long-term foreign-currency rating on New Zealand. We could raise the ratings on Whangarei within the next two years should the same occur for New Zealand.

## Downside scenario

We would revise the outlook on Whangarei to stable if we were to take a similar action on New Zealand, or if Whangarei's own creditworthiness deteriorates substantially from our current expectations. The latter could occur if the council's after-capital deficits widened significantly and over a longer time frame than we currently forecast, resulting in a greater rise in



debt. Such actions might also cause us to reassess our view of Whangarei's financial management.

## **Rationale**

The outlook revision reflects a similar action on the New Zealand sovereign (see "New Zealand Outlook Revised To Positive On Improving Fiscal Position; 'AA+' LC And 'AA' FC Ratings Affirmed," Jan. 31, 2019). Although Whangarei has a stand-alone credit profile higher than the sovereign's, we cap our ratings on Whangarei at that of the sovereign's because Whangarei does not meet the conditions to be rated above the sovereign in accordance with our criteria. We do not believe any New Zealand local council, including Whangarei, could maintain stronger credit characteristics than the sovereign in a stress scenario.

We expect Whangarei's high level of fiscal flexibility, strong financial management, and New Zealand's excellent institutional settings to support its credit profile. Meanwhile, we expect the council to increase its capital expenditure during the next few years, which will lead to a period of after-capital deficits and a modest rise in debt. Debt service coverage is lower than previously; this is a function of the debt maturity profile and not indicative of a weakening in liquidity management.

### **Ratings remain supported by robust financial management and New Zealand's excellent institutional framework**

Whangarei's fiscal processes are credible and well established, with the council preparing long-term plans every three years, annual plans in the intervening years, and audited annual reports, in line with New Zealand requirements. The council's treasury and risk management policy sets prudent limits on external borrowing, liquidity, and interest rate risks. Whangarei borrows only in local currency, in accordance with legislation. Like all New Zealand councils, Whangarei is governed by an elected group of councilors, led by a mayor. The councilors delegate day-to-day management to a full-time chief executive.

We expect Whangarei's local economy to continue to perform soundly. The district had an average GDP per capita of about US\$31,400 over 2014 to 2016, according to figures from New Zealand's Ministry of Business, Innovation and Employment. This is high by international standards but a little lower than New Zealand's three-year average of around US\$39,800. The local economy is somewhat reliant on manufacturing, which accounts for about 23% of local GDP. Whangarei is home to the only oil refinery in New Zealand and is a recognized boatbuilding and marine engineering hub. Its population in 2017 was 89,700.

The institutional framework within which New Zealand local governments operate is a key factor supporting Whangarei's credit profile. We believe this framework is one of the strongest and most predictable globally. It promotes a robust management culture, fiscal discipline, and high levels of disclosure.

### **High level of budgetary flexibility helps to offset projected deficits and weaker debt service coverage**

Like all New Zealand councils, Whangarei prepares a triennial long-term plan that sets out its priorities for the years ending June 30, 2019 to 2028. The draft budget calls for capital spending of NZ\$68.8 million in fiscal 2019 (or 35.5% of total expenditures that year) and NZ\$87.1 million in fiscal 2020 (or 40.6% of total expenditures that year). Meanwhile, revenue from rates and council fees and charges should grow at a moderate pace over the next 10 years.

As a result, we expect Whangarei's after-capital balance to tip into deficit in fiscal 2018 and remain there for the next few years, with a relatively large deficit of 14.8% of adjusted total revenues projected for fiscal 2020. We expect operating surpluses to remain robust, averaging about 22.1% of adjusted operating revenues over the next three fiscal years. The outturn for fiscal 2017 was stronger than we previously forecast, partly because of higher-than-expected receipts from development contributions and unbudgeted asset sales.

Whangarei's total tax-supported debt as a proportion of consolidated operating revenues is likely to grow to 152% by the end of fiscal 2020, up from 134% at the end of fiscal 2017. This is because some of the capital works program will be funded by new borrowings. Similar to many of its domestic peers, Whangarei typically under-delivers on its capital plans each year. As such, our base-case forecasts incorporate a 25% haircut to budgeted capital expenditure in fiscal 2018 and 20% thereafter, roughly in line with the council's historical execution.

Supporting the ratings on Whangarei is the council's very high level of budgetary flexibility. We estimate that about 94% of the council's operating revenues are modifiable, which means they can be raised or lowered at the council's discretion. Although the focus of the council's infrastructure strategy over the next decade will be renewals of core infrastructure, like roads and storm-water assets, the capital works budget also contains a mix of projects to improve community amenity. The largest single projects over the next three years are a new civic center for Whangarei, which is budgeted at NZ\$37 million, and a replacement of the Whau Valley water treatment plant, which is budgeted at NZ\$21.3 million.

We expect the council's debt servicing needs during the 12 months from April 2018 to comprise NZ\$10 million in maturing commercial paper (which is regularly rolled over), NZ\$19 million in notes maturing in March 2019, and about NZ\$8.4 million in interest payments. We also expect the council to maintain an average of about NZ\$11.1 million in free cash plus access to an undrawn NZ\$30 million facility with Bank of New Zealand. As a result, we estimate that Whangarei's free cash and available committed bank lines stand at about 110% of its debt service needs for the 12 months from April 2018. This ratio is weaker than it was at the same time the preceding year, when it stood at 146%. We note that in the past, Whangarei has prefunded upcoming maturities and held the proceeds in linked term deposits, reducing its

refinancing risk. If it continues with this strategy, debt service coverage may improve throughout the year.

Apart from cash, Whangarei does not hold other liquid financial assets. We consider the council's access to external liquidity to be satisfactory. While New Zealand's capital markets are comparatively liquid, they lack depth, given their relatively small size. During the severe market dislocation of 2008 and 2009, some New Zealand councils had difficulty issuing unrated commercial paper. Similar to most of its domestic rated peers, Whangarei sources the majority of its external debt through the New Zealand Local Government Funding Agency (LGFA).

Whangarei's contingent liabilities are limited. The civil case between Whangarei and a group of engineering contractors was resolved in January 2018, regarding faulty infrastructure built at a new development at Marsden City. Whangarei is guarantor to a number of small community and sporting organization bank loans totaling NZ\$250,000. The council also has various outstanding claims against it under the Weathertight Homes Resolution Service, for which it has allowed a contingency of NZ\$1.55 million. Like many of its domestic peers, Whangarei is a shareholder and joint guarantor of the LGFA's borrowings. We consider it very unlikely that this guarantee will be activated in the near future.

## Ratings Score Snapshot

Ratings Score Snapshot	
Key Rating Factors	
Institutional framework	Extremely predictable and supportive
Economy	Average
Financial management	Very strong
Budgetary flexibility	Very strong
Budgetary performance	Strong
Liquidity	Adequate
Debt burden	High
Contingent liabilities	Very low

\*S&P Global Ratings' issuer credit ratings on local and regional governments are based on eight main rating factors listed in the table above. Section A of S&P Global Ratings "Methodology For Rating Non-U.S. Local And Regional Governments," published on June 30, 2014, summarizes how the eight factors are combined to derive the rating.

## Key Sovereign Statistics

Sovereign Risk Indicators. Interactive version available at <http://www.spratings.com/sri>.

## Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Governments - International Public Finance: Methodology: Rating Non-U.S. Local And Regional Governments Higher Than The Sovereign, Dec. 15, 2014
- Criteria - Governments - International Public Finance: Methodology For Rating Non-U.S. Local And Regional Governments, June 30, 2014
- Criteria - Governments - International Public Finance: Methodology And Assumptions For Analyzing The Liquidity Of Non-U.S. Local And Regional Governments And Related Entities And For Rating Their Commercial Paper Programs, Oct. 15, 2009
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Related Research

- New Zealand Outlook Revised To Positive On Improving Fiscal Position; 'AA+' LC And 'AA' FC Ratings Affirmed, Jan. 31, 2019

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision. After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts. The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above. The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

## Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

To

From

Whangarei District Council

Issuer Credit Rating

AA/Positive/A-1+

AA/Stable/A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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## 5.6 Operational Report – Finance and Corporate – February 2019

**Meeting:** Finance and Corporate Committee  
**Date of meeting:** 28 February 2019  
**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 February 2019.

### 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 from December 2018 to February 2019 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 – February 2019





# Operational Report – Finance and Corporate – February 2019

## Information Communications Technology (ICT)

ICT Teams are supporting the organisation with business as usual (BAU) requests. Project work is not without challenges but overall progressing well.

### *ICT Operations*

While service levels for the month of January were on target at 95.12% the team have been short-staffed. The Senior Systems Engineer has been off sick due to surgery but will hopefully be returning to work on 18 February, starting with only two hours a day. We have therefore not been able to continue with any the scheduled infrastructure improvements or Minor Works. One of our System Support staff is currently on leave for six weeks but NorthCloud are assisting us three days a week to ensure all infrastructure BAU jobs are resolved within the service level agreement.

Operational activities include:

- Review of ICT licence and support costs
- Cyber training – 70% of staff have completed the training. There has been a sharp decline in staff clicking on suspicious links and an increase in SPAM being reported.
- Password reset protocol change – this will be re-communicated
- IT Hardware Audit – to start this week
- Application and Desktop support – business as usual.

Operational project including ICT Project Manager

- Remediating critical Disaster Recovery (DR) recommendations – in progress with vendor.
- Service Desk - ICT Service Desk requirements are to be gathered. This scope of work is to also ensure that this service / tool can be deployed out into the organisation if deemed necessary e.g. Business Improvement Funnel.

**Network improvements for the Water Services networks** – Investigation is underway into options to improve network services, including expansion where possible. Four core pieces left:

- Ahuroa storm/flooding resiliency – awaiting investigation by vendor
- Ahuroa coverage improvements – quote with Water Department
- Poroti coverage improvements – quote with Water Department
- Ruakaka network performance and coverage improvements – vendor investigating wireless options and providing VDSL costs.

**SCADA changes for Water Services** – Water Department is now investigating improvement options and undertaking an as-built process. Meeting with Water Department and vendor scheduled this week to consider requirements and options.

**Library updates** – Investigating requirements around data refresh, Symphony update, and then potential to move Symphony to Software as a Service (SaaS).

**ICT DR Exercise** – Second annual exercise planning/scheduling about to begin.

**Device as a Service (DaaS)** – Investigation around the potential to move to Device as a Service complete.

**Telephony Upgrade** – NRC has now been running 3CX (telephony software) for around three months. The provider considers that the transition has been successful. Awaiting report from NRC representative.

## **ICT Projects**

In general, the Trilogy Phase 2 projects are progressing well although two of them need some rework in terms of Business Analysis.

- **Upgrade of Technology One Ci to CiAnywhere** – next software upgrade for Core Council system.
  - Statement of Work is finalised for Property and Rating and configuration is in full swing. For Finance and Human Resource early go live modules (Organisation Management in February, Accounts Receivables Debtors in March, Contracts in April), configuration, testing and preparation of training materials is in progress.
- **Corporate Performance Management** – Project environments signed off and on-site resource confirmed for end of March for configuration. However, in discussion with some Department Managers and business, their expectation has been that CPM will deliver operational level reporting. A decision has been taken to revalidate requirements and redefine scope if need be.
  - Next steps – Business Improvement department to assign a business analyst to review and refine reporting requirements.
- **Website Platform Redevelopment (Digital Platform)** – Review and re-development of our existing WDC websites.
  - RFP process for the delivery phase of the project is being developed. Project Manager and Internal Project co-ordinator have provided an update to the Project sponsor and recommended next steps. Project sponsor to provide update to Project steering committee.
- **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).
  - Contract project manager has commenced with WDC and has had a handover. He has been introduced to the project stakeholders, internal and external and is now familiarising himself with the project and planning a project relaunch meeting.
- **Digitisation of Property Files** – Execution Phase
  - Back scanning of files is 83% complete. The resource impact analysis document for the centralised scanning facility has been presented to the sponsor and Key stakeholders.

## Finance

### *2018-19 Annual Report*

Early preparation for the 2018-19 Annual Report has begun. Interim audit is scheduled for 29 April 2019.

### *2019-20 Annual Plan*

Draft supporting documents for the consultation of the 2019-20 Annual Plan have been prepared. Finance will continue to review the budget, particularly against the current year's full year forecast due at the end of February.

### *Tax Workshop*

We are running a number of workshops in conjunction with our external tax advisors this month. The main topics covered include:

- Payday filing regime: compulsory from 1 April 2019
- Grants/donations: GST and income tax implications
- Property transactions: presentation of the major GST matters which arise for Local Authorities in relation to property transactions, followed by Q&A session. This workshop includes external parties involved with Councils property transactions.
- Income tax and koha policy: finalising the 2018 income tax return for Council and reviewing our koha policy.

### *Council Controlled Organisations (CCOs)*

Half-year financial accounts for our non-exempt CCOs (Whangarei Art Museum Trust and Whangarei District Airport) have been prepared. Finance has also been assisting with the preparation of the financial component of the Statement of Intent.

## Revenue

### *Land Rates*

The 2018 general revaluation was certified on 21 December 2018. The valuation notices were sent in the first week of January. The objection period closed 15 February. Staff have been managing ratepayer and owner queries and processing the objections to Opteon.

### *Water Rates*

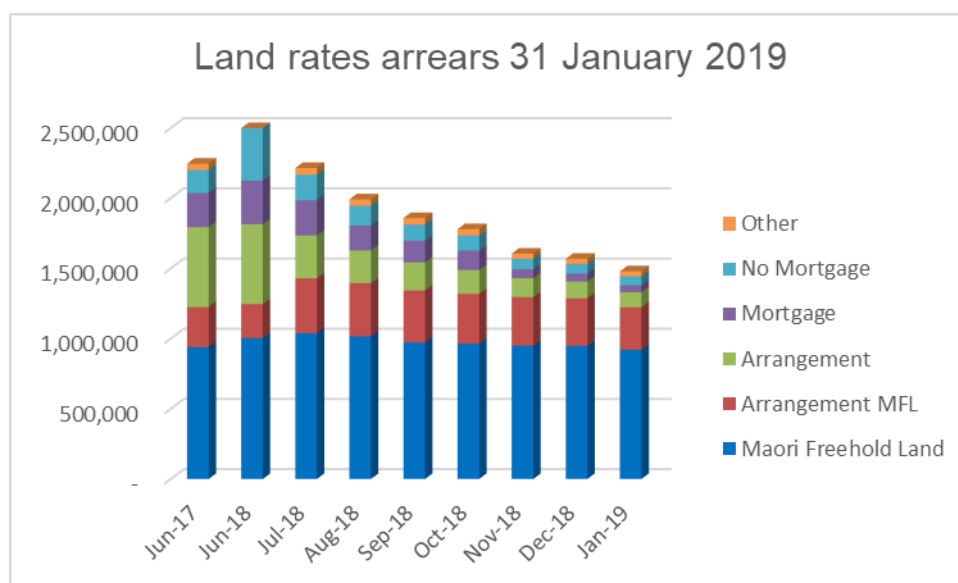
Water rates revenue in January 2019 is 20% higher than 2018. The number of water rates notices sent by email has increased from 9% in January 2018 to 23% in 2019, following staff efforts to contact ratepayers.

Water Rates Summary - January 2019							
	Consumption	Supply Charge	Backflow	Special Reading Fee	Penalties	Excess Water Remission	Arrears
Amount(\$)	1,030,930	61,122	6,606	4,582	5,722	- 15,285	263,596
Transactions (Number)	4,274	4,263	232	85	365	21	1,428
Average (\$)	241.21					- 727.88	

## Collection and Recovery

Land rate arrears at 31 January 2019 are:

- \$1,479,000 (December 2018 \$1,568,000)
- Māori Freehold Land comprises \$1,222,000 (December 2018 \$1,287,000) of arrears.



Water rates arrears are \$264,000 (1,428 debtors), with \$137,000 (713 debtors) being 90 days or more, 18 of these owing more than \$1,000. Continued efforts have reduced the number of properties with arrears, to the lowest since May 2018.

## 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. A number of initiatives were delivered last year with or by the Business Improvement Department. These include:

### CE Office

- Health and Safety initiative – Contractor Management
- Health and Safety initiative – Hazardous Substances in the Workplace

### Corporate Group

- Automated Accounts Payable Invoice Matching
- Documenting the Solicitor Statement process

### Infrastructure Group

- Forward Works Viewer

### **Planning and Development Group**

- Regulatory Services Project
- BCA Assessment preparation
- Supporting the Building Control Dept with training and process for new contractors
- Fees and Charges Process
- Changes to BCA records management to utilise Kete
- Camping in public places bylaw
- Food Act – Infringement Project

### **Strategy and Democracy Group**

- Delegations Register Project
- Policy Register
- eScribe – approvals via smartphone

Below is a breakdown of the progress of the projects we are responsible for in the LTP:

### ***Project Management Initiative***

Description – To create a virtual cross-functional Project Management group to review, agree and implement a standard Project Management approach across the organisation including processes and system.

Timeframe – to be delivered in the next 24 months

Progress Made:

- The Project Management Centre of Excellence Concept paper first draft is amended after first review by key stakeholders
- Further review occurred by Team Leader/ Project Manager in Infrastructure Planning and Capital Works.

Next Steps:

- Further review and work needed on the draft concept in response to review. Meeting organised to address this.

### ***Innovation Funnel Initiative***

Description – This initiative is a system and process for capturing and processing innovative Improvement ideas so that in the future there is an agreed organisational process for funnelling, prioritising process and system improvement initiatives from ideas to fruition.

Timeframe – to be delivered in the next 24 months

Progress Made:

- Business case 80% complete.

Next Steps:

- Approval of Concept of how the solution will work.

## Business Support

### *Information Management*

#### **Kete Review Work**

The work to review the way our Kete (Electronic Content Management) environment is being used is well underway with support from ICT from a project management perspective.

Workshops with key business users have begun and the ones held to date have seen positive outcomes in terms of understanding issues and areas of improvement with the way records are being managed in the environment.

The key outcomes for this review will be to:

- Ensure features deployed are utilised
- Build capacity and understanding across the business for better use of search, tagging and overall management of information
- Identifying areas where there are gaps in the build vs desired use of Kete
- Alignment of business process to Kete functionality

Analysis in the use of metadata – that is the tags and supplementary information against the document is the key area of focus for this month. Metadata management is critical for the records to be managed over time for future understanding and to ease searches such as for LGOIMA requests.

#### **Records and Information Plan 2019**

Work is nearing completion in the planning of activities for 2019.

This will inform and plan for work to ensure we are meeting the needs of the Information and Records Management Standard which is a mandatory standard issued under Section 27 of the Public Records Act 2005 by the Chief Archivist.

Information and records are key strategic assets at the core of our business and accountability. This standard sets out the minimum level of compliance that Council must meet to achieve both short and long-term outcomes for these assets.

There are three key principles covered:

1. Organisations are responsible for managing information and records
2. Information and records management supports business
3. Information and records are well managed.

Coverage of the work will be in all aspects of information including physical files. All activities will align directly with identified gaps in current management.

### *Procurement*

December was very busy and was largely focussed on the Civic Centre tender processes and associated work.

Following on from the recent publishing of the new Procurement Policy, work in this area has been focused on updating several key templates to provide staff with the tools with which to facilitate projects in line with current policy. These are now close to being released for staff use, and include the following templates:

- Quote pack (for projects under \$250k)
- Conflict of Interest
- Procurement Plan

The development of these documents is part of a wider process to provide guidance to staff, work towards uniformity of content across the business, encourage application of the policy in practice and minimise or remove any ambiguities. Stakeholders throughout the business are being consulted to ensure that the outputs are usable and fit for purpose across a variety of situations.

Initial thinking has been done around developing a system for the recording of current procurement contracts including objectives for the process and whether options provided by existing software and systems are suitable.

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

Major work streams have included:

- Civic Centre
- Security and Related Services
- EFTPOS
- Staffroom supplies
- Pensioner Housing Management.

## **Property Assets**

### **Civic Buildings**

- Security Services Contract – Working through the hand-over plan with the new supplier Northern Districts Security that has won the contract to be the preferred supplier of security services to WDC.
- Forum North lift upgrade – Work ongoing and projected to be completed by 15 February. This will give our alarm monitoring station the ability to communicate with someone, should they be trapped in the lift.
- Forum North roof leaks – roof repairs still underway. Ceiling in second floor women's toilet being replaced as part of the works. Eaves where sprinkler pipes leaked is being repaired next week.
- Walton Plaza – Repaint of Walton Plaza by our landlord is nearing completion. There will also be some upgrades to the entrance by the owners as there is water leakage through the front entrance. Possible upgrades to the main doors to be turned into electronic doors as there are concerns about the security and safety of staff from all Government Departments leasing space in the building.
- Town Basin – Experiencing a sharp upturn of serious vandalism in the area. Investigation into this seems to be retaliation for moving homeless people on from the area that were engaging in anti-social behaviour. Have changed the Security Officer times to engage the issues. Working with our Community Department in finding a solution.
- Rebranding for vehicles and Civic Buildings in support of the Communications Team –
  - All vehicles now rebranded with only the 3 EV vehicles (ZOE's) awaiting the artwork to do the vehicle "wraps".
  - Signage for the internal areas of Forum North and Walton Plaza 90% complete.
  - External signage replacement will coincide with a scheduled wash and repaint of some exterior walls so that there will be no need to erect scaffolding twice.

## Vehicle Fleet

- Ongoing work to establish best practice in fleet procurement and transitioning to e-vehicles. Have trialled six vehicles as possible replacements for the out of policy vehicles. There have been significant advances in vehicle combustion with some vehicles now only using 1l/100km's (Hybrid) or 4l/100km's for standard petrol.

## Telecommunications

- Working with ICT in investigating the transfer of the mobile phone contract to a managed service. Business case submitted to support this move.

# Communications

## Digital Platform

The Communications Department is highly active in supporting digital activities across the business. Key staff are assigned to Council's Digital Platform Project as either Project Team Members or Key Business Users.

## Branding refresh

The Communications Team is currently under significant additional workload as we phase in the new Council logo. This month we have concentrated on updating our Kete templates, TechOne proformas and other forms (a total of 366 updated so far) with our new logo, font styles and colours. The new set of brand illustrations has now been developed for use in corporate communications (such as the Annual Plan Consultation Document) and signage.

## Graphics and Communications

We handled weekly Council News production together with general communications and marketing, content production, and design service requests from within Council.

Promotional design work included designing Council and Forum North signage re-brand for the front of Forum North and Walton Plaza; Team members have also been involved in Easter trading policy document design; Fritter, Organisational Strategy design, Freedom camping bylaw review, including new look Council brand signs and information brochures and collateral for the Responsible Freedom Camping project; Sustainability Strategy design; Kete Rauemi Maori (Maori Resource Kit) document; finalised components for Walking and Cycling strategy; and finalised signage concept for Kamo Shared path.

We have revised the content for our Welcome to Whangarei booklet for new ratepayers, collating it into one booklet which will be redesigned following our new brand guidelines.

We worked on collateral and publicity for the Operation Splash Swimming pool seminar.

Communications team members have attended regular working groups for the Carpark to Park, Waterfront group, Revaluation Opteon, and Election 2019.

## Annual Plan

We are working on the publicity collateral for the Annual Plan.



## ***Internal Communications***

Internal Communications included compiling the monthly All Staff PowerPoint presentation and collaborating with various departments to produce banners and news stories for Kete.

## ***Mayoral communications***

We researched and wrote speeches for the Mayor and Deputy Mayor, plus crafted the fortnightly Whangarei Report column. 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 stories relating to Council were covered by local media in December and January:

- new basketball court at Otangarei
- last of mortar chipped from bricks for Hundertwasser project
- blitz on misbehaving freedom campers
- State Highway improvements.
- Northland INC CEO resigns
- agreement between Tai Tokerau Iwi Chairs Forum and Northland Mayoral Forum to be signed on 31 January 2019
- high level of contamination at Piroa Falls
- new public toilets at Parakao
- new lanes at Porowini/Tarewa intersection ease traffic flow
- Street Prints Manaia coming to Whangarei
- advisory group applications
- hotel developers apply for Government funding
- accidents on State Highway 1
- the future of gun show at Forum North in doubt after health and safety review.
- early tickets to Fritter Festival
- WDC refuses request to release complaint report
- horses in Whananaki estuary Web Chat
- drowning at Whangarei Falls
- council meeting dates
- murals to be painted in international street art festival
- Mayor attends Hare Krishna festival
- airport parking charges
- retailers want protection from crashes with Rust Avenue rail bridge
- proceeds from sale of land to fund upgrade of Takutai Place car park
- delay in roading work at Tarewa/Porowini intersection
- cost of cleaning up fly-dumping
- rural city-fringe values soar
- new market at Kaurihohore.
- funding for State Highway improvements
- fly dumping and rubbish charges
- dumped rubbish at Onerahi lookout
- dog lovers spoiling Bream Bay Beaches
- Rust Avenue railway bridge crash
- applications open for WDC community funds

- public session on pool regulations
- grants approved for work on museum buildings
- applications open for advisory group membership
- Fat Freddy's Drop review
- Kamo shared path rail underpass built
- litter at beaches
- continuing work on Laurie Hall Park
- State Highway 1 four-laning.
- questions for elected representatives
- Fat Freddy's Drop playing at Northland Event Centre
- freedom campers fined for non-compliance
- road closure planned for Tarewa/Porowini intersection
- parking fees in central city changing in February
- Matapouri public toilet septic tank issues
- new valuations due out 7 January 2019
- reminder to not overfill recycle bins
- Women's Rugby World Cup funding
- 10-day ticketing blitz for freedom campers not obeying rules
- funding for Kaurihohore market
- Hatea Loop footbridge closure
- plastic recycling
- new defibrillator located beside Te Matau a Pohe
- Tarewa Road/State Highway 1 intersection upgrade
- three suppliers on Civic Centre shortlist
- Kamo Shared Path opening
- Youth Centre funding
- Christmas Festival
- Asaeli Pene Whangarei Youth space advocate
- Mayor presents medals to local heroes
- toxins in sewer upset waste water treatment
- Police liquor sales operation
- holiday rubbish collections.

## ***Website and social media***

The Communications team is working closely with Big Fish Creative on our 'Tone of Voice' which is the way we speak to our community and it reflects our brand personality.

Highest Posts Reach on Facebook in January so far.

1. **SH1 Brynderwyn – Asphalt Resurfacing Work** - Night Shift Closures 9pm to 5am - Tuesday 22nd January and Wednesday 23rd January

**17,458** people reached. 242 people engage by either post clicks and/or comments/recreations/shares.

## 2. **Street Prints Manaia Festival**

**15,620** people reached. 1,114 people engage by either post clicks, and/or comments, reactions or shares

## 3. **Tarewa/Porowini Avenue** intersection open!

**20,592** people reached. 1,500 people engage by either post clicks, and/or comments, reactions or shares.

Facebook page 'Likes' have been increasing organically and steadily for the month.

- Likes for January (as at 31.01.19) = 6,171 (**477** more likes since end of November)

Our primary goal in using social media technologies (primarily Facebook) is to communicate and engage with our communities whilst directing traffic back to our website for further information.

Advances in technology mean we can now determine the best time of the day and day of the week to post information to social platforms to yield maximum coverage and engagement.

By using the content already created for the website and Council News pages (i.e. Council News Items and Press Releases) – we are increasing awareness of Council in the local community by linking back to the web-based stories/information from our primary social media channels, Facebook, Twitter and Neighbourly).

We can also see how many customers click on the links included in our social media posts by using a system called Bit.ly. – Which is how we know certain people are arriving on our website - from a link we 'advertise' on social media platform posts.

Regular post updates on Facebook/Twitter/Neighbourly are continuing to drive traffic back to our website (hence further optimising our website and giving it greater credibility/rankings in Google).

Our social media and website activity includes the following:

- WhangareiNZ.com – attractions, accommodation and event information is updated approximately three times weekly; plus, fresh content is created, published and refreshed bi-weekly
- Facebook / Whangarei:LoveltHere – posts made daily through the week and some weekends
- Facebook WDC and Twitter – share fresh stories weekly and post relevant news topics/events daily
- Neighbourly – link to website stories
- Instagram / WhangareiNZ – mostly destination marketing posts made daily
- Main website – fresh news stories to our Latest news weekly.

## People and Capability

Welcome back to everyone after a well-deserved break in the sunshine!

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

New Employees/Transfers	Name	Start Date
Support Assistant - Infrastructure	Annick Le Lagadec	5-Nov-18
Team Leader - Operations	Nic McCully	5-Nov-18
Cadet - Parks & Recreation	Rawiri Campbell-Mamea	12-Nov-18
Cadet - Parks & Recreation	Araroa Matene	12-Nov-18
Cadet - Customer Services	Storme Terry	12-Nov-18
Manager – Infrastructure Development	Alison Thompson	26-Nov-18
Bylaws Enforcement Coordinator	Nina Darling	26-Nov-18
Rates Administrator	Wendy Sears	26-Nov-18
Systems Engineer	Stefan van Gruenen	3-Dec-18
Laboratory Technician	Jessica Jones	3-Dec-18
Planner - District Plan	Sam Pickering	14-Jan-19
Librarian – Central & Outreach Services	Donna Stuthridge	14-Jan-19
Building Control Officer	Nikki Clark	14-Jan-19
Management Accountant	Ketan Panchal	14-Jan-19
Water Meter Administrator	Pania Baker	14-Jan-19
Operations Engineer – Waste & Drainage	Hai Nguyen	21-Jan-19
Scholarship Student	Alicia Rodger	29-Jan-19
RMA Compliance Officer	Toby Hoey	29-Jan-19
Strategic Planner	Laura Atiga-Denham	4-Feb-19
Northland Transportation Alliance Manager	Calvin Thomas	4-Feb-19

Roles not yet filled	Status
Water Treatment Technician	Interviewing
Cataloguing Services Librarian	Interviewing
Manager – Business Support	Shortlisting
Venue Technician	Shortlisting
AV Technician	Shortlisting
Manager – Venues & Events	Shortlisting
Team Leader – Building Approvals & Compliance	Shortlisting
Infrastructure Planner	Shortlisting
Project Engineer / Project Manager – Infrastructure	Shortlisting
Team Leader – Development Engineering	Shortlisting
Urban Designer	Shortlisting
Support Assistant – Building Inspections	Shortlisting
Systems Accountant	Shortlisting
Project Accountant	Shortlisting
Manager – Communications	Shortlisting
Customer Relations Coordinator (Fixed Term)	Shortlisting
Distribution Technician - Water	Advertising
CCO Coordinator (Fixed Term)	Readvertising
Team Leader – Environmental Health	Advertising
RMA Approvals and Compliance Officer	Advertising
Environmental Health Officer	Advertising
EA to GM – Planning & Development	Advertising
Engineering Officer – Waste & Drainage	Readvertising
Librarian – Central & Outreach Services	Advertising
Senior Planner – RMA Consents	Advertising
Planner – RMA Consents	Advertising
Building Control Officer	Advertising
Support Assistant – District Plan (Part Time–Fixed Term)	Advertising

<b>Roles not yet filled</b>	<b>Status</b>
Wastewater Treatment Technician	Hold
Senior Project Engineer – Pavements (NTA)	Hold
Roading Project Engineer	Hold

<b>Leavers</b>	
Ben Brittliff	Audio Visual Coordinator
Seth Giles	Audio Visual Technician
Jo Skyrme	Information Consultant
Emmanuel Platero	Environmental Health officer
Sam Nobes	Building Control Officer
Tamsin Sutherland	Team Leader – Environmental Health
Damien Wilkinson	Project Engineer
Estelle van Tonder	EA to GM – Planning & Development
Ueli Sasagi	Planner – RMA Consents
Jenesay Lubrica	Support Assistant – Building Inspections

## Democracy and Assurance

The Democracy Team supported ten Council and Committee meetings and two Council Workshops. Fifty-two liquor licence applications were processed for determination by the Chair of the District Licensing Committee. The team also administered a District Licensing Committee Hearing and a Plan Change Hearing.

### Official information requests

57 official information requests have been received by Council since the last operational report in November 2018. The following is a summary of the requests received since November:

- All material relating to allegations of a dog attack on poultry.
- Ombudsman review of decision to withhold confidential report.
- All information relating to the development of a property in Porowini Avenue.
- Noise Control data for a specified address for the 2018 calendar year.
- Ratepayer details requested in connection with consultation on a Private Plan change for the hospital.
- Information on bullying and sexual harassment complaints at council for the last 10 years.
- Resource consent files relating to litigation.
- Payments to Residents and Ratepayers Associations for the 2017/18 financial year.
- Various questions relating to bus routes in the Whangarei District.
- Payments to the Koru Club for the 2017/18 financial year.
- Payments for hold music subscription or licensing fees for the 2017/18 financial year.
- Copy of an excessive noise direction and associated Armourguard report.
- Building Act (building register) data in relation to specific properties.
- Total amounts spent on koha and donations for the 2017/18 financial year.
- Various questions relating to council fleet vehicles for the 2017/18 financial year.
- Total spend on A4 printer/copier paper for the 2017/18 financial year.
- Total spend on electricity for the 2017/18 financial year.
- Various questions relating to council position where the salary is higher than \$200,000 per year.
- Follow up request regarding the number of domestic flights taken during the 2017/18 financial year.
- All information in relation to the issuing of a vehicle crossing permit for a specific address.
- Request for a copy of the delegations manual.
- Request for rates data on a specified property dating back to 1991.

- Various questions regarding the use of external contractors for the processing of building consents.
- Request for information relating to a dog attack at a specified address.
- Request for information relating to complaints about requestor's dog.
- Follow-up request regarding lab tests performed by council laboratory for Kaipara District Council.
- Ombudsman review of decision regarding request for information on the disposal or acquisition of Puriri Park.
- Payments to Chamber of Commerce, Property Council, lobby groups and industry groups for the 2017/18 financial year.
- Follow-up request for all information from April-November 2018 on the development of Puriri Park.
- Various questions regarding the designation DW119 now proposed as WDC D-54 relating to Pt Lot 1 DP69511 BLK VII Waipu SD.
- Request for copy of draft and final reports on a complaint matter.
- Request for copy of dog attack file relating to requestor's dog.
- Request for copies of all correspondence relating to a specified property.
- Request for all resource consent applications relating to chicken farms.
- Request for copy of dog attack file relating to requestor's dog.
- Request for resource consent application and associated documentation for a specified property.
- Request for copy of pre-November 2018 delegations manual.
- Request for copies of historical annual reports.
- A copy of the full application, correspondence and the consent that was granted for Vehicle Crossing Permit at a specified address in 2016.
- Copy of decision/consent/authority allowing the Airport to discharge surface water under Weir Crescent onto vacant land in Cliff Street.
- Councillor Costs for the last two years including catering, salaries, devices and mileage.
- Follow-up request for sewage spill data.
- Request for copy of Armourguard Contract/total cost of contract.
- Copy of the Engineers report referred to in a specific subdivision resource consent.
- All data relating to noise complaints for a specified property since November 2017.
- Details of all payments, including economic grants or subsidies made to Toyota New Zealand.
- All information held regarding requestor's dog.
- Two follow-up requests for information relating to various resource consents issued for a specified address.
- Various questions around the transportation spend from each ratepayer dollar earned by the Whangarei District Council.
- Follow-up request for information relating to the maintenance of Rockell Road Whananaki beyond the intersection of Roimata Lane.
- Request for information from the District Valuation Roll relating to various properties for the years 2011-2019
- Request for death certificate/vets invoice for the euthanasia of a specified dog.
- Annual spend for last 5 years on various forms of advertising including, social media, social media influences, search engine marketing, television, radio and outdoor billboards.
- Various questions regarding grants approved for the purposes of promoting or achieving waste management and minimisation under council's WMMP.
- Multiple questions regarding average rates and charges, types of rates and charges, staff and contractor numbers, payments to staff and contractors, CEO remuneration, elected member remuneration, Audit and Risk oversight and payments to third parties for the last two financial years.
- Various questions regarding contracts awarded to companies in which elected members have pecuniary or other interests.
- Consent and compliance information relating to specific addresses for use in the context of a residential tenancies investigation.

## ***Audit and Risk***

Training has now been completed for the new Policy and Strategy workspace on Kete. It has been well received by staff.

The Delegations Register on Kete has now gone live, following the adoption of the Delegations by the full Council on 29 November 2018. Staff training on the delegation register is running throughout February, and will be the focus for the Audit and Risk Analyst.

Staff have met with the BDO team, who complete internal audits for us, to identify the focus and audit programme for the coming year. This will be rolled into the Audit and Risk Committee agenda as appropriate throughout the year. The next Audit and Risk Committee is on 27 March and staff are already working on the agenda for this.

We are in the process of interviewing for a Council Controlled Organisation (CCO) Co-ordinator to work with the team on a project to improve how we work with our CCOs. This includes a consistent framework to support relationships, documenting mutually agreed outcomes, and accountability and reporting.

## ***Consultation and Engagement***

The focus has been on shaping up how Council will engage with communities across the District for the Annual Plan 2019/20.

Currently there are over 20 engagement activities planned to run between 4 March and 4 April. We are developing a package of visual collateral that will be used to inform people about the work of Council. This approach is aimed at being more accessible for a diverse group of people. Using large imagery, in banner formats for community meetings and printed large on a promotional container, will be a new way of engaging with our communities.

## **Maori Liaison and Development**

Over the Christmas and New Year holiday period the department's activity was kept to a minimum. During the past, few weeks there has been considerable engagement hui internally and externally, as well as invitations to participate at significant events.

### **Annual Plan Hui**

A hui with Consultation Adviser Merryn Stratham was had to discuss an appropriate process to engage Māori in the next stage of the Annual Plan. An initial hui with Te Huinga in March will begin the process, followed by an agenda item for Te Kārearea.

### **Pōwhiri for New Manager at NRC**

The department were invited to the pōwhiri of the new Māori Manager at Northland Regional Council on Monday 11 February 2019. It was well attended by both staff of NRC and the whanau of the new manager Auriol Ruka.

### **Street Prints Manaia 19 – Artist Pōwhiri**

The team were invited by local carver Te Warihi Hetaraka to participate in the pōwhiri to welcome international and national artists to the first International Street Art Festival.

### **Mauri Laying at Waitangi – Māori Battalion Museum**

Karakia ceremony to place the whatukura mauri stone for the Maori Battalion where maumahara museum at Waitangi was held on 4 February 2019.

**Pōwhiri for Prime Minister at Waitangi**

Represented our Council on the taumata for the official welcome of the government and officials.

**Warriors and West Tigers Pōwhiri**

A hui was held with local hapū representatives to discuss the tikanga process for the Warriors and Tigers pōwhiri, potentially laying a foundation for future events.



**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.*