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# **PALMERSTON NORTH CITY COUNCIL**

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## **AGENDA**

# **FINANCE & AUDIT COMMITTEE**

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**9AM, WEDNESDAY 18 MARCH 2020**

**COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH**

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## MEMBERSHIP

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Susan Baty (Chairperson)  
Karen Naylor (Deputy Chairperson)  
Grant Smith (The Mayor)

Vaughan Dennison  
Renee Dingwall  
Lew Findlay QSM  
Patrick Handcock ONZM

Leonie Hapeta  
Lorna Johnson  
Bruno Petrenas  
Tangi Utikere

**Agenda items, if not attached, can be viewed at:**

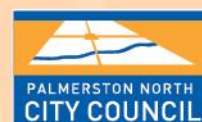
[pncc.govt.nz](http://pncc.govt.nz) | Civic Administration Building, 32 The Square  
City Library | Ashhurst Community Library | Linton Library

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**Heather Shotter**  
**Chief Executive, Palmerston North City Council**

**Palmerston North City Council**

W [pncc.govt.nz](http://pncc.govt.nz) | E [info@pncc.govt.nz](mailto:info@pncc.govt.nz) | P 356 8199  
Private Bag 11034, 32 The Square, Palmerston North



## **FINANCE & AUDIT COMMITTEE MEETING**

18 March 2020

### **ORDER OF BUSINESS**

NOTE: The Finance & Audit Committee meeting coincides with the ordinary meeting of the Play, Recreation & Sport Committee and the Council meeting. The Committees will conduct business in the following order:

- Council
- Finance & Audit
- Play, Recreation & Sport

#### **1. Apologies**

#### **2. Notification of Additional Items**

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

**3. Declarations of Interest (if any)**

Members are reminded of their duty to give a general notice of any interest of items to be considered on this agenda and the need to declare these interests.

**4. Public Comment**

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 2 above.)

**5. Confirmation of Minutes**

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"That the minutes of the Finance & Audit Committee meeting of 19 February 2020 Part I Public be confirmed as a true and correct record."

**6. Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2019**

Page 17

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

**7. Palmerston North Airport Ltd - Draft Statement of Intent for 2020/21**

Page 33

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

**8. Audit New Zealand Report to Council**

Page 59

Memorandum, presented by Stuart McKinnon, Chief Financial Officer.

**9. Fees and Charges Review**

Page 111

Report, presented by Steve Paterson, Strategy Manager - Finance.

**10. Transforming PNCC's Business Continuity Practice**

Page 175

Memorandum, presented by Miles Crawford, Risk Manager.



**11. Committee Work Schedule**

Page 179

**12. Exclusion of Public**

To be moved:

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

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:

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

*[Add Third Parties]*, because of their knowledge and ability to assist the meeting in speaking to their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].



# PALMERSTON NORTH CITY COUNCIL

## Minutes of the Finance & Audit Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 19 February 2020, commencing at 9.01am

**Members Present:** Councillor Susan Baty (in the Chair) and Councillors Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Karen Naylor, Bruno Petrenas and Tangi Utikere.

**Non Members:** Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Billy Meehan and Aleisha Rutherford.

**Apologies:** The Mayor (Grant Smith) (for lateness), Councillors Leonie Hapeta and Rachel Bowen (early departure on Council business)

The Mayor (Grant Smith) entered the meeting at 9.09am at the conclusion of clause 3. He was not present for clauses 1 to 3 inclusive.

Councillor Rachel Bowen left the meeting at 10.19am during consideration of clause 6. She entered the meeting again at 12.06pm during consideration of clause 9. She was not present for clauses 6 to 8 inclusive.

### **1-20 Apologies**

Moved Susan Baty, seconded Aleisha Rutherford.

#### **The COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 1-20 above was carried 14 votes to 0, the voting being as follows:

#### **For:**

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

### **2-20 Confirmation of Minutes**

Moved Susan Baty, seconded Karen Naylor.

#### **The COMMITTEE RESOLVED**

1. That the minutes of the Finance & Audit Committee meeting of 4 December 2019 Part I Public be confirmed as a true and correct record.

Clause 2-20 above was carried 14 votes to 0, the voting being as follows:

#### **For:**

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**3-20 Conference Opportunity - Rangitāne Appointed Members**

Memorandum, presented by Hannah White, Democracy & Governance Manager.

After discussion Elected Members requested that the scope of the Expenses Policy be broadened to allow for other items to be included in the review.

Moved Rachel Bowen, seconded Karen Naylor.

**The COMMITTEE RESOLVED**

1. That the attendance of Rangitāne Appointed Member Mr Chris Whaiapu, with expenses paid, at the Te Maruata Hui of LGNZ being held in South Taranaki on 11 and 12 March 2020, be approved.
2. That a review of the Expenses Policy be undertaken to consider whether the Policy be extended to cover all Appointed Members, and to make recommendations for any other changes required to update the policy including to the definition of, and travel expenses associated with, Official Business, with a report to Finance and Audit Committee (in September 2020).

Clause 3-20 above was carried 14 votes to 0, the voting being as follows:

**For:**

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The Mayor (Grant Smith) entered the meeting at 9.09am

**4-20 Quarterly Performance and Financial Report - Quarter Ending 31 December 2019**

Memorandum, presented by Stuart McKinnon, Chief Financial Officer and Andrew Boyle, Head of Community Planning.

Moved Susan Baty, seconded Karen Naylor.

**The COMMITTEE RESOLVED**

1. That the Committee receive the December 2019 Quarterly Performance and Financial Report.

Clause 4-20 above was carried 15 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**5-20 Treasury Report - 6 months ending 31 December 2019**

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the performance of Council's treasury activity for the six months ended 31 December 2019 be noted.

Clause 5-20 above was carried 15 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**6-20 New Deed of Lease for Manawatu Pony Club, Manawatu Canine Club and Ruahine Kindergarten Milverton**

Memorandum, presented by Bryce Hosking, Manager - Property.

Councillor Rachel Bowen left the meeting at 10.19am

Moved Aleisha Rutherford, seconded Brent Barrett.

The **COMMITTEE RECOMMENDS**

1. That the Council as the administering body under the Reserves Act 1977, on behalf of the Minister of Conservation, approve the following leases:
  - a. Land lease at Ashhurst Domain, Palmerston North, to Manawatu Pony Club Incorporated.
  - b. Land lease at Ashhurst Domain, Palmerston North, to The Manawatu Canine Centre Incorporated.
  - c. Land lease at Milverton Park, Palmerston North, to Ruahine Kindergarten Association Incorporated.
2. That the Council agree to execute the following leases:
  - a. A new five-year lease with renewal option between Palmerston North City Council and Manawatu Pony Club Incorporated for the land at Ashhurst Domain, Palmerston North.
  - b. A new five-year lease with renewal option between Palmerston North City Council and The Manawatu Canine Centre Incorporated at Ashhurst Domain, Palmerston North.
  - c. A new five-year lease with renewal option between Palmerston North City Council and Ruahine Kindergarten Association Incorporated for the land at Milverton Park, Palmerston North.

Clause 6-20 above was carried 14 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan

Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**7-20**

**Powerco Easement at Vautier Park**

Memorandum, presented by Bryce Hosking, Manager - Property.

Moved Susan Baty, seconded Grant Smith.

The **COMMITTEE RECOMMENDS**

1. That Council, as the administering body of Vautier Park (legally described as Part Section 249 Town of Palmerston North), authorise the granting of an easement to convey electricity, to Powerco.
2. That Council, in exercise of the powers conferred on it by delegation under the Reserves Act 1977, authorise the granting of an easement to convey electricity, to Powerco.
3. That Council note that the requirements of Section 4 of the Conservation Act 1987 have been satisfied in relation to consultation with Iwi over granting an easement to convey electricity at Vautier Park.
4. That Council note that the requirements of Sections 119 and 120 of the Reserves Act 1977 have been satisfied in relation to public notification prior to the resolution to grant an easement to convey electricity over Vautier Park.

Clause 7-20 above was carried 14 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting adjourned at 10.26am

The meeting resumed at 10.46am

**8-20**

**Wastewater BPO Quarterly Report & Financial Status**

Report, presented by Robert van Bentum - Transport and Infrastructure Manager, Sacha Haskell, GM - Communications and Marketing.

Moved Susan Baty, seconded Vaughan Dennison.

The **COMMITTEE RESOLVED**

1. That the Committee receive the update for the Wastewater BPO Project as detailed in the report titled 'Wastewater Best Practicable Option Quarterly Report & Financial Status' dated 19 February 2020.

Clause 8.1 above was carried 14 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy



Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Susan Baty, seconded Vaughan Dennison.

The **COMMITTEE RECOMMENDS**

2. That Council approves additional budget of \$470,700 in order to complete the technical work and marketing and communications input scoped for the BPO Project for the 2019/2020 financial year.

Clause 8.2 above was carried 10 votes to 4, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Patrick Handcock ONZM, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**Against:**

Councillors Renee Dingwall, Lew Findlay QSM, Billy Meehan and Karen Naylor.

Moved Karen Naylor, seconded Billy Meehan.

**Note:**

On a motion that "The Committee approves additional budget of \$355,200 in order to complete the technical work scoped for the BPO project for the 2019/2020 financial year", the motion was lost 5 votes to 8, with 1 abstention, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Renee Dingwall, Billy Meehan, Karen Naylor and Bruno Petrenas.

**Against:**

Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Patrick Handcock ONZM, Lorna Johnson, Aleisha Rutherford and Tangi Utikere.

**Abstained:**

Councillor Lew Findlay QSM.

**9-20**

**PNCC Animal Shelter Options**

Report, presented by Bryce Hosking, Manager - Property.

During discussion Elected Members felt there was a level of urgency to progress this project, as the current facility is non-compliant and animal welfare continues to be a concern. Elected Members therefore requested the design and consent phase be brought forward to the current year.

Councillor Rachel Bowen returned to the meeting at 12.06pm

Moved Lorna Johnson, seconded Lew Findlay QSM.

The **COMMITTEE RECOMMENDS**

1. That Council agrees to proceed with Option 2 and builds a new Animal Shelter next to the existing facility in Totara Road, Palmerston North for \$2,925,919 + GST. This will be a multi-year Programme split over the 2020/21 and 2021/22 financial years.

The proposed programme budget (not currently budgeted for) will be split:  
2020/21 \$300,000 – Design and Consent Phase  
2021/22 \$2,625,919 – Construction Phase

Amended by Council on 26 February 2020  
Clause 14-20

Clause 9.1 above was carried 14 votes to 1, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**Against:**

Councillor Karen Naylor.

Moved Lorna Johnson, seconded Aleisha Rutherford.

2. That consideration be given by the Chief Executive to bringing the design and consent phase into the current year if possible.

Clause 9.2 above was carried 12 votes to 3, the voting being as follows:

**For:**

Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**Against:**

The Mayor (Grant Smith) and Councillors Susan Baty and Billy Meehan.

Moved Susan Baty, seconded Karen Naylor.

**Note:**

On a motion that “The scope of a new Animal Shelter is referred to a Councillor workshop with revised options being reported back to the Finance & Audit Committee as soon as practicable”, the motion was lost 5 votes to 10, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Susan Baty, Billy Meehan, Karen Naylor and Bruno Petrenas.

**Against:**

Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Aleisha Rutherford and Tangi Utikere.

## 10-20

### Committee Work Schedule

Moved Susan Baty, seconded Lew Findlay QSM.

#### The COMMITTEE RESOLVED

1. That the Finance & Audit Committee receive its Work Schedule dated February 2020.

Clause 10-20 above was carried 15 votes to 0, the voting being as follows:

**For:**

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting finished at 1.28pm

Confirmed 18 March 2020

**Chairperson**









## MEMORANDUM

**TO:** Finance & Audit Committee

**MEETING DATE:** 18 March 2020

**TITLE:** Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2019

**PRESENTED BY:** Steve Paterson, Strategy Manager - Finance

**APPROVED BY:** Stuart McKinnon, Chief Financial Officer

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### RECOMMENDATION(S) TO COUNCIL

1. That the Interim Report and Financial Statements of Palmerston North Airport Ltd for the period ended 31 December 2019 be received.
- 

#### 1. ISSUE

Palmerston North Airport Ltd (PNAL), as a Council-Controlled Organisation, is required to provide a 6-monthly report to the Council. The report for the period ending 31 December 2019 is *attached*.

#### 2. BACKGROUND

PNAL's draft Statement of Intent (SOI) for 2019/20 was considered by the Council in March 2019 and the final SOI was considered by the Council in June 2019.

Performance for the year to date is covered in the report by the Chair and Chief Executive. They outline the key components of what has been another busy period for PNAL with an improved overall financial performance compared with the same period the previous year. They signal an expectation of a second half year where revenue falls behind budget with the withdrawal of the Jetstar service. However, they forecast a year-end tax paid surplus that exceeds budget.

The Council has been paid a dividend of \$685,238 based on the previous year's results – this compares with the Council's budget for 2019/20 of \$550,000.

PNAL has prepared its draft SOI for the 2020/21 year and this is being considered under a separate report.

### 3. NEXT STEPS

PNAL will prepare and forward an annual report after 30 June 2020.

### 4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	<b>No</b>
Are the decisions significant?	<b>No</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>No</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 1: An Innovative and Growing City	
The recommendations contribute to the outcomes of the City Development Strategy	
The recommendations contribute to the achievement of action/actions in the Strategic Transport Plan	
The action is: Work with the airport company to ensure the airport's strategic intent aligns with the City's aspirations	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	This report outlines progress to date.

### ATTACHMENTS

1. PNAL Interim Report to 31 December 2019 [↓](#) 



**PALMERSTON NORTH AIRPORT LIMITED**

## **INTERIM REPORT**

**TO 31 DECEMBER 2019**

**FINAL**

<p align="center"><b>COMPANY DIRECTORY</b></p>
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<p align="center"><b>PALMERSTON NORTH AIRPORT LIMITED</b></p>
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**DIRECTORS:**

M A Georgel – Chairman  
 J E Nichols – Chair Audit & Risk Committee  
 G F Gillespie  
 S Vining  
 C G Cardwell

**MANAGEMENT:**

D J Lanham	Chief Executive
D J Yorke	Infrastructure Manager
G E Clark	Commercial Manager
V van Gysen	Finance Manager
A C Scott	Visitor Development Manager
D Balmer	Marketing & Communications Manager
B D Lawry	Terminal Manager
T B Cooney	Safety and Security Manager
D J Humphreys	Manager Valet and Agency Services
J M van Vuuren	Infrastructure Development Engineer

**REGISTERED OFFICE:**

Palmerston North Airport  
 Terminal Building  
 Airport Drive  
 PALMERSTON NORTH 4442

Phone: +64 6 351 4415  
 Fax: +64 6 355 2262  
 e-mail: [help@pnairport.co.nz](mailto:help@pnairport.co.nz)  
 Web: [www.pnairport.co.nz](http://www.pnairport.co.nz)

**TRADING BANKERS:**

Bank of New Zealand

**LEGAL ADVISORS:**

Cooper Rapley Lawyers

**AUDITORS:**

Audit New Zealand (on behalf of The Auditor-General)

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## JOINT REPORT OF CHAIRMAN & CHIEF EXECUTIVE OFFICER FOR THE SIX MONTHS ENDING 31 DECEMBER 2019

In the twelve months to December 2019, Palmerston North Airport accommodated 681,171 passengers, in line with the prior twelve-month period. The result included the impact of Jetstar's withdrawal from the Auckland – Palmerston North route at the end November, offset by modest passenger growth across Wellington, Christchurch and Hamilton routes.

With the \$5.3 million Massey School of Aviation facility completed, Management's attention has turned to other commercialization opportunities within Ruapehu Business Park. With consent received for the Wairaka Place development, adjacent to the terminal entrance road, interest has proven strong with a number of leases and conditional sales in place. Construction is expected to commence in April.

Infrastructure planning continued during the period with a focus on the proposed \$15 million terminal redevelopment designed to ensure that Palmerston North Airport is able to accommodate the projected growth in passenger numbers associated with the regional infrastructure spend of \$4 billion plus over the coming decade. PNAL continues to work closely with Air New Zealand on the plan with the prospect of the re-entry of jet operations on the Auckland – Palmerston North being evaluated from mid-2022.

Community engagement activities continued during the period with ongoing sponsorship including Fly Palmy Arena, Central Pulse, Wildbase Hospital and the completion PNAL-funded undercover barbecue facility at Rangitāne's Te Rangimarie Marae.

PNAL completed Stage 1 of the Airports Council International Airport Carbon Accreditation programme and commenced Stage 2 of the four stage programme as we strive for carbon neutrality. A range of initiatives are in place focused on energy consumption, water and waste reduction.

PNAL maintained CAA Part 139 compliance during the period, with the five yearly audit conducted by the Civil Aviation Authority in September. Implementation of PNAL's Safety Management System continued, with the CAA audit scheduled for June.

An organisational purpose statement has been developed – "Launching our region into a promising future". The purpose statement reflects PNAL's role in facilitating regional economic, social and environmental development.

Revenue of \$5.68 million was within 1.7% of budget, but 9.2% ahead of last year. Operating expenditure of \$2.57 million was 9% below budget.

EBITDAE (excludes PFOS related expenditure) of \$3.11 million was 5.3% ahead of budget, and 11% ahead of last year.

Net surplus after taxation of \$1.33 million was 16.7% ahead of budget, and 26.3% above last year.

Revenue is projected to fall behind budget in the second half of the financial year as the loss of aeronautical revenue associated with Jetstar's withdrawal and associated impact on car park income take hold. Forecasted cost savings will partially offset the revenue shortfall. Further a reduced capital spend has resulted in lower depreciation and finance charges. A year end Net Profit after Tax result of \$2.2 million (including land sales) is forecasted, 17% ahead of budget.

Murray Georgel  
**Chairman**

David Lanham  
**Chief Executive**



<b>STATEMENT OF SERVICE PERFORMANCE</b>
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The Company's current Statement of Intent is dated June 2019.

The Company is trading as Palmerston North Airport Limited.

Palmerston North Airport Limited has been maintained as an airport certificated pursuant to Civil Aviation Rule Part 139 and has achieved satisfactory audits during the period.

All obligations under the Resource Management Act and the District Plans of the Palmerston North City Council and Manawatu District Council have been met.

### Performance Measures:

	<b>Dec 2019 6 Months</b>	<b>Dec 2018 6 Months</b>	<b>SOI Target 6 Months</b>
1. Ratio of Net Surplus before interest and tax to Total Assets:	2.4%	2.1%	2.2%
2. Ratio of Net Surplus after interest and tax to consolidated Shareholders funds:	2.0%	1.7%	1.7%
3. Ratio of shareholder funds to total assets (of or above) 40%	76.4%	75.3%	68.6%
4. Interest cover ratio of Net Surplus before interest tax and depreciation to interest, at or above 2.5 times:	11.0	10.5	8.9
5. Maintain a tangible net worth (of or above) \$50m	\$68.1M	\$61.1M	\$62.7M
6. Total Passenger Throughput	348,659	352,000	350,735
7. To achieve zero lost time due to injuries of those who work with airport community	Zero	Zero	Zero
8. CAA Part 139 certification	Achieved	Achieved	Achieve

**STATEMENT OF FINANCIAL PERFORMANCE**  
For the Six Months Ended 31 December 2019

	Note	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
REVENUE	4	5,683,486	5,205,868	11,221,428	10,202,063
OPERATING EXPENSES					
Airfield Services		369,615	354,212	743,847	708,910
Other Operating Expenses	5	813,720	768,571	1,794,468	1,571,135
TOTAL OPERATIONS AND MAINTENANCE		1,183,335	1,122,783	2,538,315	2,280,045
Administration:					
Audit Fees		14,808	15,787	31,703	31,452
Bad Debts Written Off		-	-	3,498	143
Changes in doubtful debt provision		-	11	7,005	2,174
Directors' Fees		54,000	50,350	123,996	104,350
Employee Expenses	6	759,141	615,628	1,599,504	1,264,902
Administration	7	429,461	489,130	1,052,223	985,551
Market Development		130,442	110,913	215,250	248,950
TOTAL ADMINISTRATION:		1,387,852	1,281,819	3,033,177	2,637,522
TOTAL OPERATING EXPENSES		2,571,187	2,404,602	5,571,492	4,917,567
Extraordinary Items	19	21,774	147,077	100,000	259,067
Operating Surplus before interest, depreciation & taxation (EBITDA)		3,090,525	2,654,189	5,549,935	5,025,429
Finance Costs & Depreciation:					
Finance costs	8	280,406	253,656	669,130	522,347
Depreciation	15	957,258	938,764	2,141,657	1,821,379
Loss on Sale of Assets					88,776
TOTAL FINANCE COSTS & DEPRECIATION:		1,237,664	1,192,420	2,810,787	2,432,502
Revaluation Gon - Investment Properties					1,051,349
Operating Surplus before taxation		1,852,861	1,461,769	2,739,148	3,644,276
Taxation Expense on operating surplus	9	520,202	406,384	766,962	879,745
NET SURPLUS AFTER TAXATION		1,332,659	1,055,385	1,972,187	2,764,531

For and on behalf of the Board

Murray Georgel - *Chairman*  
Date :

Jon Nichols - *Director*  
Date :

*The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements.*

*These financial statements are unaudited.*

**STATEMENT OF COMPREHENSIVE INCOME**  
For the Six Months Ended 31 December 2019

<i>Note</i>	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
<b>NET SURPLUS AFTER TAXATION</b>	1,332,659	1,055,385	1,972,187	2,764,531
Gains on revaluation of land and buildings	-	-	-	4,910,659
Movement in deferred tax	-	-	-	(254,985)
Reversal of valuation surplus on disposal				0
<b>Comprehensive income attributed to the shareholder</b>	<b>1,332,659</b>	<b>845,945</b>	<b>1,972,187</b>	<b>7,420,205</b>

**STATEMENT OF CHANGES IN EQUITY**  
For the Six Months Ended 31 December 2019

<i>Note</i>	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	67,480,662	60,704,107	61,967,667	60,704,107
Total Comprehensive (loss) income	1,332,658	1,055,384	1,972,187	7,420,205
Movement in Asset Revaluation Reserve	-	-	-	-
Distribution to shareholders during the year	(685,238)	(643,650)	(762,884)	(643,650)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>68,128,082</b>	<b>61,115,841</b>	<b>63,176,970</b>	<b>67,480,662</b>

**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2019

	Note	31-Dec-19 Unaudited	31-Dec-18 Unaudited	30-Jun-20 SOI	30-Jun-19 Audited
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	10	169,051	325,025	38,406	126,924
Trade accounts receivable	11	858,248	727,131	749,498	825,070
Sundry receivables and prepayments		140,976	120,098	3,082	213,709
Assets intended for sale		-	-	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,168,275</b>	<b>1,172,254</b>	<b>790,986</b>	<b>1,165,703</b>
<b>Less: CURRENT LIABILITIES</b>					
Income in advance		151,150	124,815	850,000	149,316
Trade accounts payable	12	376,406	556,909	100,000	1,246,301
Other creditors		139,412	92,829	400,000	534,898
Employee benefit liabilities	13	347,925	319,604	135,000	135,377
Short Term Borrowings		4,999,998	-	-	3,964,374
Tax payable		246,430	67,960	131,717	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,261,321</b>	<b>1,162,117</b>	<b>1,616,717</b>	<b>6,030,266</b>
<b>WORKING CAPITAL</b>		<b>(5,093,046)</b>	<b>10,137</b>	<b>(825,731)</b>	<b>(4,864,563)</b>
<b>Add: NON CURRENT ASSETS</b>					
Property, Plant & Equipment		87,432,160	79,375,226	90,701,305	81,637,902
Investment Property	15	575,000	575,000	575,000	6,813,357
<b>TOTAL NON CURRENT ASSETS</b>		<b>88,007,160</b>	<b>79,950,226</b>	<b>91,276,305</b>	<b>88,451,259</b>
<b>Less: NON CURRENT LIABILITIES</b>					
Deferred tax liability	16	8,056,032	7,844,320	7,844,320	8,056,033
Borrowings	14	6,730,000	11,000,202	19,466,063	8,050,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>14,786,032</b>	<b>18,844,522</b>	<b>27,310,383</b>	<b>16,106,033</b>
<b>NET ASSETS</b>		<b>68,128,082</b>	<b>61,115,841</b>	<b>63,140,191</b>	<b>67,480,663</b>
<b>Represented by:</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		22,156,849	19,800,285	21,824,635	21,509,430
Asset revaluation reserve		36,590,833	31,935,156	31,935,156	36,590,833
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>68,128,082</b>	<b>61,115,841</b>	<b>63,140,191</b>	<b>67,480,663</b>

For and on behalf of the Board

1

Murray Georgel - Chairman

Date :

Jon Nichols - Director

Date :

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements.

These financial statements are unaudited.

**CASH FLOW STATEMENT**  
For the Six months Ended 31 December 2019

	Note	31-Dec-19 6 Months Unaudited	31-Dec-18 6 Months Unaudited	30-Jun-20 12 Months SOI	30-Jun-19 12 Months Audited
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash was provided from:					
Receipts from Customers		5,700,177	5,088,120	11,146,560	9,932,679
Refund of Income tax					
Interest Received		59	1,267	26	13,365
		<u>5,700,236</u>	<u>5,089,387</u>	<u>11,146,586</u>	<u>9,946,044</u>
Cash was disbursed to:					
Payment to Suppliers and employees		4,298,004	3,321,915	5,662,868	5,267,415
Payment of Income Tax		640,430	583,782	770,000	853,192
Interest Payments		280,405	253,662	669,130	522,347
		<u>5,218,839</u>	<u>4,159,359</u>	<u>7,101,998</u>	<u>6,642,953</u>
Net cash flow from operating activities	17	<u>481,397</u>	<u>930,028</u>	<u>4,044,588</u>	<u>3,303,091</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Cash was provided from:					
Sale of Fixed Assets		34,950	-	1,559,672	-
		<u>34,950</u>	<u>-</u>	<u>1,559,672</u>	<u>-</u>
Cash was applied to:					
Purchase of Fixed Assets		505,280	3,898,906	11,645,000	7,484,248
		<u>505,280</u>	<u>3,898,906</u>	<u>11,645,000</u>	<u>7,484,248</u>
Net cash flow from investing activities		<u>(470,330)</u>	<u>(3,898,906)</u>	<u>(10,085,328)</u>	<u>(7,484,248)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Cash was provided from:					
Borrowing		4,555,627	5,649,807	7,200,000	21,517,443
		<u>4,555,627</u>	<u>5,649,807</u>	<u>7,200,000</u>	<u>21,517,443</u>
Cash was applied to:					
Repayment of borrowings		3,285,003	1,908,488	420,000	19,567,442
Payment of Dividends		685,238	643,650	762,884	643,650
		<u>3,970,241</u>	<u>2,552,138</u>	<u>1,182,884</u>	<u>20,211,092</u>
Net cash flow from financing activities		<u>585,386</u>	<u>3,097,669</u>	<u>6,017,116</u>	<u>1,306,350</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		596,453	128,791	(23,624)	(2,874,807)
Cash, cash equivalents and bank overdrafts at the beginning of the year		(3,837,450)	196,233	62,030	(962,643)
Cash, cash equivalents and bank overdrafts at the end of the year	10	<u>(3,240,997)</u>	<u>325,024</u>	<u>38,406</u>	<u>(3,837,450)</u>
<b>Made up of:</b>					
Cash and Bank Balance		169,051	325,024	38,406	126,924
Current portion of short term loan		(4,999,998)	-	-	(3,964,374)
<b>CLOSING CASH BALANCE</b>		<u>(4,830,947)</u>	<u>325,024</u>	<u>38,406</u>	<u>(3,837,450)</u>

The accompanying accounting policies and notes form part of and are to be read in conjunction with these financial statements

These financial statements are unaudited.

**Statement of Commitments**

For the Six Months Ended 31 December 2019

**Non-cancellable Commitments - Operating Lessee**

Not more than one year	76,251
One to two years	67,029
Two to five years	61,620
Over five years	0
<b>Total</b>	<b>\$ 204,900</b>

7 Commitments, incl Operating Leases,  
Maintenance Contracts, and Vehicle  
Leases

**Non-cancellable Commitments - Operating Lessor**

Not more than one year	1,263,793
One to two years	1,031,962
Two to five years	2,682,573
Over five years	5,992,073
<b>Total</b>	<b>\$ 10,970,401</b>

44 Property and Car Park Leases  
With PNAL as the Lessor



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the six months ended 31 December 2019**

**1. REPORTING ENTITY**

Palmerston North Airport Limited is a New Zealand company registered under the Companies Act 1993.

**2. BASIS OF PREPARATION****Statement of Compliance**

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Airport Authorities Amendment Act 2000, the Local Government Act 2002, Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 the Companies Act 1993, and the Financial Reporting Act 2013. The financial statements have been prepared in accordance with NZ GAAP. They have been prepared in accordance with Tier 2 PBE reporting standards.

The entity is eligible and has elected to report with Tier 2 PBE accounting standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and ≤ \$30m.

**Measurement base**

The financial statements have been prepared on a historical cost basis except where modified by the revaluation of land and buildings and infrastructure assets.

**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 company is New Zealand Dollars.

**3. ACCOUNTING POLICIES****Changes in accounting policies**

There were no changes to accounting policies during the period being reported.

**Specific accounting policies**

The accounting policies as published in the Annual Report to 30 June 2019 have been applied consistently to all periods presented in these financial statements.

**4. ANALYSIS OF OPERATING REVENUE:**

	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
Landing, departure & facility fees	3,486,526	3,208,749	6,765,341	6,193,332
Car park, rent and advertising	2,145,229	1,840,946	4,361,087	3,795,528
Other	50,796	149,613	85,000	199,837
Interest	935	6,560	10,000	13,365
	<u>5,683,486</u>	<u>5,205,868</u>	<u>11,221,428</u>	<u>10,202,062</u>

**5. OTHER OPERATING EXPENSES**

Rates	195,273	186,991	393,943	373,963
Power and Insurance	194,724	174,648	342,424	346,788
Repairs and maintenance	<u>423,723</u>	<u>406,932</u>	<u>1,058,100</u>	<u>850,386</u>
	<u>813,720</u>	<u>768,571</u>	<u>1,794,467</u>	<u>1,571,137</u>

	<u>31-Dec-19</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-18</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-20</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-19</u> <u>12 Months</u> <u>Audited</u>
6. EMPLOYEE EXPENSES				
Salaries and wages	718,910	581,164	1,494,082	1,208,593
Employer Contribution to Kiwi Saver	21,704	17,474	45,422	35,674
Movement in employee entitlements	18,528	16,990	20,000	20,635
	<u>759,142</u>	<u>615,628</u>	<u>1,559,504</u>	<u>1,264,902</u>
7. ADMINISTRATION				
Legal	48,015	29,981	88,130	75,161
Consultancy	116,444	68,643	374,896	178,268
Contactors	18,144	143,638	10,000	257,599
General Administration	246,858	246,868	579,197	474,523
	<u>429,461</u>	<u>489,130</u>	<u>1,052,223</u>	<u>985,551</u>
8. FINANCE COST				
Interest on term loans	280,406	253,656	669,130	522,347
Interest on overdraft				
	<u>280,406</u>	<u>253,656</u>	<u>669,130</u>	<u>522,347</u>
9. TAXATION:				
Current year tax payable	520,202	406,384	766,962	919,138
Prior year adjustments	-	-	-	-
Movement in deferred tax	-	-	-	(39,393)
Total	<u>520,202</u>	<u>406,384</u>	<u>766,962</u>	<u>879,745</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	131,386	290,281	38,406	88,689
Cash on hand	37,665	23,896	0	32,384
Short term deposits	0	10,848	0	5,851
Total	<u>169,050</u>	<u>325,025</u>	<u>38,406</u>	<u>126,924</u>
11. TRADE ACCOUNTS AND OTHER RECEIVABLES				
Debtors and other receivables	870,671	847,229	764,325	842,060
Receivables from related party	0	0	0	0
Provision for impairment	(12,423)	0	(14,827)	(16,990)
Total	<u>858,248</u>	<u>847,229</u>	<u>749,498</u>	<u>825,070</u>

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value after making provisions for impairment on specific overdue accounts.

	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>30-Jun-20</u>	<u>30-Jun-19</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
<b>12. TRADE ACCOUNTS PAYABLE</b>				
Trade accounts payable	666,968	774,328	1,350,000	1,924,469
Payables to related party	0	0	0	6,046
Total	666,968	774,328	1,350,000	1,930,515
<b>13. EMPLOYEE BENEFIT LIABILITIES</b>				
Accrued Pay	347,925	319,604	135,000	48,159
Annual leave				84,428
Sick leave				2,789
Total	347,925	319,604	135,000	135,377
<b>14. BORROWINGS</b>				
Borrowings	6,730,000	11,000,202	19,466,063	8,050,000
Current portion of borrowings	4,999,998		-	3,964,374
Total	11,729,998	11,000,202	19,466,063	12,014,374

The Company has a bank facility of \$11.1 million which is secured by a registered first debenture and mortgage from the Bank of New Zealand over assets and property of the Company.

The Company also has an additional facility of \$5m used in full for the construction of the Massey Aviation Training facility.

The carrying value of borrowings is materially consistent with their fair value.

#### 15. PROPERTY, PLANT AND EQUIPMENT

	<b>30-Jun-19</b>			<b>Disposals</b>		<b>31-Dec-19</b>
	<b>Carrying Amount</b>	<b>Additions</b>	<b>Disposals</b>	<b>Accum Dpn</b>	<b>Depreciation</b>	<b>Carrying Amount</b>
Land	32,004,350					32,004,350
Buildings	20,354,307	158,091			132,511	20,379,887
Infrastructure - Land	7,579,018	154,931			122,409	7,611,540
Infrastructure - Air	26,962,647	8,146			473,381	26,497,412
Plant & Equipment	1,360,516	87,196			120,284	1,327,428
Furniture & Fittings	103,773	9,704			12,549	100,928
Computer Equipment	73,671	14,679			13,974	74,376
Motor Vehicles	0					0
Intangibles	12,978				1,739	11,239
	88,451,260	432,747	0	0	876,846	88,007,160

It is Management's opinion that there is no reason that any of the assets of the Company should be impaired, as at 31 December 2019.

## 16. DEFERRED TAX ASSETS/(LIABILITIES)

	<b>Property, plant and equipment</b>	<b>Employee entitlements</b>	<b>Other provisions</b>	<b>Total</b>
Balance at 30 June 2019	8,098,952	(37,905)	(5,015)	8,056,033
Change to profit and loss				
Balance at 31 December 2019	8,098,952	(37,905)	(5,015)	8,056,033

## 17. CASH FLOW RECONCILIATION

Reconciliation of surplus after taxation with net cash flow from operating activities

	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	<b>6 Months</b>	<b>6 Months</b>	<b>12 Months</b>	<b>12 Months</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>SOI</b>	<b>Audited</b>
Net surplus after tax	1,332,659	1,055,385	1,972,187	2,764,531
Add Depreciation	957,258	938,764	2,141,657	1,821,379
Add loss of sale of assets	0	0	0	88,776
Net movement in deferred tax	1	0	0	(43,275)
Net movement in working capital	(1,808,521)	(1,064,121)	(69,256)	(1,328,321)
Net cash flow from operating activity	481,397	930,028	4,044,588	3,303,090

## 18. CONTINGENCIES

Payments made under operating leases are recognised on a straight-line basis over the term of the lease.

## 19. EXTRAORDINARY ITEMS

The Extraordinary Items are soil, sediment, surface and ground water sampling for PFAS at Palmerston North Airport and adjacent sites including the Mangaone Stream.

## MEMORANDUM

**TO:** Finance & Audit Committee

**MEETING DATE:** 18 March 2020

**TITLE:** Palmerston North Airport Ltd - Draft Statement of Intent for 2020/21

**PRESENTED BY:** Steve Paterson, Strategy Manager - Finance

**APPROVED BY:** Stuart McKinnon, Chief Financial Officer

### RECOMMENDATION(S) TO COUNCIL

1. That the Palmerston North Airport Ltd (PNAL) draft Statement of Intent for 2020/21 be received and PNAL be advised that the Council supports the proposed direction and implementation strategy.
2. That PNAL also be advised that in the interests of supporting the proposed Terminal Development Plan, the Council agree to an amendment to the dividend policy although its expectation is that the dividend payable should increase each year.
3. That to recognise this, it is proposed the new dividend policy be as follows:

#### Dividend Policy

The shareholder's expectation is that a dividend of 40% of after-tax profit be paid. To facilitate PNAL's investment in the Terminal Development Plan (TDP), PNAL will seek to limit the dividend to \$600,000 for 2019/20, \$650,000 for 2020/21; \$700,000 for 2021/22 and 2022/23 with the balance that would usually be paid being re-invested in the TDP.

### 1. ISSUE

To present and provide comment on the draft Statement of Intent for Palmerston North Airport Ltd (PNAL) for 2020/21.

### 2. BACKGROUND

#### 2.1 Introduction

PNAL is deemed a Council-Controlled Trading Organisation (CCTO) under the Local Government Act 2002. A CCTO must deliver a draft Statement of Intent (SOI) to shareholders by 1 March each year and adopt it by 30 June. The Council must, as soon as

possible after a draft SOI is delivered to it agree to a CCTO's SOI or, if it does not agree, take all practicable steps under clause 6 of Schedule 8 of the Local Government Act 2002 to require the SOI to be modified. The Board of the CCTO must consider any shareholder feedback by 1 May.

The Council's reason for its shareholding in PNAL is to ensure that the capacity and image of the City's key transportation gateway is consistent with the Council's economic development objectives.

As a CCTO PNAL is required under the Local Government Act 2002 to have the following principal objective:

- Achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- Be a good employer; and
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

The Council's shareholding represents 100% of the issued and paid-up capital.

## 2.2 Draft SOI - overview

**Attached** is a **letter from PNAL** to shareholders explaining the enclosed **draft SOI** and outlining the key assumptions.

The draft SOI retains the vision from the current year 'New Zealand's leading regional airport'. However, a new purpose statement "Launching our communities into a promising future" has been introduced and the strategic objectives sections have been updated and extended to include 'Culture'.

It has been assumed the airport will operate as a Tier 2 domestic regional one over the next three years. Modest passenger growth is assumed in 2020/21 accelerating in the following two years to the point of nearing terminal capacity. Revenue and operating expenses are forecast to increase as a consequence.

PNAL is working proactively with Air New Zealand to sustainably grow the Auckland - Palmerston North route, maintaining and growing frequency but increasing capacity at peak times.

The draft SOI contains an assumption that capital expenditure of \$34.8m will be phased across the three years, funded in part (\$3.4m) from the sale of non-strategic land and a net increase of \$17.4m in term borrowing, with the balance from retained earnings.

A significant component of the capital programme (\$15m) relates to the proposed Terminal Development Plan, including a proposed extension to the footprint of the building to cope with increased passenger volumes and the possibility of passenger security screening being mandated for tier 2 regional airports.

The SOI also provides for the on-going development of the Ruapehu Business Park.

Shareholders' funds are forecast to reduce marginally to 68% then 63% of total assets through the three-year term of the SOI. This is still well above the expectation that it will remain over 40%.

### 2.3 Draft SOI – Performance targets

The following financial performance targets are included:

	<b>Draft SOI 2020/21 Budget</b>	<b>SOI 2019/20 Budget</b>
NPBIT: Total assets	6%	6%
NPAIT: Shareholders' funds	5%	3.1%
Shareholders' funds: Total assets (>40%)	68%	69%
Interest cover (>2.25)	8.2	4.8
Tangible Net Worth (>\$50m)	\$71m	\$63.1m
Dividends - % of NPAT	\$600k (equates 17.7%)	40%

Non-financial targets relate to:

- Maintaining a customer satisfaction Net Promoter score of 55 or above (measured annually – target 55 for 2020/21)
- Serving 665,000 passengers during the 2020/21 year increasing to 705,000 for the following year and 725,000 in the June 2023 year (660,500 forecast for 2019/20)
- Maintaining Civil Aviation Rule Part 139 certification
- Zero lost time injuries to those who work within the airport community
- Safety management system implemented
- Executing the roadmap to carbon neutrality

- Achievement of emission reduction & energy consumption reduction targets.
- Completing 35% of the terminal development during 2020/21

#### 2.4 Draft SOI – Dividend policy

Council's 10 Year Plan 2018-28 assumes PNAL will pay the Council shareholder dividends of \$600,000 during 2020/21 increasing to \$650,000 for 2021/22 and \$700,000 for the following years.

PNAL has incorporated an SOI assumption the dividend payment will be limited to \$600,000 in 2020/21 and in each of the next three years. The Board has sought Council agreement to this arrangement as a means of enabling PNAL to invest a greater level of retained earnings in the terminal development plan.

If the Council were to be paid dividends representing 40% of tax paid surplus (as in the past) the dividend for 2019/20 (based on the forecast year end position) that is payable in 2020/21 would amount to \$900,000 and dividends for the succeeding three years would be \$1.36m, \$1.31m and \$1.12m.

A portion of the after-tax profit in each year is assumed to be derived from the net profit on the sale of assets. If these were removed from the dividend calculation then at 40% projected dividends payable to the Council would be \$830,000 in 2020/21 then \$980,000, \$940,000 and \$840,000 in the succeeding three years.

If the Council agreed with the dividend being limited to \$600,000 p.a. then over the four year period the potential dividend being retained by PNAL would amount to \$2.3m (if the profits from assets sales are included in the dividend calculation) or \$1.2m (if they were not).

The draft SOI contains the following section relating to **dividend policy**:

*"To facilitate PNAL's investment in the Terminal Development Plan (TDP), PNAL will seek to maintain the annual dividend paid to the Shareholder at a maximum of \$600,000 per annum. Funds in excess of \$600,000 will be re-invested into the TDP programme."*

In assessing PNAL's dividend policy change request it is suggested the following be amongst the matters that are considered:

- Is the proposed terminal development essential for the future success of PNAL and the city?



## PALMERSTON NORTH CITY COUNCIL

An appropriately sized, functional & inviting terminal is an important element of Council's strategy for investing in the airport company i.e. capacity and image of a key transportation gateway.

Airport companies to the east and west of the City are investing heavily in terminal redevelopment so it is important the City maintain its facilities to a standard that meets the expectations of a growing City and the travelling public.

There is strong evidence the City will grow significantly in the near future so it is realistic to believe this will mean growing air passenger numbers and more demand on the current facilities.

The existing terminal facilities have an estimated capacity of 725,000 passenger movements p.a. (current 660,500). Based on PNAL's latest forecasts this level of passenger movements may be reached by Year 3 of the SOI and therefore start to constrain passenger growth with flow on impacts on our city and regional economies, including the various regional infrastructure projects planned.

It is not certain PNAL will be mandated to add new security screening facilities, but it is possible and therefore it is prudent to be capable of handling such an eventuality.

PNAL and Air NZ are working on a plan to reintroduce jet services on the Auckland – Palmerston North route by late 2022, early 2023. The re-introduction of Jet services will require the terminal development to have been completed due to the anticipated growth in passenger volumes using the terminal at peak times, and because Jet operations will trigger a mandatory requirement for passenger and hold bag screening to be introduced.

- Is PNAL capable of funding the development without undue financial risk, if the present dividend policy of 40% is retained?

The forecasts of financial performance are based on a number of significant assumptions about passenger numbers, revenue growth etc. However, it appears PNAL may be capable of paying a higher dividend than proposed without putting the company at risk of breaching any covenants. Limiting the dividend distribution does mitigate against this risk. It is recognised as well that this development is being proposed without needing to seek additional capital from the Council as shareholder.

- Is it reasonable that PNAL retain all surpluses from its property development and they be excluded from any dividend calculation?

The SOI does assume an after-tax profit in relation to asset sales of approximately \$2.6m over the three-year period. It seems not unreasonable that PNAL retains these profits to re-invest in terminal development.

- If PNAL is successful in its application to the Provincial Growth Fund for a five-year interest free loan would this alter Council's views about dividend policy?

For every \$5m of interest free loan PNAL would save approximately \$200,000 p.a. in interest. Assuming this would lead to a higher taxable profit of \$200,000 the saving would be approximately \$160,000 p.a. after tax. Savings of this magnitude would enable PNAL to pay a higher dividend without impacting on its financial position.

- Does the Council rely on the payment of dividends?

Council has set budgets that make conservative assumptions about what dividend might actually be paid by PNAL. This recognises there is a reasonable level of risk PNAL will face market conditions or extra-ordinary events that will impact on its after-tax profits and therefore ability to generate dividends. Council's main reason for investing in PNAL is not a financial but a strategic one relating to the provision of a key transportation gateway i.e. it is seen as being a key part of the City's infrastructure.

The Council will face increasing pressure on its ability to fund services, facilities and infrastructure over the next few years and efforts are being made to find alternate funding sources to help moderate the impact on rates. Although it may be a worthwhile thing to do, foregoing potential dividend income does not assist this quest.

Directors of companies have an obligation to undertake appropriate solvency tests each year before declaring a dividend. A dividend in any year is therefore subject to successfully completing this test.

Whether or not to agree to PNAL's dividend policy request is a judgement call by the Council.

If the Council believes it does wish to support PNAL's request it is suggested PNAL be advised the proposed SOI dividend policy wording be amended, as follows, to more clearly outline Council expectations:

#### "Dividend Policy

The shareholder's expectation is that a dividend of 40% of after-tax profit be paid. To facilitate PNAL's investment in the Terminal Development Plan (TDP), PNAL will seek to limit the dividend to \$600,000 per annum from 2019/20 until 2022/23 with the balance that would usually be paid being re-invested in the TDP."

Another option could be to include provision for the limit to be \$600,000 for 2019/20 and an increasing sum in the following years. Such an outcome could be embraced in a policy such as:

#### “Dividend Policy

The shareholder’s expectation is that a dividend of 40% of after-tax profit be paid. To facilitate PNAL’s investment in the Terminal Development Plan (TDP), PNAL will seek to limit the dividend to \$600,000 for 2019/20, \$650,000 for 2020/21; \$700,000 for 2021/22 and 2022/23 with the balance that would usually be paid being re-invested in the TDP.”

This latter option is being recommended.

### 3. NEXT STEPS

The Council can either endorse the SOI as presented or make suggestions for change to a greater or lesser extent. The proposed dividend policy is the most significant matter upon which feedback is to be given.

PNAL is obliged to consider shareholder comments by 1 May then decide whether or not to make any changes to the draft when adopting the final SOI before 30 June 2020.



### 4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No
The recommendations contribute to Goal 1: An Innovative and Growing City	
The recommendations contribute to the outcomes of the City Development Strategy	
The recommendations contribute to the achievement of action/actions in the Strategic Transport Plan	
The action is: Work with the airport company to ensure the airport’s strategic intent aligns with the City’s aspirations	
Contribution to	The draft Statement of Intent includes a direction and specific actions

## PALMERSTON NORTH CITY COUNCIL

strategic direction and to social, economic, environmental and cultural well-being	that are designed to continue to improve the airport for customers and stimulate growth
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**ATTACHMENTS**

1. PNAL - Cover letter for draft SOI 2020/21 [↓](#) 
2. PNAL Draft SOI for 2020/21 [↓](#) 



Palmerston North Airport Limited  
Terminal Building, Airport Drive  
PO Box 4384  
Palmerston North 4442  
NEW ZEALAND  
  
P +64 6 351 4415  
F +64 6 355 2262  
E [help@pnairport.co.nz](mailto:help@pnairport.co.nz)

[PNAIRPORT.CO.NZ](http://PNAIRPORT.CO.NZ) | [FB.COM/FLYPALMY](https://fb.com/flypalmy)

28<sup>th</sup> February 2020

The Shareholder,  
Palmerston North Airport Limited  
C/- Ms Heather Shoter  
Chief Executive Officer  
Palmerston North City Council  
Private Bag 11034  
**PALMERSTON NORTH**

Dear Heather,

#### **DRAFT STATEMENT OF INTENT 2020/21**

Please find enclosed Palmerston North Airport Limited's (PNAL) Draft Statement of Intent (SOI) for 2020/21 through to 2022/23.

The SOI has been reviewed and approved by the PNAL Board of Directors.

A presentation will be made to the Finance and Audit Committee on Wednesday 18th March 2020. What follows are key highlights of the SOI.

- Modest passenger growth in 2020/21 to 665,000 passenger movements (660,900 forecast for F19/20) as the market responds to Jetstar's withdrawal and Air New Zealand continues to grow its investment in additional capacity. This includes investment in up to 13 daily Auckland – Palmerston North return services from July 2020.
- Accelerating passenger movement growth in 2021/22 and 2022/23 as regional infrastructure projects and underlying local economic strength translate into increased demand for air services. Passenger movements are projected to be nearing peak terminal capacity of 725,000 by 2022/23.
- A joint PNAL - Air New Zealand plan to sustainably grow the Auckland – Palmerston North route with the ultimate objective of reintroducing peak hour jet services by mid to late 2022 (subject to the Terminal Development Plan detailed below).
- PNAL's investment in the \$15 million Terminal Development Plan (TDP) to accommodate the anticipated growth in passenger movements, to enhance airport user experience, and to ensure the airport is ready to respond to the possibility that passenger and hold bag screening are mandated at Tier 2 regional airports.
- Ongoing investment in Ruapehu Business Park including the completion of Stage 1 accommodating rental car operators and other businesses seeking an airport location, and Stage 2 including a motel/ hotel, freight and logistics operations, and Halls of Residence for Massey School of Aviation.
- 23% revenue growth over the period to 2022/23 versus 2019/20 due to agreed aeronautical pricing arrangements and strong growth in non-aeronautical revenue associated with Ruapehu Business Park developments.
- 8% increase in operating expenditure over the period to 2022/23 versus 2019/20 driven primarily by the proactive focus on infrastructure maintenance and Ruapehu Business Park commercialisation costs.

- A Net Operating Surplus of \$3.4 million in 2020/21, \$3.3 million 2021/22, and \$2.8 million in 2022/23.
- Shareholder related performance metrics have been renumbered as I. to V.
- Performance metrics VI. to XV. represent passenger, compliance, health and safety, and environmental targets for the SOI period.
- Given the significance of the Terminal Development Plan, it has also been included with stage completion targets established through to planned completion in 2022/23.

The TDP is a major project that has significant positive economic and social benefits for Palmerston North Airport, Palmerston North City and the wider region over many years to come.

While PNAL is committed to undertaking the project, the opportunity costs associated with diverting scarce capital away from other critical infrastructure and commercial projects are high.

Furthermore, PNAL's declining net operating surpluses from 2021/22 reflect the impact the TDP has on PNAL's financial performance including debt levels. Year-end debt is projected to reach \$31.8 million by 2022/23 (\$14.4 million currently).

While this level of debt is manageable, with all existing bank covenants and Shareholder performance metrics achievable, PNAL has, as you are aware, sought a five-year interest free loan from the Provincial Growth Fund (PGF). As at the time of preparing this draft SOI, PNAL is yet to hear whether its application has been successful.

Irrespective of the outcome of the PGF application, and the possibility of Local Government Funding Agency lending becoming available, PNAL seeks PNCC's support for the TDP via the maintenance of the annual dividend payment at a maximum level of \$600,000 per annum for the F19/20 year and the three-year SOI period. This will enable PNAL to directly re-invest the retained dividends in airport assets and specifically the TDP.

We look forward to the opportunity to discuss the SOI and the TDP further with you.

Yours sincerely



David Lanham  
Chief Executive Officer

# **STATEMENT OF INTENT**

**FOR THE YEAR ENDING 30 JUNE 2021**

FINAL DRAFT FOR PNCC

28 February 2020

## INTRODUCTION

This Statement of Intent is presented by the Directors of Palmerston North Airport Limited ("PNAL") in accordance with section 64 of the Local Government Act 2002.

PNAL falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to section 6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's shareholding.

The purpose of the Statement of Intent is to publicly declare the activities and intentions of PNAL, and provide an opportunity for shareholders to influence its direction.

It also provides a basis for accountability of Directors of PNAL to the Shareholder for performance. It is intended to comply with Schedule 8 of the Local Government Act, and be consistent with PNAL's Constitution.

This Statement of Intent is in respect to the 2020/21 financial year ending 30 June 2021, and the following two financial years ending 30 June 2022 and 30 June 2023. It has been prepared under the Public Benefit Entity (PBE) Standards based on International Public Sector Accounting (IPSAS) Standards.

Directors and team members of PNAL respectfully acknowledge local iwi Rangitāne and their customary relationship to this area. PNAL appreciates their manaakitanga shown towards the airport and all airport users. PNAL looks forward to further enriching its partnership with Rangitāne over the coming years.

## CONTACT DETAILS

Contact details for both the Chairman and the Chief Executive are:

Palmerston North Airport Limited  
First Floor, Terminal Building  
Palmerston North Airport  
Airport Drive  
P O Box 4384  
Palmerston North 4442

Phone: +64 6 351 4415  
Email: [info@pnairport.co.nz](mailto:info@pnairport.co.nz)  
Web: [www.pnairport.co.nz](http://www.pnairport.co.nz)



## NATURE AND SCOPE OF ACTIVITIES

PNAL owns and operates Palmerston North Airport, having purchased the airport business on 30 January 1990.

Palmerston North Airport is a major regional airport and a key asset of both regional and national importance. It provides terminal and associated services for the air transport of passengers and freight from a catchment that encompasses the Ruapehu, Whanganui, Rangitikei, Manawatū, Horowhenua, Wairarapa, Tararua and Southern Hawkes Bay districts. These regions make up a population base of almost 1 million people that live within 2 hours drive of Palmerston North Airport.

In addition to its aeronautical activities PNAL continues to invest in the development of a commercial precinct - Ruapehu Business Park. Given Palmerston North's position as a major regional logistics and distribution hub, Ruapehu Business Park provides small to medium sized operators direct access to the airport, North Eastern Industrial Zone, and major arterial routes.

## STRATEGIC FRAMEWORK

The vision of being New Zealand's leading regional airport, while aspirational, continues to remain relevant.

In addition, a purpose statement has been developed "*Launching our communities into a promising future*". The statement reflects our true reason for being, that is to play our role in facilitating regional growth in social, economic and environmental terms. It also reflects the fact that we serve multiple communities whether they be defined in terms of geographical location, ethnicity, or socially, and include mana whenua, Rangitāne and other local iwi.

The Mission and Strategic Objectives have been combined and refreshed. The Four Cs – Compliance, Community, Customer and Commercial were updated and extended to include Culture. The Fifth C reflects PNAL's focus on our organisational culture, well-being and team work.

### Our Vision

*New Zealand's leading regional airport.*

### Our Purpose

*Launching our communities into a promising future.*

## STRATEGIC OBJECTIVES – THE FIVE Cs

### Customer

*We will treat all Airport users as our customers.*

- ➔ Our Airport customers are all Airport users; contractors, tenants, staff, passengers, meet and greeters.
- ➔ We will deliver a high quality and efficient regional airport experience.
- ➔ We will promote Palmerston North Airport as the gateway and lower North Island commercial hub to our 90-minute drive market.

### Community

*We will be a leader for regional prosperity including environmental guardianship and engagement with iwi and communities.*

- ➔ We will be a guardian for the environment by operating in a sustainable manner in all of our business activities.
- ➔ We will be actively engaged with and supportive of the region's communities and iwi.
- ➔ We recognise our community is multi-cultural and will engage with all ethnic groups.
- ➔ We will facilitate regional economic development by growing passenger and airfreight volumes.

## Culture

*We are one-team working together to achieve a common goal.*

- ➔ Our People are the key to our success. We will care for each other's well-being, and develop skills, commitment and resourcefulness across our team recognising achievement.
- ➔ Our one-team ethos is supported by five pillars of Leadership, Trust & Respect, Communication, Empowerment and Celebrating Success.

## Compliance

*We will maintain a safe and secure operation through a culture of ongoing compliance with all standards and regulations.*

- ➔ The safety and security of all Airport users is our critical concern. We have a Zero Harm approach to those who visit and work within our airport community.
- ➔ We will continue to meet our regulatory and statutory obligations including Civil Aviation Rule Part 139, Resource Management Act, Palmerston North and Manawatu District Plans.

## Commercial

*We will operate a sustainable business to enable long-term success.*

- ➔ We will maintain and develop core infrastructure that is business critical.
- ➔ We will diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical revenue sources.
- ➔ We will operate a successful enterprise that enables us to distribute shareholder funds surplus to our on-going investment and operating requirements.

## KEY OBJECTIVES – SUMMARY

### Terminal Development Plan / Customer

Sustainable air service development remains a key priority for PNAL. PNAL will continue to work collaboratively with airline partners to sustainably grow both frequency and capacity on strategic routes.

Notwithstanding the cessation of regional air services by Jetstar in November 2019, Palmerston North Airport's terminal is beginning to experience peak time congestion and PNAL is anticipating increasing future passenger demand.

The airport has experienced high passenger growth in the past five years and a further surge is anticipated as over \$4 billion of regional infrastructure project create additional passenger demand. While modest passenger growth is anticipated in 2020/21 to 665,000 passengers (660,500 2019/20), projections indicate that the current terminal capacity estimated of 725,000 passengers will be reached by 2022/23.

In response to forecasted passenger volumes, PNAL and Air New Zealand are jointly exploring the opportunity to re-introduce jet services on the Auckland – Palmerston North route from mid/ late 2022.

The \$15 million Terminal Development Plan (TDP), the largest capital project embarked on by PNAL in recent years, addresses both the increased passenger demand and space required for passenger security screening. The TDP incorporates an expansion of over 1,100m<sup>2</sup> in the terminal footprint to accommodate a new baggage make-up hall and airline office block to be constructed to the west of the current terminal.

Plans for the terminal – car park interface will also be completed during the financial year. This will provide an enhanced and enlarged passenger drop-off area within the existing General Car Park, while taxis, shuttles and rideshare operators will be accommodated within an extended taxi rank.

PNAL will continue to invest in promoting the airport as the gateway to the wider region. Regional promotional activity will gain further traction while added insights into our regional and local customers will assist us to further enhance the airport experience and offering.

### Community

PNAL will continue to support communities by identifying opportunities to engage with local groups and Iwi. Community engagement plans focussed on our geographical, ethnic and social communities will be refreshed. Engagement opportunities include a focus on regional schools and the promotion of healthy lifestyles and environmental sustainability.

PNAL's mascot Bernie the Saint Bernard will be further developed as a means of engaging with community groups, especially primary schools.

Engagement with Rangitāne and other local iwi will be even further developed. The PNAL-funded Barbeque whare at Te Rangimarie Marae will complement the other new facilities available at the region's oldest Marae, and assist the Marae's trustees to expand further engagement with the city and region and to showcase Rangitāne culture.

PNAL will continue to strive towards achieving carbon neutrality. Having received ACA Level 1 accreditation in 2019, PNAL is now focussed on achieving Level 2 certification. Energy, water consumption and waste to landfill reduction programmes have been established.

## Culture

At the forefront of our organisational culture objective is a desire to further improve staff engagement levels.

Initiatives planned include the ongoing development of programmes associated with PNAL's One-team ethos as we continue to build team work and communications within our rapidly expanding team.

A well-being programme, that supports the health and well-being of PNAL team members will have been introduced by the commencement of the financial year.

## Compliance

Ongoing compliance with CAA Part 139 and Zero harm objectives are our highest priorities.

The achievement of Safety Management System (SMS) certification in early 2020/21, and continued compliance with PNAL's SMS is the primary objective for the financial year.

The development of PNAL's second generation Asset Management Plan (AMP) will progress. The AMP will continue to assist PNAL to improve its management of critical assets located both airside and landside and to prioritise maintenance and capital investments.

A range of capital expenditure programmes are planned for 2020/21 to ensure airside and landside infrastructure remains compliant with Part139 requirements, and also ensures PNAL's facilities meet our customers expectations. Capex plans include the proposed TDP which will future-proof PNAL's terminal facilities should passenger security screening be introduced, and ongoing pavement rejuvenation programmes.

The planned three-year capital expenditure on compliance related infrastructure (excluding the TDP) is \$2m, \$1.2m, and \$0.6m, respectively. (Total \$3.8m).

## Commercial

The SOI reflects the continued commercialisation of Ruapehu Business Park in line with PNAL's Property Masterplan. Commercialisation of Wairaka Place (opposite the airport entrance), will gather pace in 2020/21. The cul-de-sac will accommodate a range of vehicle servicing activities as well as light industrial activities. The vesting of Airport Drive between Railway Road and McGregor Street, a consent requirement, will also be achieved.

Opportunities for a motel and suburban retail centre within Zone A will also be progressed in 2020/21.

The TDP outlined earlier provides an opportunity for PNAL to reconsider the retail offering available within the terminal. This opportunity will also be further evaluated during the financial year.

The planned three-year capital expenditure on commercial developments including the TDP is \$10.9m, \$12.7m, and \$6.4m, respectively. (Total \$30m).

## Performance Metric targets 12 Months to June

PERFORMANCE METRIC	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
I. A ratio of surplus before interest/tax/depreciation to total assets.	6%	6%	6%	6%
II. A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve.	3%	5%	4%	4%
III. To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	73%	68%	63%	63%
IV. To maintain an interest coverage ratio of surplus before interest to interest, of at least 2.25 as per BNZ Loan Covenants.	6.6	8.2	5.0	3.6
V. To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50 million dollars.	\$69.1m	\$71m	\$73.1m	\$74.8m
VI. Zero lost time injuries.	Zero	Zero	Zero	Zero
VII. Maintain CAA Part 139 certification.	Maintain	Maintain	Maintain	Maintain
VIII. Safety Management System implemented.	Certified	Execute	Execute	Execute
IX. Terminal Development - % completion	2%	35%	95%	Complete
X. Maintain a Net Promoter score of 55 or above.	50	55	55	60
XI. Total passenger movements.	660,500	665,000	705,000	725,000
XII. Roadmap to carbon neutrality.	Complete	Execute	Execute	Execute
XIII. Energy consumption - KWH/passenger.	0%	-5%	-3%	-2%
XIV. Waste to landfill - Diversion rate %.	60%	65%	70%	75%
XV. Water consumption - Litres/ 1000 passengers*	-	Mapping	-10%	-5%

\*Baseline and annual targets subject to mapping results

## PROVINCIAL GROWTH FUND APPLICATION

PNAL has lodged an application with the Provincial Growth Fund to assist with the funding of the proposed Terminal Development Plan.

## GOVERNANCE

The Board's approach to governance of PNAL is to preserve and enhance Shareholder value.

The Board is responsible for the proper direction and control of PNAL's activities and is accountable to the shareholder within the strategic framework set out in this Statement of Intent, PNAL's Constitution, and the provisions of the Local Government Act 2002, and the Companies Act 1993.

The Board comprises five Directors appointed by the Shareholder in accordance with PNAL's Constitution.

Fees for the Board are reviewed annually. The Board recommends fee levels to the Shareholder based on commercial or near-commercial rates.

PNAL has an Audit & Risk Committee comprised of three directors of the PNAL Board. The Committee is responsible for overseeing the financial accounting, financial statement and audit activities of PNAL including the adequacy and effectiveness of internal controls, external auditor performance, and financial and accounting policies.

## SHAREHOLDERS EQUITY IN PNAL

PNAL's land, building, and infrastructure assets were revalued as at 30 June 2019, in line with PNAL's three-yearly asset revaluation policy. Shareholder equity as shown in the Statement of Financial Position as at 30 June 2019 is \$67.5 million. The Directors consider that this represents a reasonable estimate of the commercial value of PNAL.

The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 40%. For the purposes of this ratio, 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

## INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

The Shareholder will receive:

- ➔ An Annual Report including audited financial statements within 3 months of balance date.
- ➔ A summary of PNAL's achievements of the Key Objectives and its performance against the metric targets as outlined in this SOI.
- ➔ An Interim Report including non-audited financial statements within 2 months of the end of the first half of the financial year.
- ➔ A Statement of Intent submitted for shareholder consideration in accordance with the Local Government Act 2002.
- ➔ Other interim reports as agreed with the Shareholder.

Timeframes for the Interim and Annual Reports are legislative maxima. However, PNAL will meet the reporting and governance requirements of the Shareholder.

### **ACCOUNTING POLICIES**

The accounting policies adopted by PNAL are consistent with New Zealand's Financial Reporting Standards, with PNAL designated as a Public Benefit Entity (PBE) for financial reporting purposes.

The policies are included in PNAL's Annual Report which is available on PNAL's website: [www.pnairport.co.nz/corporate/corporate-profile](http://www.pnairport.co.nz/corporate/corporate-profile).

### **FORECAST FINANCIAL STATEMENTS**

The financial information contained in the SOI is a forecast for the purposes of the PBE financial reporting standard (FRS) 42. This information may not be appropriate for purposes other than those described. It has been prepared on the basis of assumptions as to future events that PNAL reasonably expects to occur, associated with the actions it reasonably expects to take, as at the date the forecast was prepared. The actual results are likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

### **COMPENSATION SOUGHT FROM THE SHAREHOLDER**

PNAL acknowledges that the Palmerston North City Council holds shares in PNAL for strategic reasons and that PNAL needs to facilitate the development and promotion of both aeronautical and complimentary non-aeronautical business activities. As well as direct benefit to PNAL this impacts through to the economic development of the city and the wider region.

At the request of the shareholder, PNAL may undertake activities that are not consistent with normal commercial objectives subject to the Shareholder providing a specific subsidy to meet the full commercial cost for providing such activities.

### **DIVIDEND POLICY**

To facilitate PNAL's investment in the Terminal Development Plan (TDP), PNAL will seek to maintain the annual dividend paid to the Shareholder at a maximum of \$600,000 per annum. Funds in excess of \$600,000 will be re-invested into the TDP programme.

### **REVALUATIONS**

No Allowance has been made for asset revaluations.



**PALMERSTON NORTH AIRPORT LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the 12 Months to 30 June

	<u>FY20</u> <u>Year 0</u> <u>2019/20</u> <u>Forecast</u>	<u>FY21</u> <u>Year 1</u> <u>2020/21</u> <u>SOI</u>	<u>FY22</u> <u>Year 2</u> <u>2021/22</u> <u>SOI</u>	<u>FY23</u> <u>Year 3</u> <u>2022/23</u> <u>SOI</u>
<b><u>PROFIT &amp; LOSS ACCOUNT</u></b>				
<b>REVENUE</b>	<b>10,847,377</b>	<b>11,782,650</b>	<b>12,800,085</b>	<b>13,303,775</b>
TOTAL OPERATING EXPENDITURE	2,511,264	2,607,368	2,719,938	2,822,053
TOTAL MARKETING EXPENDITURE	392,267	325,000	333,125	341,453
TOTAL ADMINISTRATIVE EXPENDITURE	2,424,493	2,395,776	2,506,013	2,601,705
<b>TOTAL EXPENDITURE</b>	<b>5,328,024</b>	<b>5,328,145</b>	<b>5,559,076</b>	<b>5,765,211</b>
<b>EBITDAE</b>	<b>5,519,353</b>	<b>6,454,505</b>	<b>7,241,009</b>	<b>7,538,563</b>
EXTRAORDINARY ITEMS	100,000	50,000	50,000	50,000
<b>EBITDA</b>	<b>5,419,353</b>	<b>6,404,505</b>	<b>7,191,009</b>	<b>7,488,563</b>
DEPRECIATION	1,970,860	2,366,711	2,813,820	3,076,108
FINANCE COSTS	556,265	652,522	1,133,438	1,472,127
(PROFIT)/LOSS ON SALE OF ASSETS	(234,537)	(1,316,525)	(1,307,173)	(938,215)
<b>SURPLUS BEFORE TAXATION</b>	<b>3,126,764</b>	<b>4,701,798</b>	<b>4,550,925</b>	<b>3,878,543</b>
INCOME TAX	875,612	1,316,695	1,274,455	1,086,193
<b>NET OPERATING SURPLUS</b>	<b>2,251,153</b>	<b>3,385,103</b>	<b>3,276,470</b>	<b>2,792,350</b>

\* The Extraordinary Items are soil, sediment, surface and ground water sampling for PFAS at Palmerston North Airport and adjacent sites including the Mangaone Stream.

**PALMERSTON NORTH AIRPORT LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
For the 12 months to 30 June

<b>BALANCE SHEET</b>	<b><u>2019/20</u></b>	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>
	<b>Forecast</b>	<b>SOI</b>	<b>SOI</b>	<b>SOI</b>
<b><u>CURRENT ASSETS</u></b>				
BANK & SHORT TERM DEPOSITS	1,150,000	1,245,900	1,092,096	438,911
TRADE DEBTORS	853,847	942,393	1,010,108	1,050,105
DOUBTFUL DEBT PROVISION	(8,538)	(9,441)	(10,121)	(10,526)
ACCRUED INCOME	1,190	1,111	1,139	1,159
PREPAID EXPENDITURE	(0)	0	0	0
ASSETS HELD FOR SALE	0	0	0	0
<b>TOTAL CURRENT ASSETS</b>	<b>1,996,499</b>	<b>2,179,964</b>	<b>2,093,221</b>	<b>1,479,649</b>
<b><u>CURRENT LIABILITIES</u></b>				
TRADE CREDITORS	1,129,805	1,121,474	1,145,390	779,784
INCOME RECEIVED IN ADVANCE	142,308	157,066	168,351	175,018
ACCRUED EXPENDITURE	106,836	101,077	104,320	107,578
TAXATION	201,258	374,250	305,195	10,629
OTHER PROVISIONS	325,000	325,000	325,000	325,000
SHORT TERM LOAN	0	0	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,905,207</b>	<b>2,078,867</b>	<b>2,048,256</b>	<b>1,398,009</b>
<b>WORKING CAPITAL</b>	<b>91,292</b>	<b>101,097</b>	<b>44,965</b>	<b>81,640</b>
<b><u>NON CURRENT ASSETS</u></b>				
LAND	32,004,350	31,123,752	30,480,302	29,993,996
BUILDINGS	13,649,848	18,348,783	26,648,482	26,494,589
INFRASTRUCTURAL - LAND	9,750,506	13,072,134	15,961,338	15,482,869
INFRASTRUCTURAL - AIR	27,200,665	28,387,059	28,707,890	28,476,719
PLANT & EQUIPMENT	1,379,068	1,590,048	1,669,044	1,383,746
FURNITURE & FITTINGS	103,455	102,824	102,308	101,887
COMPUTERS	74,807	69,395	65,638	63,383
MOTOR VEHICLES	0	0	0	0
INVESTMENT PROPERTY	8,181,977	9,850,461	9,775,395	14,947,682
INTANGIBLE ASSETS	7,788	4,673	2,804	1,683
<b>TOTAL NON CURRENT ASSETS</b>	<b>92,352,463</b>	<b>102,549,130</b>	<b>113,413,201</b>	<b>116,946,554</b>
<b><u>NON CURRENT LIABILITIES</u></b>				
TERM LOAN	14,409,205	21,948,499	29,774,241	31,772,904
DEFERRED TAX	8,902,729	9,665,400	10,614,579	10,479,899
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>23,311,934</b>	<b>31,613,900</b>	<b>40,388,820</b>	<b>42,252,804</b>
<b>NET ASSETS</b>	<b>69,131,822</b>	<b>71,036,327</b>	<b>73,069,346</b>	<b>74,775,390</b>
<b><u>SHAREHOLDERS' FUNDS</u></b>				
PAID UP SHARE CAPITAL	9,380,400	9,380,400	9,380,400	9,380,400
ASSET REVALUATION RESERVE	36,590,833	35,710,236	35,066,785	34,580,479
RETAINED EARNINGS	21,509,436	23,160,588	25,945,692	28,622,161
SHAREHOLDERS DIVIDEND	(600,000)	(600,000)	(600,000)	(600,000)
CURRENT YEAR SURPLUS	2,251,153	3,385,103	3,276,470	2,792,350
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>69,131,822</b>	<b>71,036,327</b>	<b>73,069,346</b>	<b>74,775,390</b>

**PALMERSTON NORTH AIRPORT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
For the 12 months to 30 June

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
	<u>Forecast</u>	<u>SOI</u>	<u>SOI</u>	<u>SOI</u>
<b>Equity at the beginning of the year</b>	<b>67,480,669</b>	<b>69,131,822</b>	<b>71,036,327</b>	<b>73,069,346</b>
Asset Revaluation Reserve Movement	0	(880,598)	(643,451)	(486,305)
Total Comprehensive (Loss)/Income	2,251,153	3,385,103	3,276,470	2,792,350
Dividends Paid	(600,000)	(600,000)	(600,000)	(600,000)
<b>Equity at the end of the year</b>	<b>69,131,822</b>	<b>71,036,327</b>	<b>73,069,346</b>	<b>74,775,391</b>

**PALMERSTON NORTH AIRPORT LIMITED**  
**STATEMENT OF CASHFLOWS**  
For the 12 Months to 30 June

<b>CASH FLOW STATEMENT</b>	<b><u>2019/20</u></b>	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>
	<b><u>Forecast</u></b>	<b><u>SOI</u></b>	<b><u>SOI</u></b>	<b><u>SOI</u></b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>				
<b><i>Cash Was Provided From</i></b>				
Receipts from Customers	11,035,257	11,733,665	12,810,665	13,362,234
Tax Refund	0	0	0	0
Interest Received	4,400	0	0	0
<b><i>Cash Was Disbursed To</i></b>				
Payment to Suppliers	5,926,127	6,046,597	5,961,275	7,101,023
Payment of Tax	(308,506)	(249,510)	81,330	683,380
Interest Payments	556,265	652,522	1,133,438	1,472,127
<b><i>Net Cash Flow From Operating Activities</i></b>	<b><u>4,865,772</u></b>	<b><u>5,284,056</u></b>	<b><u>5,634,623</u></b>	<b><u>4,105,704</u></b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>				
<b><i>Cash Was Provided From</i></b>				
Sale of Fixed Assets	234,537	1,316,525	1,307,173	938,215
<b><i>Cash Was Applied To</i></b>				
Land and Developments	0	0	0	0
Buildings	564,429	5,215,000	9,045,000	745,000
Infrastructure - Air	628,363	2,900,000	2,036,000	450,000
Infrastructure - Land	2,943,411	3,057,384	2,820,342	570,767
Plant and Equipment	269,042	495,000	370,000	0
Investment Property	1,371,961	1,726,591	0	5,280,000
Furniture and Fittings	20,812	20,000	20,000	20,000
Computers	36,629	30,000	30,000	30,000
Motor Vehicles	0	0	0	0
Intangible Assets	0	0	0	0
PNCC Contribution	0	0	0	0
<b><i>Net Cash Flow From Investing Activities</i></b>	<b><u>(5,562,701)</u></b>	<b><u>(12,127,450)</u></b>	<b><u>(13,014,168)</u></b>	<b><u>(6,157,552)</u></b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>				
<b><i>Cash Was Provided From</i></b>				
Term Loan Draw Downs	5,947,869	9,927,393	10,021,588	6,588,827
<b><i>Cash Was Applied To</i></b>				
Term Loan Repayments and Dividend Payment	4,122,037	2,988,099	2,795,847	5,190,163
<b><i>Net Cash Flow From Financing Activities</i></b>	<b><u>1,825,831</u></b>	<b><u>6,939,294</u></b>	<b><u>7,225,742</u></b>	<b><u>1,398,664</u></b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1,128,902</b>	<b>95,900</b>	<b>(153,804)</b>	<b>(653,185)</b>
Opening Cash Balance	21,098	1,150,000	1,245,900	1,092,095
<b>Closing Cash Balance</b>	<b><u>1,150,000</u></b>	<b><u>1,245,900</u></b>	<b><u>1,092,095</u></b>	<b><u>438,911</u></b>

**PALMERSTON NORTH AIRPORT LIMITED**  
**CAPITAL EXPENDITURE PROGRAMME**  
For the 12 months to 30 June

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
	<u>Forecast</u>	<u>SOI</u>	<u>SOI</u>	<u>SOI</u>
<b>CAPITAL EXPENDITURE PROGRAMME</b>				
LAND	0	0	0	0
BUILDINGS	564,429	5,215,000	9,045,000	745,000
INFRASTRUCTURAL - LAND	2,607,937	3,952,384	3,681,342	395,767
INFRASTRUCTURAL - AIR	1,039,770	2,005,000	1,175,000	625,000
PLANT & EQUIPMENT	269,042	495,000	370,000	0
FURNITURE & FITTINGS	20,812	20,000	20,000	20,000
COMPUTERS	36,629	30,000	30,000	30,000
MOTOR VEHICLES	0	0	0	0
INVESTMENT PROPERTY	1,371,961	1,726,591	0	5,280,000
INTANGIBLE ASSETS	0	0	0	0
	<b>5,910,579</b>	<b>13,443,975</b>	<b>14,321,342</b>	<b>7,095,767</b>
<b>CAPITAL SALES PROGRAMME</b>				
Total Sales - RBP	<b>0</b>	<b>1,632,985</b>	<b>952,843</b>	<b>766,149</b>



## MEMORANDUM

**TO:** Finance & Audit Committee

**MEETING DATE:** 18 March 2020

**TITLE:** Audit New Zealand Report to Council

**PRESENTED BY:** Stuart McKinnon, Chief Financial Officer

**APPROVED BY:** Stuart McKinnon, Chief Financial Officer

### RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the interim 2018/19 Management Report from Audit New Zealand be received.
2. That the final 2018/19 Management Report from Audit New Zealand be received.

### 1. ISSUE

The interim and final reports on the audit of the Council for the year ended 30 June 2019 have been received from the Council Auditors, Audit New Zealand. In the reports, the auditors outline significant matters considered, and areas of interest they have reviewed during the course of their audit. Where applicable, management have commented on audit's recommendations and these are incorporated in the report. This report includes an update on the matters outstanding from previous reports.

Where appropriate, management will be reviewing and considering the recommendations for implementation.

### 2. NEXT STEPS



It is recommended that the Committee receive the interim and final 2019 audit management reports.

### 3. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
If Yes quote relevant clause(s) from Delegations Manual <Enter text>	
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No

Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>Yes</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy	
The action is: to enable Council to exercise governance by reviewing the report of the Auditors relating to their review of financial performance and operating performance and provide accountability for these to the public.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	As above.

### ATTACHMENTS

1. Interim management report to Council 2019 [↓](#) 
2. Final management report to Council 2019 [↓](#) 





**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

11 March 2020

Heather Shotter  
Chief Executive  
Palmerston North City Council  
Private Bag 11034  
Palmerston North 4442

Dear Heather

## **Report on the interim audit for the Palmerston North City Council for the year ended 30 June 2019**

We have completed our interim audit of the Palmerston North City Council (the City Council) which focused on updating our understanding of the control environment, financial and performance reporting systems, processes and controls.

This letter provides a summary of:

- our assessment of the District Council's control environment; and
- our findings arising from our interim audit.

### **1 Assessment of control environment and internal controls**

There were no new significant control deficiencies identified during our review of financial and performance reporting systems. Overall we have assessed the control environment as effective for the purposes of our audit.

The new issues raised are noted below in section 1.1 and section 3, and the follow up of prior year's issues is included in the appendix.

#### **Assessment of the control environment**

We have performed a high level assessment of the control environment. This assessment was performed for the purpose of planning the most effective and efficient audit approach to enable us to express an audit opinion on the City Council's financial statements and performance information. We considered the overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls.

In performing this assessment we consider both the “design effectiveness”<sup>1</sup> and “operational effectiveness”<sup>2</sup> of internal controls (the explanation of these terms is outlined below). However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

In performing this assessment we have identified areas where we believe the control environment can be improved. These are set out in the body of this letter.

#### **Internal controls**

We reviewed the internal controls in place for your key financial and performance information systems. Internal controls are the policies and processes that are designed to provide reasonable assurance as to reliability and accuracy of financial and non-financial reporting, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the City Council and management. Both “design effective” and “operationally effective” internal control is important to minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the governing body.

We reviewed the following significant systems of internal controls as part of our interim audit visit:

- payroll;
- expenditure and accounts payable;
- revenue and accounts receivable;
- performance information systems;
- journals;
- property, plant and equipment; and
- monthly general ledger reconciliations.

#### **Information technology general controls review**

We have not yet updated our assessment of the information technology control environment or followed up on past recommendations in this area. We plan to complete this work before June 2019 year end, and we will report back on findings of this review in our final management report.

<sup>1</sup> Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is “fit for purpose”.

<sup>2</sup> Control has operated effectively throughout the period tested.

### **Change management and maintaining the control environment and controls through change**

In our Audit Plan we noted that as part of our review of internal controls, we would remain alert to any changes resulting from the reorganisation in the control environment that may affect efficiency and effectiveness or increase the risk of fraud or error. We found one exception, refer to section 1.1 on review of delegated authorities.

#### **1.1 Review of delegated authorities**

During our testing of expenditure controls we look to confirm controls are working as expected. One of those controls is the Internal Audit's (now Business Assurance) quarterly review of delegations in the purchase order system. The last internal audit review of the delegation system was completed in May 2018.

We understand that internal audit have not been completing the review because of the restructure and that the changes are still ongoing. The risk here is that changes to delegations are being made without a review providing assurance that the changes are appropriate.

We expect that once staff changes have settled down that Business Assurance will perform this review so that we are able to rely on the controls in the expenditure system. If not we will need to change our audit approach which will result in additional testing required for us to gain the necessary assurance of expenditure in the financial statements and this is likely to increase the costs of the audit.

To ensure the delegation levels in the system agree with the approved delegated authority's manual, we **recommend** that an independent review is completed throughout the year.

### **2 Report back on areas of focus identified during audit planning**

In this section we have reported back on the areas of audit focus we have looked into during the interim audit.

#### **2.1 Actual renewals and capital expenditure below forecasts**

The City Council are completing a restructure of key units including combining City Networks and City Enterprises. For the 2018/19 financial year the Chief Infrastructure Officer is currently working through a restructure in his team bringing together City Enterprises and City Networks. Proposals for the restructure are currently being worked through and from this it is expected that the City Council will respond to the performance issues resulting from the under spend against its renewals and new capital expenditure programmes.

The restructure is part of a Transformation Plan for the Infrastructure team which is in place to address capability, culture and behaviours and staff development with a view to

ensuring that the budgeted capital plan is delivered each year through bringing forward the planning of capital works and gaining efficiencies.

At the final audit we will:

- continue to monitor the City Council's capital spend and assess whether this has any impact on the levels of services;
- review the progress made by the City Council in implementing the recommendations raised in our previous management reports;
- review the progress against the recommendations made by internal audit last year over project and contract management;
- review the effectiveness of the project status reporting tool with a focus on the functionality and appropriateness of its use for the City Council. This will also consider the level of detail, quality of reporting, and usefulness; and
- review the roading maintenance contract procurement process for compliance with good practice.

We will report our findings and recommendations to you as part of our final management report.

## **2.2 Review of procurement, contract management, and project management**

As part of our 2017 audit we sought to gain an understanding of how the City Council manages the risks associated with procurement, contract management and project management. This included testing the procurement process used during the procurement of the City Council's major roading contract, testing the contract management system, reviewing project reporting, and meeting with management to discuss progress against recommendations identified from the 2016 internal audit review.

Our review identified good practices and recommendations for improvement.

The follow up of this work will be completed during the 2018/19 audit and will be reported to you as part of our final management report.

## **2.3 Financial management information systems**

In the recent years', reconciliations between the subsidiary ledgers and the general ledger have had issues with preparation and often they did not reconcile. From what the Council staff have managed to establish this is a system fault where information appears to be dropped from the system when it is transferred and it is not easily found when this happens.

The significant issue arises from the functionality issues with the financial management information system which has been in place for over ten years and is overdue for review and analysis of options.

A new financial information system has been budgeted for in the 2019/20 Annual Plan. A consultant has looked at financial systems and recommended the City Council also include rates and regulatory systems as well as the financial system. Expressions of interest for the systems are due to go out in next couple of weeks and the City Council will then refine to a request for purchase.

We will continue to follow up where the City Council are in the process to find a suitable financial management information system.

## **2.4 Business continuity planning**

In prior years we have recommended that council develop and test organisational business continuity and IT disaster recovery plans.

Having effective business continuity plans (BCPs) and procedures is critical to the City Council to continue to operate at the specified, appropriate level in the event of a disaster.

The ability of the City Council to recover from a disaster is directly related to the degree of business continuity planning that has taken place before the disaster.

Training on the BCP is being completed by unit and some but not all units have received training on the updated BCP so far. This has been partly delayed by the reorganisation.

We continue to recommend that the City Council complete its training of the business continuity plans and develop a testing programme.

## **2.5 Reporting bribery and corruption**

The OAG are interested in the controls in place to reduce the risk of wrongdoing, particularly bribery and corruption in the public sector so they can consider whether they need to do additional work to address the Finance and Expenditure Committee's interest in the effectiveness of corruption detection and prevention processes.

Ultimately this helps the OAG to provide assurance to Parliament and the public.

We assessed the controls the City Council has in place to reduce the risk of wrongdoing – particularly bribery and corruption.

By and large we found that Council's policies and procedures in relation to bribery and corruption have elements of good practice but on balance, for a Council the size of Palmerston North City Council, some improvements are required.

**We recommend:**

- the register of areas at risk for fraud/bribery and corruption (potential and actual) be monitored and reviewed on a regular basis to ensure the risks identified and the controls remain relevant;
- the City Council ensure the Fraud Policy is included in the new staff induction pack;
- the Fraud Policy be expanded to be explicit about reporting requirements in relation to attempted bribery and corruption; and
- that regular reporting be presented to those charged with governance on consideration of mechanisms indicating the adequacy of controls around bribery and corruption, including consideration by senior management of any changes required.

### **3 Audit findings during the interim visit**

#### **3.1 Council policies are overdue for review**

Throughout our risk assessment and control environment audit work we identified multiple policies that are overdue for review.

This included, but is not limited to:

- MT 18 Expenses Policy – Due for review in August 2017
- MT 80 Cellphone Policy – Due for review in March 2018
- MT 57 Gifts, Inducement and Rewards – Due for review in October 2017
- MT 54 Use of Council Vehicles – Due for review in October 2017
- MT79 Conflicts of Interest – Due for review in August 2018
- MT75 Fraud – Due for review in July 2015
- MT76 Risk Management – Not specified

If policies are not reviewed and updated when they fall due there is a risk that they are outdated and no longer relevant. We understand that the newly appointed Human Resources Advisor has been tasked with identifying which policies need to be updated, with the plan for the policies to be updated where necessary.

We **recommend** current policies be reviewed against best practice, such as those set out in the OAG's Guidelines. This would provide better control and judgements for sensitive expenditure that can withstand Parliament and public scrutiny.

### 3.2 Sensitive expenditure testing and practices

The most fundamental fact that applies to all spending by a public organisation is that it is spending public money. The spending has to be able to withstand scrutiny, from ratepayers and from the public.

Sensitive expenditure is spending by a public organisation that could be seen as giving some private benefit to an individual that is additional to the business benefit of the expenditure.

Policies, procedures, and other controls for sensitive expenditure should be embedded in the public organisation's philosophy, practices, and business processes, rather than be viewed or practised as a separate activity. When they are embedded, everyone in the organisation becomes involved in the proper and prudent management of sensitive expenditure.

In our view, responsibility rests with those "at the top" – the leaders and senior managers – to make it clear to staff what is and is not acceptable sensitive expenditure for the organisation, and to model that behaviour to the highest standard.

The recent report on Wintec as published on the OAG website at the following link <https://oag.govt.nz/2019/wintec/part4.htm> contains a lot of useful information relating to sensitive expenditure and in particular travel expenses.

We had discussions on the oversight and approval of the Chief Executive and Mayor's overseas travel with Council staff and it was identified that there is no pre-approval or one-up approval of this expenditure.

We **recommend** that overseas travel is pre-approved on a one-up basis, and the expenditure approved on the same basis with reference to the pre-approval The Mayor's expenses, these should be pre-approved by the Council, and expenses incurred approved by the Chair of the Audit and Risk Committee with reference to the pre-approval.

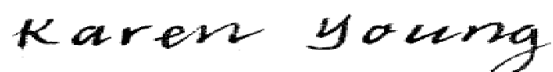
**4 Follow up of audit recommendations from prior years**

Refer to the appendix for our findings and the current status of the recommendations. We will update the status of these during our final audit in August/September 2019.

**Thank you**

We would like to thank the Council, you and your staff for the cooperation and assistance we received.

Yours sincerely

A handwritten signature in black ink that reads "Karen Young". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Karen Young  
Appointed Auditor

cc Sheryl Bryant – General Manager, Strategy and Planning  
Stuart McKinnon – Chief Financial Officer



## Appendix: Follow up of audit recommendations from prior years

Table 1: Issues in progress

Recommendation	Current status
<b>Financial statement reconciliations</b>	
All financial statements reconciliations should be prepared in a timely manner and independently reviewed.	<p><b>In progress.</b></p> <p>We found that there has been improvements in timeliness of preparation and review and sign-off of reconciliations. At the interim audit we noted that as at the end of March 2019 all reconciliations have been prepared on time.</p> <p>We continue to recommend that reconciliations are prepared and signed off in a timely manner.</p> <p>We will follow up process as part of the final audit to ensure this is still the case.</p>
<b>Contract management</b>	
The City Council consider whether a whole of Council contract management system would be useful. We are of the view that it would be.	<p><b>In progress.</b></p> <p>The establishment of a Project Management Office as part of the Infrastructure Unit re-structure will include development of process mapping and standard templates for key project delivery phases including contract documentation.</p> <p>We will follow up during our final audit to determine what improvements have been made in this area.</p>
<b>Unpresented cheques</b>	
<p>We recommend that the City Council follow up on the stale cheques within a more reasonable timeframe.</p> <p>It might be beneficial to develop a more formal process of confirming the cheques identified for cancelling have actually been followed up and the appropriate action has been taken.</p>	<p><b>In progress.</b></p> <p>Some progress was made late 2018 and early 2019, but their value is starting to increase again by March 2019.</p>
<b>Vendor Masterfile reviews</b>	
We recommend the vendor masterfile report is printed and reviewed against supporting documentation on a timely basis each month. This	<p><b>In progress.</b></p> <p>The procedures followed during the year have been strengthened. Prior to new vendors being entered or changes to bank details made, Accounts Payable</p>

Recommendation	Current status
can also be done by performing spot checks of the changes.	personnel request and require greater proof of identity and bank account number, separate to the detail written on the invoice.  We will follow up as part of the final audit.
<b>Presentation of the financial overview in the annual report</b>	
Ensure what is reported in the financial overview section of the annual report is a balanced summary for the year and that it does not take away from the results in the financial statements.	Will review as part of the review of the annual report during the final audit.  This will be followed up as part of the final audit.
<b>Mandatory performance measures</b>	
<p>We made the following recommendations for improvement:</p> <ul style="list-style-type: none"> <li>Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented and regular training provided to all staff involved.</li> <li>Perform a regular weekly quality review of data entered into the Request for Service (RFS) system in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should focus on following up unclosed jobs, ensuring all data fields are updated and reviewing any unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature.</li> <li>Ensure data fields include information to clearly show why data has been amended or re categorised with a clear audit trail of any changes made and who authorised these.</li> </ul>	<p><b>In progress.</b></p> <p>During our review of the City Council's systems we did not find any changes to systems.</p> <p>If the City Council makes any improvements to its systems we will review these as part of our final audit.</p>

Recommendation	Current status
<ul style="list-style-type: none"> <li>Document any calls that are excluded as DIA service requests or complaints. This may require additional fields to be added to the existing RFS if this information is not already captured.</li> <li>Continue to review Department of Internal Affairs' guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting.</li> </ul> <p>Ensure there is a system in place to check contractor times recorded are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of performance by contractors against the City Council's key performance targets.</p>	
<b>Fraud Policy</b>	
We recommend that the City Council reviews its Fraud Policy and ensures all aspects of good practice are covered.	<p><b>Issue remains outstanding.</b></p> <p>Confirmed during our interim visit that the policy has not been updated.</p> <p>We have re-raised this as part of item 3.1 above.</p> <p>We do note that the City Council has recently strengthened its controls in relation to creditors Masterfile due to the fraud that occurred and recovered the majority of the money taken.</p>
<b>Conflict of Interest Policy</b>	
The City Council reviews its Conflicts of Interest Policy to ensure all aspects of good practice are covered.	<p><b>Issue remains outstanding.</b></p> <p>Confirmed during our interim visit that the policy has not yet been updated.</p> <p>We have re-raised this as part of item 3.1 above.</p>
<b>Review of network user accounts</b>	
The review of network user accounts includes all accounts, including those not used for some time.	<p><b>In progress.</b></p> <p>The City Council's current procedure is that the six monthly account status auditing now includes a process that checks all accounts with no activity in the previous six months. If it finds an account it automatically alerts the service desk via email for review and action.</p> <p>We will consider this at our next visit.</p>

Recommendation	Current status
<b>Lack of succession planning for the Road Assessment and Maintenance Management (RAMM) database</b>	
A succession plan be put in place to ensure the Senior Engineer's knowledge of the RAMM system is passed on to other staff members.	<p><b>In progress.</b></p> <p>We understand that the Senior Engineer is working with staff to increase their knowledge of the RAMM system but this take time.</p>
<b>Sensitive expenditure policies not in line with Office of the Auditor General's (OAG) good practice guidelines</b>	
Current policies be reviewed against best practice, such as those set out in the OAG's Guidelines. This would provide better controls and judgements for sensitive expenditure that can withstand Parliament and public scrutiny	<p><b>Open.</b></p> <p>Confirmed during our interim visit that policies have not yet been updated.</p> <p>We have re-raised this as part of item 3.1 above.</p>

Table 2: Issues closed

Recommendation	Current status
<b>Performance measure rules</b>	
We recommend the business rules for all performance measures be clearly documented and understood by relevant staff.	<p><b>Issue closed.</b></p> <p>There are no business rules in place for all performance measures in the 2018-28 LTP.</p>

# Report to the Council on the audit of

Palmerston North City  
Council

For the year ended 30 June 2019

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## Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where the City Council is doing well and where we have made recommendations for improvement.

### Audit opinion

We have issued an unmodified audit opinion dated 23 September 2019.

### Matters we would like to draw to your attention

The control environment is effective and we placed reliance on the City Council's controls for the audit, where it was efficient to do so.

The City Council was prepared for the audit which enabled that audit of the financial statements and performance information to be conducted efficiently.

There were no material misstatements and disclosure deficiencies that were not corrected in final annual report.

To deliver on the Council's 2018-28 Long-Term Plan and realise the Council's goals, an organisational redesigned was announced in June 2018, and implemented over the last year. As part of the Driven & Enabling Council Strategy, the City Council is continuing to build leadership, culture, capability and capacity. Also, by introducing new technology and, upgrade and integrate core systems and processes to improve customer services and effectively and efficiently manage the organisation.

We have noted the achievements from organisational design, the work-in-progress and ongoing improvements across the organisation such as the work on improving the asset management function, management of projects, contract, procurement, and organisation wide and business unit risk.

In section three of this report, we have reported on the matters set out in our Audit Plan for 2019. There are no new significant findings arising from the audit.

Other findings and matters from the interim audit has been reported to Council management. We will finalise the report once we receive management's comments for the findings, and recommendations made.


It is pleasing to note that some prior year audit recommendations have been cleared. The City Council will be better placed to clear some of the remaining recommendations as part of its ongoing improvement strategy and plans.



**Thank you**

We would like to thank the Council, management and staff for the very good assistance that we received during the audit, engagement with us, and preparation for the audit.

Yours sincerely

A handwritten signature in black ink that reads "Karen Young". The script is cursive and fluid.

Karen Young  
Appointed Auditor  
14 February 2020

## 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.
Necessary	<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

### 1.1 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	10	-	10
Implemented or closed	-	3	-	3
<b>Total</b>	-	<b>13</b>	-	<b>13</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 23 September 2019. This means we were satisfied that the financial statements and non-financial performance measures present fairly the City Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

### 2.3 Corrected financial misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of ensuring that the land associated with the Whakarongo land development was not revalued and was included as inventory in the accounts.

### 2.4 Corrected financial disclosure deficiencies

Due to a restructure and change in activity reporting, there were several items in the annual report that required update to ensure that the disclosures being made either matched the disclosures of the previous year (comparative figures), matched the long term plan (budgets and performance measures) or matched the underlying documentation supporting the annual report.

### 2.5 Corrected performance reporting misstatements

There were a couple of performance measure achievements that needed to be updated in the annual report to ensure that they matched the supporting information.

### 2.6 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 2 July 2019. This included the dates we required the information to be provided to us.

During the year there was a change in the Financial Accountant at the City Council. This transition appears to have been smooth; in the financial statements, certain additional disclosures were reviewed and simplified, the process for the development of the notes to the financial statements was a collaborative one with the business; and some processes were streamlined, such as the deriving of significant variance explanations from the quarterly reports to management.

Supporting information was good and provided in a timely manner.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 19 April 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	How we addressed this matter and outcome
<p><b>3.1 Operational land and building revaluation and fair value movements</b></p> <p>Land and buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.</p> <p>The last valuations were:</p> <ul style="list-style-type: none"> <li>Infrastructure assets – June 2017 (three yearly)</li> <li>Land and buildings – June 2016 (three yearly)</li> </ul>	<p><b>Land and buildings</b></p> <p>To gain assurance over the revaluation we:</p> <ul style="list-style-type: none"> <li>reviewed the scope of the revaluation performed and ensure it has been completed in accordance with the appropriate standards;</li> <li>ensured the entire asset class has been revalued;</li> <li>reviewed how the City Council ensured completeness over the asset data;</li> <li>determined how the age and condition of the assets has been determined, and how this has been reflected in the determination of the remaining useful life of the assets and the valuation calculation for those assets;</li> <li>confirmed our understanding of the valuation methodology and key assumptions;</li> <li>discussed explanations of variances between the latest and prior years' valuations for reasonableness;</li> <li>discussed the valuation with, and obtained a confirmation from the independent valuer; and</li> </ul>

Audit risk/issue	How we addressed this matter and outcome
	<ul style="list-style-type: none"> <li>reviewed how changes in the value of assets are accounted for and disclosed in the financial statements.</li> </ul> <p>We are satisfied the revaluation complies with Generally Accepted Accounting Practice and the revaluation has been appropriately accounted for and disclosed in the City Council's financial statements.</p> <p>We identified an area for improvement in relation to instructions to the valuer, refer to section 4.1.</p> <p><b>Infrastructural assets</b></p> <p>We reviewed the City Council's assessment of whether there was any significant difference between the carrying amount and fair value of its infrastructural assets. We assessed the judgements and assumptions made by management.</p> <p>We are satisfied that the movement in value was not significant and that a revaluation was not required.</p>
<p><b>3.2 Actual renewals and capital expenditure programme and spend</b></p> <p>The City Council has continued to improve the level of capital spend against planned expenditure. However, actual capital expenditure still remains significantly lower compared to the budgeted capital expenditure in its capital programmes.</p> <p>This is a risk because it has the potential to impact on the City Council's ability to deliver the levels of service committed through the Long Term Plan and annual plan processes. It can also cause cost escalation issues if projects are not completed in a timely manner.</p>	<p>The appointment of the Chief Infrastructure Officer, the combining of City Enterprises and City Networks, the restructure of the Infrastructure Unit, and improvements in governance and accountability have all contributed to the improvement in the delivery of the capital programme.</p> <p>Spend on the capital programme in 2019 totalled to \$58.3 million (79% of budget), compared with \$48.7 million (77%) in 2018 and \$33.2 (66%) in 2017.</p> <p>The aim of the restructure was to augment the established engineer skillset with other necessary project, asset and contract management disciplines.</p>

Audit risk/issue	How we addressed this matter and outcome
<p>Council have documented their approach to Delivery of Capital Works Programme for the period of the 2018-28 Long Term Plan which includes the City Networks Action Plan from October 2015.</p> <p>It is important that this remains a key area of focus for the City Council and that it continues to implement the action plan, internal audit's recommendations and the recommendations made through our review of procurement, contract management, and project management.</p>	<p>Positive progress has been made with project management and asset management. A Project Management Office has been established to centrally coordinate programmes and projects as well as providing some expertise guidance and pool project management resource. A project management framework has been developed including templates for business cases and key project documentation. Project management training is a key focus as well as creating a knowledge base for good practice and lessons learned. A Project Review Board has been established. We have seen the project reporting tool being used to generate the capital works reporting dashboard.</p> <p>During the 2016/17 audit, we reviewed the procurement process used for the procurement of the major roading contract. We have noted that the contract has been subject to a review to determine how best to maximise benefit and value from the existing contract format. The City Council has accepted the review recommendations and an implementation plan is underway. With the existing contract due for renewal in 2021, work is being done on future procurement options and optimal future commercial models.</p> <p>Overall, it is clear that good progress has been made in moving project management forward.</p> <p><b>Management comment</b></p> <p><i>This continues to be a focus for Management.</i></p>

Audit risk/issue	How we addressed this matter and outcome
<p><b>3.3 Financial management information system (FMIS)</b></p> <p>We noted during the audit that reconciliations between the subsidiary ledgers and the general ledger had issues and often did not reconcile. From what the City Council staff have managed to establish this a system fault where information seems to be dropped from the system when it is transferred and it is not easily found when this happens.</p> <p>This issue has been getting worse from the experience of the staff and is exacerbated each time the FMIS vendor installs updates into the system.</p>	<p>The project for the replacement of the Enterprise Resource Planning system (which will include the FMIS) is in its early stages with the setting up of a governance group, a project team, and registrations of interest. Commencement of implementation is proposed for January/February 2020.</p> <p>We will keep in close contact with management to obtain progress updates, consider and respond to the impact for the 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>An RFP for system replacement was issued in September 2019, with responses received in October. We are currently working through a process to shortlist and select a preferred vendor. Implementation is still on target to commence early 2020.</i></p>
<p><b>3.4 Wastewater Treatment Plant upgrade</b></p> <p>As part of obtaining new resource consent in 2028 is required to complete a best practicable option review for wastewater treatment and disposal (WWTP) by June 2021 and lodge a new consent application by June 2022. The City Council is scheduled in the next couple of years to carry out an intensive investigation as to which is the best solution for the upgrade.</p> <p>As a result of the time required to complete the investigation and go through the consenting process, the actual way forward will not be known for a few years.</p>	<p>The City Council have progressed to a recommended short list of options. Its intention is to progress the options to identify the best practical option (BPO) to take forward to the next Long-Term Plan.</p> <p>The City Council have to lodge the resource consent for the BPO by June 2022. The City Council have advised that:</p> <ul style="list-style-type: none"> <li>• A Project Programme has been adopted that sees the delivery of project deliverables within the 2022 timeframe.</li> <li>• An alternatives assessment, technical investigation, financial tracking, stakeholder management planning and project governance structure has been implemented.</li> </ul>



Audit risk/issue	How we addressed this matter and outcome
<p>Based on discussions with the City Council and reviewing the external reports commissioned on high level cost options, we understand that the potential costs based on the information currently available are significant, and in the range of \$110m to \$300m depending on the option for dispersal (water, river, hybrid).</p> <p>The City Council has budgeted \$128.8m for the WWTP (based on disposal to the river) in the LTP, but it could cost up to \$250m \$300m for the land or ocean disposal.</p>	<ul style="list-style-type: none"> <li>• The Projects Methodology has been developed by experienced consultants in the wastewater sector and is managed through an integrative project team that reports monthly via a dedicated Project Manager to the Project Steering Group (PSG).</li> <li>• A Terms of Reference has been adopted, which requires monthly financial/risk reporting to be carried out to the PSG and the Council.</li> <li>• Council workshops and formal reporting at key milestones has brought accountability to the decision-making process.</li> </ul> <p>We will continue to monitor progress and keep ourselves up-to-date on developments with the WWTP Project.</p> <p><b>Management comment</b></p> <p><i>This continues to be a focus for Council during 2020 and beyond.</i></p>
<p><b>3.5 Organisational procurement and contract management</b></p> <p>Following findings and recommendations from external and internal reviews of the organisation, procurement and contract management, arrangements, policies and practices, the City Council established a procurement manager position.</p>	<p>The Procurement Manager commenced in January 2019. A view of the current status of procurement along with a planned approach to raise maturity and improve procurement is set out in a document.</p> <p>The intent is to move from a fragmented, inconsistent sourcing type approach to a more advanced, strategic based model. Previous external and internal audit recommendations raised support this view of the current state. To realise the City Council's intent, the implementation and embedding of the key action items in the procurement programme is critical. Currently, the City Council is starting from a low base.</p>

Audit risk/issue	How we addressed this matter and outcome
	<p>We are encouraged by a clear Procurement Guidance Flow which sets out the policy framework and associate supporting guidance that will make it clearer for those involved in procuring to understand what is expected of them and where to get help. Other key initiatives described include:</p> <ul style="list-style-type: none"><li>• Procurement framework and portal.</li><li>• New systems implementation (for procurement and contact management processes).</li><li>• Creation of Supplier Panels.</li><li>• Staff Training and Guidance.</li><li>• Risk Management.</li><li>• Sustainable procurement implementation.</li><li>• Supplier performance monitoring.</li><li>• Procurement and records management.</li><li>• Spend analysis together with spend management.</li></ul> <p>The above are all key components for good practice procurement within an organisation. However, the City Council also needs to ensure it has a good record of its spend and current contracting. As noted in the update on previous recommendations, some enhancements are still being made to the contract management system Oasis. However the use of Oasis remains inconsistent. We understand that only a proportion of supplier spend is represented by any contract or agreement in Oasis.</p>

Audit risk/issue	How we addressed this matter and outcome
	<p>The ERP system as intended will also specify a contract management system component. That will take some time to procure and implement. The use of Oasis in the meantime needs to be reinforced so the City Council has a complete and effective record of its contracts to enable it to manage them and the associated spend and is able to in time migrate effectively to a new solution.</p> <p>The implementation of the new policies and guidance once finalised will need clear support from the senior management of the organisation so expectations are clear. Adequate procurement resources will need to be established to ensure the intended procurement and contract management practices are supported and maintained.</p> <p>During our 2019/20 audit, we will follow up on the finalisation of the policies and guidance as part of the procurement framework and progress with the other action items.</p> <p><b>Management comment</b></p> <p><i>Training on Council's new Procurement Process &amp; Procedures Guide, Tender Management and Contract Management manuals will occur in early 2020. Resourcing for the Procurement area is being evaluated. Advanced Contract Management tools will be implemented as part of the new ERP implementation and is anticipated for late 2020.</i></p>
<p><b>3.6 Organisation change and impact on internal controls</b></p> <p>To deliver on the Council's 2018-28 Long Term Plan and realise the Council's goals, a new organisational design was announced before 30 June 2018 year end, and some roles in business units changed. As a result there were some staff redundancies and new staff members appointed in key roles.</p>	<p>We reviewed a sample of the severances and redundancies paid to staff. The severances and redundancies were appropriately approved, accounted for and disclosed in the financial statements.</p> <p>An effective internal control environment was maintained throughout the year.</p>

Audit risk/issue	How we addressed this matter and outcome
These changes can have an impact on maintaining effective internal controls.	
<p><b>3.7 Business continuity planning</b></p> <p>In prior years we have recommended that council develop and test organisational business continuity and IT disaster recovery plans.</p> <p>Having effective business continuity plans (BCPs) and procedures is critical to the City Council to continue to operate at the specified, appropriate level in the event of a disaster.</p> <p>The ability of the City Council to recover from a disaster is directly related to the degree of business continuity planning that has taken place before the disaster.</p> <p>Thirty BCPs/crisis management plans covering all of the Council's business activities and divisions have been completed by various areas of the business. Training and scenario exercises for the Crisis Management Team (i.e. the Council's Management Team) and business unit representatives have been conducted. The testing and maintenance programme has been developed for two business units, with the remainder to be completed by year end.</p>	<p>During the year, a project team was set up to identify what it will take to make the City Council's Civil Defence Emergency Management (CDEM) function exemplary, how the function could be better embedded into the City Council's activities, and provide recommendations to be included in a two-year stepped development plan to achieve exemplary status. A review of the City Council's CDEM was completed. The report set out the findings, recommendations, implementation and next steps.</p> <p>There will be a phased development and roll-out of the CDEM function which includes the BCP.</p> <p>We will follow up the City Council's progress with business continuity planning during our 2019/20 audit.</p> <p><b>Management comment</b></p> <p><i>Council has engaged Resilient Organisations Ltd to develop upon its existing business continuity arrangements, which will be a focus over the coming year.</i></p>
<p><b>3.8 Risk of management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> <li>Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> </ul>

Audit risk/issue	How we addressed this matter and outcome
<p>is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p> <p>It is a requirement of NZ ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements that we consider the risk of fraud due to management override and complete audit procedures to address this risk.</p>	<ul style="list-style-type: none"> <li>Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</li> <li>Tested the revaluation and confirmed revaluation adjustments.</li> <li>Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the Council and its environment, and other information obtained during the audit.</li> </ul> <p>From our testing we did not identify any issues that indicated management override.</p>
<b>3.9 Bribery and corruption</b>	
<p>The OAG are interested in the controls in place to reduce the risk of wrongdoing, particularly bribery and corruption in the public sector so they can consider whether they need to do additional work to address the Finance and Expenditure Committee's interest in the effectiveness of corruption detection and prevention processes.</p> <p>Ultimately this helps the OAG to provide assurance to Parliament and the public.</p>	<p>We assessed the controls the City Council has in place to reduce the risk of wrongdoing – particularly bribery and corruption.</p> <p>By and large we found that Council's policies and procedures in relation to bribery and corruption have elements of good practice. On balance though, for a Council the size of the City Council, some improvements are required.</p> <p>We recommend:</p> <ul style="list-style-type: none"> <li>the register of areas at risk for fraud/bribery and corruption (potential and actual) be monitored and reviewed on a regular basis to ensure the risks identified and the controls remain relevant;</li> <li>the City Council ensure the Fraud Policy is included in the new staff induction pack;</li> <li>the Fraud Policy be expanded to be explicit about reporting requirements in relation to attempted bribery and corruption; and</li> </ul>

Audit risk/issue	How we addressed this matter and outcome
	<ul style="list-style-type: none"><li>that regular reporting be presented to those charged with governance on consideration of mechanisms indicating the adequacy of controls around bribery and corruption, including consideration by senior management of any changes required.</li></ul> <p><b>Management comment</b></p> <p><i>A new Fraud policy is currently being drafted. Finalisation and implementation of a new policy (including processes to address these recommendations) is anticipated to occur in early 2020.</i></p>

## 4 Items identified during the audit



The following are the issues that we noted during the audit which we raise for your attention.

### 4.1 Land and buildings revaluation – instructions to valuer

We found that the valuer's report on the revaluation covered only the bare minimum/basics required by legislation. The 2019 valuation report provides limited information for the City Council and auditors to be able to determine if the changes in values and the assumptions applied are appropriate. The "why" appeared to be missing from the report.

The contents of the valuers report reflects the terms of reference/instructions to the valuer which have remained largely unchanged since 2010. However, since 2010, there have been a considerable level of change in valuation reports provided by the valuer. In general, they are more sophisticated to reflect changes in professional standards, current expectations, and provide information that is "value add" to the organisation.

The instructions to the valuer are outdated and only cover off the requirements of the legislation and do not ask the valuer to provide additional information around the reasonableness of movements when compared to the previous valuation, or observations for improvement identified as part of undertaking the revaluation.

We understand from the valuer that there are verbal or email discussions with the City Council throughout the valuation process. The outcome of these discussions should be reported to the City Council in the valuation report/for the record.

We **recommend** the City Council review and update its instructions to its valuers to ensure that the valuation report reflects current reporting content and expectations, and is more informative and provides value add to the City Council.

#### Management comment

*These concerns are noted. When Council undertake the next asset valuation we will incorporate these recommendations.*

## 5 Public sector audit



The City Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the City Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the City Council has fairly reflected the results of its activities in its financial statements and non-financial performance measures.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the City Council carrying out its activities effectively and efficiently;
- the City Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

There were no items noted during our audit that need to be brought to your attention.



## 6 Group audit



The group comprises:

- Palmerston North Airport Limited
- Te Manawa Museums Trust
- The Regent Theatre Trust
- Globe Theatre Trust Board
- Caccia Birch Trust Board
- Palmerston North Performing Arts Trust

### 1 Significant components

We identified Palmerston North Airport Limited (the Company) as a significant component.

Matters identified during the audit of the Company which we would like to draw to your attention.

#### Fair value assessments

As required per the accounting standards the Company is required to perform a revaluation if there is a significant difference between the carrying amount and fair value of an asset class. The Company completed an assessment over whether a revaluation was required. This resulted in landside infrastructure (land and buildings) requiring a revaluation but not airside infrastructure.

We reviewed management's assessment over the airside infrastructure and are satisfied that no revaluation was required.

#### Revaluation of landside infrastructure

The revaluation of the landside infrastructure (land and buildings) resulted in an increase of \$4.9 million to the value of land and buildings.

The valuations were performed by external valuers. This is the same process the Company followed two years ago and is in compliance with the relevant accounting standard (PBE IPSAS 17 Property, Plant and Equipment).

From our work completed over the valuation and additional disclosures made by the Company, we are satisfied that the Company has correctly disclosed and accounted for the land and buildings revaluation.

Going forward - As per the Company's accounting policy, the airside assets is due for revaluation next year. We have discussed with management and the Board at looking at bringing the revaluation forward from 30 June 2020 to 31 March 2020. This would allow management and the Board plenty of time to do their appropriate due diligence over the revaluation and for us to audit by year-end given the tight reporting deadlines the Company has.

#### **Revenue**

We confirmed our understanding of the revenue systems and considered the adequacy of the Company's controls to ensure the completeness of revenue, especially given that part of the landing fee charges are made up of passenger numbers which come directly from the airlines.

We are satisfied that the Company's revenue disclosed in the financial statements is materially correct.

Going forward - It is our understanding going forward that the landing fee charges structure will be changing for the 2019/20 financial year with the significant amount of the charge being determined by the number of passengers instead of the aircraft. This increases the inherent risk around the completeness of revenue for the Company. The Company currently has processes of gaining assurance over passenger numbers, which are provided by the airline, but we recommend these processes are reviewed to ensure they are still fit-for-purpose. With passenger numbers now determining the bulk of the landing fee charges, any incorrect information provided by the airline will have a greater impact on revenue than it used to.

#### **Capital development activities**

##### *Massey Aviation building*

During the year the Company was completing the build of the Massey Aviation building (Aviation buildings). Upon review of the project it was identified that the sole intention of building the Aviation building was to lease it back to Massey (receive a lease return) as they needed a bigger and better building. Therefore this building met the definition of investment property and has been correctly classified as such.

As a result of the building being classified as investment property, it resulted in a revaluation taking place at year-end. We reviewed the revaluation which included us talking with the valuer, looking at the assumptions used and confirming the adjustment made to the fair value as a result of the work still to be completed over the Aviation building.

From our review we are satisfied that the investment property has been correctly valued and the gain has been appropriately accounted for.

### *Future development*

The Company is looking at subdividing land into separate LOTS and then either selling them or leasing them out. For the Company to be able to do this, they are required to vest to the Palmerston North City Council Airport Drive which is currently a private road owned by the Company. As at 30 June 2019 the road has not been vested, so it is appropriate for the Company to still classify it under property, plant and equipment and not as assets held for sale or investment property.

The classification and accounting treatment of this future development can be complex. The Company's auditor recommended that the Company seek independent technical advice over the proposed accounting treatment to ensure the Company complies with the accounting standards.

## **2 Component audits**

We have not identified any of the following during our audit for the year ended 30 June 2019:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>R1: Actual renewals and capital expenditure programme and spend</b>		
<p>We recommend the City Council:</p> <ul style="list-style-type: none"> <li>continue to implement the action plan, internal audit's findings from 2015/16, our review recommendations on procurement, contract management, and project management; and</li> <li>review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes.</li> </ul>	November 2017	<p><b>In progress.</b></p> <p>Good progress is being made to ensure the capex programme is fulfilled.</p> <p>Refer to section 3.2.</p>
<b>R2: Business continuity plan</b>		
Business Continuity Plan (BCP) should be finalised and re tested. Plans be regularly updated and tested.	Prior to 2017	<p><b>In progress.</b></p> <p>There has been a review completed. Refer to section 3.7.</p>
<b>R3: Financial statement reconciliations</b>		
All financial statements reconciliations should be prepared in a timely manner and independently reviewed.	Prior to 2017	<p><b>In progress.</b></p> <p>We found that there has been improvements in timeliness of preparation and review and sign-off of reconciliations. At the interim audit we noted that as at the end of March 2019 all reconciliations have been prepared on time.</p> <p><b>Management comment</b></p> <p><i>Reconciliations will continue to be performed on time.</i></p>

Recommendation	First raised	Status
<b>Necessary</b>		
<b>R4: Procurement</b>		
<p>We recommend:</p> <ul style="list-style-type: none"> <li>That conflict of interest declaration forms are completed; including being signed off, as soon as a person becomes involved in the procurement process. The continued involvement of a person who has not sufficiently completed the declaration process creates a potential risk to the integrity of the procurement.</li> <li>Staff who are involved in procurement are aware of the different types of conflict of interest and how these should be managed (for example, considering the relationship with the incumbent going for the tender as a potential conflict of interest). Regardless of whether there is an actual conflict or bias, it is important to consider perceptions in order to maintain market confidence.</li> <li>Declaration forms be treated as a live document and they are updated numerous times throughout the procurement.</li> <li>A procurement strategy or plan to be completed for every significant project prior to tendering which includes maintenance or operations contracts. This is important to ensure that Council resources are being used effectively and the best approaches to the market are taken.</li> <li>An analysis of procurement risk as part of procurement planning so that risks can be identified, avoided or appropriately managed.</li> </ul>	September 2017	<p><b>In progress.</b></p> <p>Relevant procurement and related policies for these recommendations have been updated and are undergoing consultation.</p> <p>They are supported by an updated Procurement Process and Procedures guide and a Tender Management Manual which are also both currently draft. Together with the policies, these will address the noted recommendations when finalised.</p> <p>It will be important for the City Council to plan carefully for implementation and roll out ideally supported by training when these policies and documents are finalised so that everyone affected knows what is expected of them.</p> <p><b>Management comment</b></p> <p><i>Training on Council's new Procurement Process &amp; Procedures Guide, Tender Management and Contract Management manual (and the expectation of following proper processes detailed within these documents) will occur Council-wide in early 2020.</i></p>

Recommendation	First raised	Status
<b>Necessary</b>		
There is evidence that the processes at key stages has been conducted fairly and appropriately, including finalising non price scoring prior to opening the price envelope.		
<b>R5: Contract management</b>		
<p>We recommend:</p> <ul style="list-style-type: none"> <li>The City Council consider whether a whole of Council contract management system would be useful. We are of the view that it would be.</li> <li>Ensure completeness and accuracy of data information on the contract management system. Also, review the data that is being placed there.</li> <li>Ensure consistency of what is retained on the contract management system by formally documenting the required documents that are needed on the system.</li> </ul>	Prior to 2017	<p><b>In progress.</b></p> <p>We understand there is still work to be done to improve the functionality of Oasis. Modifications and developments are work-in-progress.</p> <p><b>Management comment</b></p> <p><i>Advanced Contract Management tools will be implemented as part of the new ERP implementation and is anticipated for 2021.</i></p> <p><b>In progress.</b></p> <p>There are still issues with ensuring the contract management system represents a complete record of the City Council's contracts.</p> <p>Once the Oasis functionality improvements have been implemented, some guidance will be developed and issued to assist with the take-up of the system and the new functionality.</p>
<b>R6: Mandatory performance measures</b>		
<p>We made the following recommendations for improvement:</p> <ul style="list-style-type: none"> <li>Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented and regular training provided to all staff involved.</li> </ul>	Prior to 2017	<p><b>In progress.</b></p> <p>During our review of the City Council's systems we did not find any changes to systems.</p> <p><b>Management comment</b></p> <p><i>We will review all KPI's looking for further improvement as part of the 10 year plan.</i></p> <p><i>Our business Assurance team has agreed to look at this process and your recommendations during the 2020 calendar year.</i></p>

Recommendation	First raised	Status
<b>Necessary</b>		
<ul style="list-style-type: none"> <li>• Perform a regular weekly quality review of data entered into the Request for Service (RFS) system in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should focus on following up unclosed jobs, ensuring all data fields are updated and reviewing any unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature.</li> <li>• Ensure data fields include information to clearly show why data has been amended or re categorised with a clear audit trail of any changes made and who authorised these.</li> <li>• Document any calls that are excluded as DIA service requests or complaints. This may require additional fields to be added to the existing RFS if this information is not already captured.</li> <li>• Continue to review Department of Internal Affairs' guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting.</li> <li>• Ensure there is a system in place to check contractor times recorded are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of performance by contractors against the City Council's key performance targets.</li> </ul>		

Recommendation			First raised	Status																								
Necessary																												
R7: Council policies overdue for review																												
We recommend the following policies (which are overdue for review) be reviewed against current accepted good practice in the public sector:			June 2018	<b>In progress.</b>  We understand that the policies are being reviewed and some are in the process of being consulted on. The target is to have them completed and approved by the end of the 2019 calendar year.																								
<table><tr><th>Ref</th><th>Policy</th><th>Due for review</th></tr><tr><td>MT 75</td><td>Fraud</td><td>July 2015</td></tr><tr><td>MT 18</td><td>Expenses</td><td>August 2017</td></tr><tr><td>MT 57</td><td>Gifts, inducements and rewards</td><td>October 2017</td></tr><tr><td>MT 54</td><td>Use of Council vehicles</td><td>October 2017</td></tr><tr><td>MT 80</td><td>Cellphone</td><td>March 2018</td></tr><tr><td>MT 79</td><td>Conflicts of interest</td><td>August 2018</td></tr><tr><td>MT 76</td><td>Risk management</td><td>Not specified</td></tr></table>			Ref	Policy	Due for review	MT 75	Fraud	July 2015	MT 18	Expenses	August 2017	MT 57	Gifts, inducements and rewards	October 2017	MT 54	Use of Council vehicles	October 2017	MT 80	Cellphone	March 2018	MT 79	Conflicts of interest	August 2018	MT 76	Risk management	Not specified		<b>Management comment</b>  <i>New policies in these areas are currently being drafted. Finalisation and implementation is anticipated for early 2020.</i>
Ref	Policy	Due for review																										
MT 75	Fraud	July 2015																										
MT 18	Expenses	August 2017																										
MT 57	Gifts, inducements and rewards	October 2017																										
MT 54	Use of Council vehicles	October 2017																										
MT 80	Cellphone	March 2018																										
MT 79	Conflicts of interest	August 2018																										
MT 76	Risk management	Not specified																										
R8: Sensitive expenditure testing and practices																												
Overseas travel is pre-approved on a one-up basis, and the expenditure approved on the same basis with reference to the pre-approval The Mayor’s expenses, these should be pre-approved by the Council, and expenses incurred approved by the Chair of the Audit and Risk Committee with reference to the pre-approval			July 2019	<b>Outstanding.</b>																								



Recommendation	First raised	Status
<b>Necessary</b>		
<b>R9: Review of network user accounts</b>		
<p>The Service Desk performs six monthly reviews of network user accounts to mitigate the risk of redundant user accounts being used for unauthorised access to Council network and systems.</p> <p>We obtained a current list of network user accounts shown in Active Directory (AD). We noted user accounts that have not been used for over six months. And some user accounts that were created some time ago, but have never been used.</p> <p>Additionally, we noted that there are IM system administration accounts which have passwords that never expire.</p> <p>We recommend that a review of all network user accounts is performed, to include:</p> <ul style="list-style-type: none"> <li>those that have not used for some time; and</li> <li>those that contravene organisational policy regarding security configuration</li> </ul>	Prior to 2017	<p><b>In progress.</b></p> <p>The City Council's current procedure is that six monthly account status auditing now includes a process that checks all accounts with no activity in the previous six months. If it finds an account it automatically alerts the service desk via email for review and action.</p> <p>Further improvements are being developed that include identity and access management tools. These tools are imperative in terms of integrating cloud services to be controlled by an authoritative source (the City Council's active directory).</p> <p>There is also a plan to review the possibility of introducing two factor authentication when not connected to the corporate network.</p> <p>In light of recent events at the City Council involving unauthorised access to systems, there is a clear need to ensure organisational policy and good business practice in relation to systems security is followed.</p> <p><b>Management comment</b></p> <p><i>As noted improvements have already occurred, and further process improvements remain a focus for the team.</i></p>
<b>R10: Succession planning for Road Assessment and Maintenance Management (RAMM) database</b>		
<p>A succession plan be put in place to ensure the Senior Engineer's knowledge of the RAMM system is passed on to other staff members.</p>	Prior to 2017	<p><b>In progress.</b></p> <p>We understand is the Senior Engineer is working with staff to increase their knowledge of the RAMM system but this take time.</p>

Recommendation	First raised	Status
<b>Necessary</b>		
		<p>From an all of organisation perspective, organisational development and succession planning are initiatives proposed.</p> <p><b>Management comment</b></p> <p><i>The Asset Planning Division has created a new Asset Information Team (AIT), which includes the RAMM system. One of the goals of the new team is to build capacity and understanding of the three asset management data bases that sit within the AIT.</i></p> <p><i>This will involve training staff within the AIT and external staff in the use of the RAMM data base. Dedicated RAMM training sessions started in the first quarter of 2020 with a view of rolling this out on a regular basis.</i></p>

**Implemented or closed recommendations**

Recommendation	First raised	Status
<b>1. Unpresented cheques</b>		
<p>The City Council follow up on the stale cheques within a more reasonable timeframe.</p> <p>It might be beneficial to develop a more formal process of confirming the cheques identified for cancelling have actually been followed up and the appropriate action has been taken.</p>	June 2018	<p><b>Implemented.</b></p> <p>Regular reviews are being undertaken and unpresented cheques are being cleared on a regular basis.</p>
<b>2. Vendor Masterfile reviews</b>		
<p>We recommend the vendor masterfile report is printed and reviewed against supporting documentation on a timely basis each month. This can also be done by performing spot checks of the changes.</p>	June 2018	<p><b>Implemented.</b></p> <p>The procedures followed during the year have been strengthened. Prior to new vendors being entered or changes to bank details made, Accounts Payable personnel request and require greater proof of identity and bank account number, separate to the detail written on the invoice.</p>
<b>3. Presentation of the financial overview in the annual report</b>		
<p>Ensure what is reported in the financial overview section of the annual report is a balanced summary for the year.</p>	Prior to 2017	<p><b>Implemented.</b></p> <p>Financial overview is balanced and the non-Generally Accepted Accounting Practice table removed.</p>

## Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and non-financial performance measures and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements we have performed a limited assurance engagement related to the City Council's debenture trust deed, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the City Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$226,358, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$5,100, for the assurance engagement related to the debenture trust deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>

## Appendix 3: Key changes to the Government Rules of Sourcing



As from 1 October 2019, the new Government Procurement Rules (the Rules) come into force. The Rules are a revision of the previous third edition of the Government Rules of Sourcing and were approved by Cabinet in May. Much of the content is consistent with the third edition with some re-numbering of Rules. The new Rules and a table of rule changes can be found in this link [Table of Rule Changes](#). The City Council is encouraged to apply the Government Procurement Rules.

Entities should watch out for a few important changes noted below:

### Government Procurement Charter

The new rules include a Charter for the first time. The Charter sets out the Government's expectations of how agencies should conduct their procurement activity to achieve public value. The Charter applies even when the Rules do not. The City Council will need to demonstrate how they are meeting these expectations in their procurement activity.

### Broader outcomes

The new Rule 16 outlines a number of secondary benefits that it is seeking from the way in which procurement is conducted in the public sector. These secondary benefits relating to the costs and benefits to society, the environment and the economy are required to be considered (where appropriate) along with the whole of life costs of the procurement.

To maximise the effects of these priorities, the Government will be designating some contracts or sectors where the outcomes must be prioritised. These will be published at [www.procurement.govt.nz](http://www.procurement.govt.nz).

### Procurement planning

A new Rule 15 includes guidance and expectations related to procurement planning. Rule 22 has been amended so that significant procurement plans must be submitted to the Ministry of Business, Innovation, and Employment for review on request

### Threshold changes

The thresholds for when the Rules apply (contained in Rules 6 and 7) have been taken out of the Rules document and will now be found at [www.procurement.govt.nz](http://www.procurement.govt.nz). We understand this is to facilitate changes in the thresholds as necessary, without a full change to the GPS. The immediate change is to the threshold for new construction works, which reduces from \$10 million in the current edition to \$9 million.

We encourage procurement staff to understand the changes, and prepare for their implementation by considering the changes that are required to the City Council's procurement policies, procedures and practices.

## Appendix 4: Useful publications



Based on our knowledge of the City Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
<b>Public accountability: A matter of trust and confidence</b>	
<p>Public accountability is a cornerstone of our system of government. Knowledge on what the public is getting for their taxes and rates, how well that is being spent, and the integrity of the overall system are the basics of public accountability.</p> <p>This discussion paper is the first phase in a programme of work about the future of public accountability.</p> <p>The next phase of our research on public accountability will build on what we have learned here and focus on how well the current public accountability system is positioned to respond to the challenges and opportunities the public sector faces. This research will inform what the Auditor-General's Office does to improve trust and promote value in the public sector.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: <a href="#">public-accountability</a></p>
<b>Post implementation reviews</b>	
<p>The OAG have recently completed a review of Auckland Council's post implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post implementation review checklist.</p>	<p>On the OAG's website under publications.</p> <p>Link: <a href="#">Post-implementation review process</a></p>
<b>Inquiry into Waikato District Health Board's procurement of services from HealthTap</b>	
<p>Findings of our inquiry into the decision of Waikato District Health Board in 2015, to enter into a contract with the United States-based company HealthTap Inc to provide "virtual care" services through an online service.</p> <p>There are important lessons about a good procurement process that can be learned and applied to other procurements in the public sector – in particular, when seeking to be innovative.</p> <p>Innovation in the public sector is important. It can lead to new and better services for the public and more efficient ways to deliver current services. However, when public organisations seek to innovate, it is all the more important to respect the disciplines of good procurement. Innovative service delivery and good procurement practice are not mutually exclusive.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: <a href="#">inquiry-waikato-dhb</a></p>

Description	Where to find it
<b>Inquiry into procurement of work by Westland District Council at Franz Josef</b>	
<p>This report concerns a decision of the Westland District Council to carry out work at Franz Josef to protect the town's wastewater treatment plant from flooding. The work was carried out on an urgent basis and resulted in the construction of a new 700-metres-long stopbank on the bank of the Waiho River.</p> <p>This report identifies numerous examples of poor decision-making and poor procurement practice. They include the lack of any proper risk analysis or consideration of alternative options, the failure to seek expert advice on either the immediacy of the flood risk or whether building a stopbank was the right response, an inadequate planning and procurement process for a project of this type and scope, an apparent disregard for legislated decision-making requirements, and a failure to consult those affected by the work until the work was already under way.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: <a href="#">westland-dc-procurement</a></p>
<b>Client updates</b>	
<p>In March 2019, we hosted a series of client updates. The theme was "Improving trust and confidence in the public sector".</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Good practice</b>	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments</li> </ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>
<b>Reporting fraud</b>	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG's website under data.</p> <p>Link: <a href="#">Reporting Fraud</a></p>



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

PO Box 99  
Wellington 6140  
Phone: 04 496 3099

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)





## REPORT

**TO:** Finance & Audit Committee

**MEETING DATE:** 18 March 2020

**TITLE:** Fees and Charges Review

**PRESENTED BY:** Steve Paterson, Strategy Manager - Finance

**APPROVED BY:** Stuart McKinnon, Chief Financial Officer

### RECOMMENDATION(S) TO COUNCIL

1. That the Fees and Charges Review report be received and the current status of fees and charges be noted.

#### Trade waste

2. That the proposal to adopt updated fees and charges for Trade Waste services effective from 1 July 2020 as attached in Appendix 2, be approved for public consultation and the Chief Executive be authorised to undertake the necessary consultative process under sections 82 and 150 of the Local Government Act 2002.

#### Planning & Miscellaneous

3. That the Statement of Proposal (and the associated summary) to adopt updated fees and charges for Planning Services and Miscellaneous Services effective from 1 July 2020 as attached in Appendix 3, be approved for public consultation and the Chief Executive be authorised to undertake the necessary consultative process under sections 83 and 150 of the Local Government Act 2002.

#### Building

4. That the fees and charges for Building Services, as proposed in Appendix 4 be adopted and following public notification take effect from 1 July 2020.

#### Environmental Health

5. That the fees and charges for Environmental Health Services (in terms of regulation 7 of the Health (Registration of Premises) Regulations 1966) as proposed in Appendix 5, be adopted and following public notification, take effect from 1 July 2020.

#### Animal Control

6. That the fees and charges for the Impounding of Animals (in terms of section 14 of the Impounding Act 1955) and for Dog Registration and Dog Impounding (in terms of sections 37 and 68 of the Dog Control Act 1996) as proposed in Appendix 6 be adopted, and following public notification, take effect from 1 July 2020.

**Burial & Cremation**

7. That the fees and charges for Burial and Cremation, as proposed in Appendix 7 be adopted and following public notification, take effect from 1 July 2020.

**Service Connections**

8. That the fees and charges for Service Connections, as proposed in Appendix 8 be adopted and take effect from 1 July 2020.

**Sportsfields**

9. That the fees and charges for Sportsfields as proposed in Appendix 9 be adopted and take effect from 1 July 2020.

**Bulk Water Filling Station**

10. That the fees and charges for the Bulk Water Filling Station as proposed in Appendix 10 be adopted and take effect from 1 July 2020.

### SUMMARY OF OPTIONS ANALYSIS FOR

<b>Problem or Opportunity</b>	Fees and charges need to be reviewed annually to ensure they adequately meet Revenue & Financing policy, budgetary and other objectives
<b>OPTION 1:</b>	<b>Approve fee increases as proposed</b>
Community Views	Each of different types of fees requires a different process for community engagement. Where this is legislatively controlled it is identified in the report
Benefits	More likely to comply with funding proportions contained in Revenue & Financing Policy
Risks	Public criticism of increases
	Increased charges for some activities may discourage compliance or reduce volumes
Financial	Budgeted revenue targets more likely to be achieved
<b>OPTION 2:</b>	<b>Approve fee amendments for some of those proposed at greater or lesser levels</b>
Community Views	As above
Benefits	Lower fees than recommended likely to mean policy targets will not be achieved
	Higher fees than recommended in some instances will increase likelihood of policy user fee target being achieved
Risks	Higher fees than recommended may increase the risk of public criticism
Financial	If lower increases are approved for some fees likely that budgeted revenue will not be achievable
<b>OPTION 3:</b>	<b>Do not approve any fee increases</b>
Community Views	As above
Benefits	Lower fees than recommended likely to mean policy targets will not be achieved
Risks	When increases eventually are made (to reduce the pressure on rates increases) the extent of the increase required will be publicly and politically unacceptable
Financial	If no increases are approved likely that budgeted revenue will not be achievable

## **RATIONALE FOR THE RECOMMENDATIONS**

### **1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY**

- 1.1 The purpose of this report is to provide an overview of the current status of fees and charges made by the Council and to recommend the adoption of updated fees for some of them.
- 1.2 It is important that fees and charges be regularly reviewed. There are a variety of reasons for this including:
  - Compliance with legislative requirements – many fees and charges made by the Council are governed by specific legislation
  - Consistency with Council's Revenue and Financing policy – for each activity the Council has adopted targets for the funding mix i.e. the proportion of costs to be funded from fees and charges
  - Transparency – in some instances it is important to be able to demonstrate that the charge being made represents a fair and reasonable recovery of the costs of providing a particular service
  - Market comparability – for some services the Council operates in a contestable market and it is important that fees and charges are responsive to market changes.
- 1.3 However, as a review process is sometimes very time-consuming the depth of the review for each type of fee or charge may vary depending on the circumstances.
- 1.4 Attached as Appendix 1 is a schedule listing, in broad terms, the various types of fees and charges made by the Council. The schedule is ordered by activity (consistent with the 10 Year Plan 2018-28) and within that by function (consistent with the Revenue & Financing Policy). Comments are made within the schedule outlining the reasons for there being no change recommended to a particular fee or charge. In cases where changes are recommended more detail is provided in the appendices.

### **2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS**

- 2.1 Council has previously indicated that as a matter of policy it wishes all fee and charge revisions to be encapsulated in a single report to this Committee early each year.
- 2.2 Council's current Revenue & Financing Policy (10 Year Plan 2018-28 pages 211-231) describes how the Council goes about deciding who should pay for the provision of each activity and in what proportions. The policy should be the foundation for decisions about the levels of fees and charges.
- 2.3 The following table shows the indicative levels of direct user contribution (including through the use of targeted rates) sought to fund the operating costs for each activity as described in the Revenue & Financing Policy:

Revenue & Financing Policy – Indicative levels of direct user contribution (incl. targeted rates) sought toward activity cost				
Low 0-19%	Med-Low 20-39%	Med 40-59%	Med-High 60-79%	High 80-100%
Economic development & international relations Planning services- public Urban design Heritage management Roads, street facilities, street lighting & traffic services Active & public transport Creative & exciting city Arts, culture & heritage Reserves & sportsfields Swimming pools Libraries & community centres Civil defence & safer community initiatives Biodiversity & sustainable practices Stormwater Leadership	Central Energy Trust Arena Public Health		Conference & Function Centre Building services Cemeteries	Planning services – private Parking Social housing Animal Control ***** Rubbish & Recycling# Wastewater# Water# *****

# significant portion of funding through targeted rates

- 2.4 For some activities (such as swimming pools) only a portion of the operating costs is borne by the Council and none of the revenue is received directly by the Council. The Council does have the right under the agreement with CLM to set the maximum fees charged for the services. The Revenue & Financing Policy addresses only that portion of the net operating costs funded by the Council and therefore makes no reference to user charges for swimming pools.
- 2.5 In some of the activities shown above it is not practical to charge users through a separate charge specifically related to use. An example of this is water where large consumers are metered but the majority of users are charged through the rating system by way of a fixed targeted rate as the best proxy for direct user charge.
- 2.6 In some activities a combination of charging mechanisms is used. Rubbish & recycling is an example. Users are responsible for their own rubbish disposal. The Council does provide a collection and disposal service which is funded from the sale of rubbish bags. Recycling activity is funded from the sale of recyclables and the balance through the rating system by way of fixed targeted rates.

- 2.7 Council reviewed its approach to funding the animal control activity in December but at that time made no specific changes.

### 3. DESCRIPTION OF OPTIONS

- 3.1 With a few exceptions (e.g. cemetery/crematorium, animal control), draft revenue budgets for 2020/21 have been set at levels which aim to meet the Revenue & Financing Policy proportion targets. Achieving these revenue levels is dependent not only on the level of fee or charge set but also the actual volumes of activity by comparison with budget assumptions. On occasions changes are made to the way indirect costs are allocated to activities and this impacts on whether budgeted revenue meets the policy targets. In such situations it is appropriate to accept the policy may not be met but that it will be reviewed at the three yearly intervals.
- 3.2 The timing of this review is scheduled to fit into the annual planning timetable in a way which ensures appropriate revenue assumptions are made in the proposed 10 Year or Annual Plans and changes to fees and charges can be implemented as soon as practicable.
- 3.3 Much of this report is focused on providing an overview of Council's fees and charges. However the report does include specific proposals for change for a number of fees and charges as explained in more detail in the following appendices:

Appendix		
2	Trade Waste	Proposal for public consultation
3	Planning & Miscellaneous	Proposal for public consultation
4	Building	Proposed increases
5	Environmental Health	Proposed increases
6	Animal Control	Proposed increases/changes
7	Burial & Cremation	Proposed increases
8	Service Connections	Proposed increases
9	Sportsfields	Proposed increases
10	Water tanker filling station	Proposed changes



#### 4. ANALYSIS OF OPTIONS

- 4.1 Analysis of the options for each of the fee types for individual activities is contained in the appendices.

#### 5. CONCLUSION

- 5.1 A broad review of fees and charges has been undertaken. Revenue from these is an important part of the funding mix. There are two elements to achieving revenue budgets. The first is the actual level of the fee or charge. The second is the volume of sales or use. A change to the level of fee or charge can influence demand. Achieving revenue targets is sometimes more about volumes than the level of the charge. There is a fine balance between the two. This report recommends increases in charges for tradewaste, planning & miscellaneous, building, environmental health, animal control, burial & cremation, service connections, sportsfields and the water tanker filling station.

#### 6. NEXT ACTIONS

- 6.1 There is a series of procedural steps to be followed to enable some of the revised fees and charges to be implemented. In some cases (as specifically identified in the recommendations) this involves a period of public consultation and a report back to the Council for final confirmation (taking into account any public submissions).

#### 7. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS


- 7.1 The Revenue & Financing Policy incorporates the Council's current views on what portion of each activity should be directly funded from users. This policy forms part of the 10 Year Plan which was the subject of public consultation in 2018.
- 7.2 There are varying types of public consultation required to enable changes to be made to fees and charges. For some the special consultative process or a process consistent with the principles of section 82 of the Local Government Act is to be used. More detail about each is provided in the detailed appendices.

#### COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative	Yes

procedure?		
Is there funding in the current Annual Plan for these actions?		<b>Yes</b>
Are the recommendations inconsistent with any of Council's policies or plans?		<b>No</b>
The recommendations contribute to Goal 5: A Driven and Enabling Council		
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy		
The recommendations contribute to the achievement of action/actions in Not Applicable		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	<p>The process for setting fees and charges depends on the nature of the activity and the particular requirements of the relevant bylaw, legislation or Council policy.</p> <p>The recommendations take account of Council's Revenue &amp; Financing Policy that in turn reflects Council's strategic direction.</p>	

### ATTACHMENTS

1. Appendices 1- 10 [↓](#) 

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2020/21 Budget	Comments
Economic development	Conference & Function Centre	Venue rental Percentage of catering revenue			Small increase in gross revenue compared with 2019/20 budget	Charges depend on market conditions.
City Development	Building Services	Building Services Fees	1 Jul 2019	1 Jul 2020	Increased fees & higher revenue	Increases recommended. Refer Appendix 4 & recommendations.
City Development	Planning Services - Private	Services Fees & Charges	1 Jul 2019	1 Jul 2020	Increased fees & higher revenue	Increases recommended. Refer Appendix 3 & recommendations.
Roading	Parking enforcement	<ul style="list-style-type: none"> <li>Registration</li> <li>WOF</li> <li>Fines (Stationary vehicles)</li> </ul>	9 Dec 1999	Next Statutes Revision	No change	Charges are set and changed by legislation/regulation.
Roading	Metered Parking	Metered Parking Fees – on street & off-street	Sep 2015	1 Jul 2020	No change	A number of changes to parking charges & practices are being assessed and will be the subject of a later report to Council.
Roading	Off-street parking – leased carparks	Long term lease	June 2015	1 Jul 2020	No change	Chief Executive was delegated authority to determine these fees and charges but the status of this delegation is under review.
Active Community	Central Energy Trust Arena	Venue Rentals - Commercial - Community & Schools	1 Jan 2020 1 Jan 2020	1 Jan 2021 1 Jan 2021	CPI increase in charges – minor increase in overall revenue	Charges reviewed under delegated authority.

## Appendix 1

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2020/21 Budget	Comments
Active Community	Sportsfields	Sportsfield Rental/Charges	1 Jul 2018	1 Jul 2020	Minor increase in revenue	Increases recommended. Refer Appendix 9 & recommendations
Active Community	Swimming Pools	Admission charges	1 Jul 2019		No change	The contract for pool operations provides for the Council to approve maxima for charges able to be made by the contractor. In Nov 2018 Council approved 4.6% increases in admission & concession rates effective from 1 Jul 2019.
Connected Communities	Cemeteries	<ul style="list-style-type: none"> <li>Burial</li> <li>Cremation</li> </ul>	1 Jul 2019	1 Jul 2020	Minor increase in revenue	Increases recommended. Refer Appendix 7 & recommendations.
Connected Communities	Community Centres	Community halls & facilities	1 Jul 2019	1 Jul 2020	CPI increase	Rentals are adjusted annually by the CPI.
Connected Communities	Libraries	<ul style="list-style-type: none"> <li>Membership Subscription</li> <li>Lending charges</li> <li>Interloan charges</li> <li>Overdues</li> <li>Reserves</li> <li>Lost material</li> </ul>	1 July 1999 (non-resident membership)	1 Jul 2020	Reduction in revenue	Budget for 2020/21 has been updated to better reflect lower revenue actually achieved in earlier years.

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2020/21 Budget	Comments
Connected Communities	Social Housing	Rental	Jul 2019	Jul 2020	Increase in total revenue based on assumption increased no of units & CPI increases	Council's current policy is to limit rental to a max. of 25% or 30% of the net income of the tenant for social units and to have market rents for some former public rental units.
Safe Communities	Animal Control	<ul style="list-style-type: none"> <li>• Registration Fees</li> <li>• Impounding Fees</li> </ul>	1 Jul 2019 1 Jul 2019	1 Jul 2020 1 Jul 2020	Some restructuring of fees & higher revenue	Dog Control Act 1996 Section 37 requires Council to give public notice of fees annually prior to 1 July.  Refer to Appendix 6 & recommendations.
Safe Communities	Public Health	Health Inspection, Verification & Monitoring Fees	1 Jul 2019	1 Jul 2020	Increase in revenue	With introduction of Food Act 2004 Council no longer issues health licences. Role is now inspection, verification & monitoring Increase proposed - Refer to Appendix 5 & recommendations.  Council has chosen to use the default liquor licensing fees set by regulation.
Rubbish & Recycling	Waste Management	Liquor fees Rubbish Bag Sales	18 Dec 2013 1 July 2017	1 Jul 2020	No change Minor increase in revenue	Policy is that full costs of collection are to be covered by bag sales. Minor reduction in bag price implemented from 1 July 2017. No further change to bag price recommended.
Rubbish & Recycling	Waste Minimisation	Landfill Charges – Green waste Transfer Station – Ashhurst E-waste – Ferguson St Event Recycling	1 Oct 2007 1 Jul 2017 1 Jul 2018 1 Jul 2018	1 Jul 2020 1 Jul 2020 1 Jul 2020 1 Jul 2020	No change No change No change No change	Landfill now closed. However still accept green waste. Fees for this increased from 1 Oct 2007. Recommend holding prices to promote green waste diversion. Price increased from 1 July 2017 – no further change recommended.  Rationalisation, simplification & some reduction in charges for e-waste implemented from 1 July 2018. Regime for event recycling implemented in July 2018.

Activity	Revenue & Financing Policy function	Fees / Charges	Last Implementation / Date of revised fee	Next Review Scheduled for	Assumption for draft 2020/21 Budget	Comments
Stormwater	Stormwater	Connection fees	1 Jul 2019	1 Jul 2020		Refer to Appendix 8 & recommendations.
Wastewater	Wastewater	Trade charges waste	1 Jul 2019	1 Jul 2020	Fee based on cost-based formula. Increase in revenue.	Formula for determining charges based on Council's Trade Waste By-Law. 2019/20 charges approved by Council in June 2019. Refer to Appendix 2 & recommendations
Water Supply	Water Supply	Connection fees Water by meter tariff	1 Jul 2019	1 Jul 2020	Any change is related to change in level of targeted fixed rate-increased tariff assumed. Changes proposed	Refer to Appendix 8 & recommendations. Water by meter tariffs are deemed to be targeted rates & are set as part of annual rates resolution.
		Tanker filling station fees	1 Jul 2019	1 Jul 2020		Set under terms of Water Supply Bylaw. Related in part to level of water by meter tariff. Refer to Appendix 10 & recommendations Refer to Appendix 8 & recommendations.
		Connection fees	1 Jul 2019	1 Jul 2020		
Leadership	Direction Setting	District Plan changes District Plan documents & updates	1 Jul 2008 1 Jul 2012	1 Jul 2020 1 Jul 2020	No change No change	Policy is to recover costs relating to private plan change applications from applicants. Present charges achieve this aim. Changed from a specific charge to charge at cost from 1 Jul 2012.

Note - Amounts for Development contributions (for water, wastewater, stormwater, roading & reserves) are increased annually on 1 July in accordance with the movement in the Producers Price Index – Construction or through an amendment to the Development Contributions Policy.

## PROPOSED AMENDMENTS TO FEES AND CHARGES FOR TRADE WASTE

### 1. INTRODUCTION

It is Council's policy to review its fees and charges for trade waste each year in accordance with the Palmerston North Trade Waste Bylaw.

Changes to these fees and charges are required to be approved using the consultation principles of the Local Government Act.

### 2. BACKGROUND

#### 2.1 Revenue & Financing Policy Requirements

As part of Council's financial framework it has in place a Revenue and Financing Policy that was adopted in 2018.

The policy defines how operating expenditure for each activity will be funded. In summary the funding sources are from either, user charges or targeted rates (private), rates (public), or based on the exacerbator principle whereby the cost of an activity can be attributed to an individual or a group of individuals.

Some of the discharges of trade waste into the sewerage system use up more of the sewerage systems capacity than normal domestic discharges.

Council's Revenue and Financing policy states "volumes of trade waste are capable of being measured so those who discharge trade waste should be charged based on the nature and volume of discharge". The setting of the charges is regulated under Council's Trade Waste Bylaw 2015 and a specific charging mechanism has been established to recover the extra costs imposed on the Council's system.

These costs are incurred in the following way;

- Compliance Monitoring – the inspection, sampling and analysis of trade waste discharges
- Trade Waste Application – the processing of new or renewal applications
- Consent Processing – when the cost of processing the consent exceeds the normal application fee
- Re-inspection – for re-inspection of premises when a notice served by the Council has not been complied with

- Annual Trade Waste Charges – for administration and monitoring of individual consent holders
- Trade Waste Charges – these are for the impact of consented discharges on Council's system.

The following factors impact on the fees and charges;

- Costs to administer and monitor consents
- Cost of operating the Palmerston North sewerage system
- Flows within the Palmerston North sewerage system
- Loading on the Palmerston North Wastewater Treatment Plant.

These costs, flows and loadings vary from year to year.

## 2.2 Statutory Requirements

The Council adopted the Palmerston North **Trade Waste** Bylaw in 2015 under its statutory powers contained in the Local Government Act 2002 (LGA). Accordingly, in terms of section 150 of the LGA the trade waste charges are required to be set in a manner giving effect to the requirements of the Act. Schedule 1 of the Bylaw contains a list of types of charges that may be imposed. In June 2019 the Council adopted the current schedule of charges following appropriate consultation.

## 2.3 Factors Impacting on Setting Fees and Charges

A number of other considerations are factored into the proposed fees. They are:

Transparency It is important that fees and charges are structured in a manner that clearly identifies the specific service being provided and the true cost of providing such services.

Fair and reasonable That the charges are demonstrated to be fair and reasonable.

Market comparable Where appropriate.

## 2.4 Outline of Proposed Fees and Charges

The proposed fees and charges are shown in detail below:



## Palmerston North City Council

## Trade Waste Charges

Pursuant to the Palmerston North Trade Waste Bylaw 2015

Category		2019/2020 Charge (GST Incl)	2020/2021 Charge (GST Incl)	Description
<b>Administrative Charges (Table 2 – Schedule 1)</b>				
2.2	Compliance Monitoring - Conditional Consents	\$360 per annum	<b>\$36 per sampling &amp; analysis</b>	Fee to recover inspection and monitoring costs of trade premises
2.2	Compliance Monitoring – Grease Trap Sampling Fee	\$115 per inspection	<b>\$120 per inspection</b>	Fee to recover inspection and sampling costs of grease traps
2.4	Trade Waste Application Fee	\$1,600	\$1,600	Fee to recover cost of processing new or renewal applications
2.5	Consent Processing Fee	\$195 per hour	\$195 per hour	Fee to recover cost of processing extraordinary applications
2.6	Re-inspection Fee	\$115 per inspection	<b>\$120 per inspection</b>	Fee to recover cost of re-inspections of individual trade premises
2.9	Trade Waste Charge - Permitted Consents for Grease traps/Oil interceptors/Amalgam traps	\$115 per annum	<b>\$120 per annum</b>	Charge to recover administration and monitoring cost of grease traps/ oil interceptors & other treatment devices/ amalgam traps at dental surgeries
2.9	All other premises (conditional) plus trade waste charges	\$1,160 per annum	<b>\$1,200 per annum</b>	Charge to recover administration and monitoring cost of trade waste consents
2.9	Annual Trade Waste database Licence Fee		<b>\$345 per annum</b>	Charge for access to on-line database
<b>Trade Waste Charges (Table 3 – Schedule 1)</b>				
3.1	Volume Charge (\$/m <sup>3</sup> )	\$0.4122/m <sup>3</sup>	<b>\$0.502/m<sup>3</sup></b>	Charge to recover sewerage collection costs
3.3	Suspended Solids Charge (SS) (\$/kg)	\$0.7113/kg SS	<b>\$0.825/kg SS</b>	Charge to recover suspended solids treatment costs
3.4	Organic Loading Charge (BOD) (\$/kg)	\$0.5737/kg BOD	<b>\$0.7096/kg BOD</b>	Charge to recover organic loading treatment costs
3.6	Phosphorous Charge (DRP) (\$/kg)	\$38.628/kg DRP	<b>\$43.1707/kg DRP</b>	Charge to recover phosphorous (DRP) removal costs
<b>Tankered Waste Charges (Table 4 – Schedule 1)</b>				
4.1	Tankered Wastes Charge	\$40/1,000 litres	<b>\$45/1,000 litres</b>	Charge to recover administration, receiving and treatment costs of tankered wastes

The volume dependent charges are based on historic flows, strengths and costs. The 2019/20 charges were based on flows and costs from 1 January 2017 to 31 December 2018 and the proposed 2020/21 charges are based on flows and costs over the two years from 1 January 2018 to 31 December 2019.

The changes proposed above represent increases of 21.8% in the rate charged on the volume of sewage discharged, 16% in the suspended solids charge, 23.7% in the charge for organic loading treatment, and 11.8% in the charge for phosphorous removal.

Administrative charges are proposed to be increased by 3-4% to cover increasing operating costs. It is proposed to change the compliance monitoring cost for conditional consents from an annual charge to a charge per sampling and analysis to better reflect the variation in the extent of the sampling required.

A new trade waste database licence fee is proposed to cover the cost of providing Trade Waste Customers with a logon and access to their monitoring information and any real time flow and monitoring data as it becomes available. The charge is required due to Council contracting with a new software provider following the demise of the previous system. It is intended that all conditional dischargers be required to have this access so they are aware of their data and compliance history.

## **2.5 Level of Service**

As part of the process of preparing the proposed 10 Year Plan 2018-28 the level of service for all areas was considered. This determined that the current levels are appropriate. The proposed fees reflect this decision.

## **3. DESCRIPTION OF OPTIONS**

It is Council policy to review fees and charges on a yearly basis. This enables Council to be satisfied that they are transparent, fair and reasonable and market comparable. This does not necessarily mean that fees will be increased every year.

The options available include no change being made, proceeding with the recommendations or changing fees by a different amount. If no change is made or fees are increased by a lesser amount, the proposed budgeted revenue for 2020/21 cannot be met. This will result in the level of ratepayer funding having to be increased to make up the shortfall or the level of services being reduced.

The remaining option is to proceed with the recommended changes. This will ensure that the charges for providing the services are fair and reasonable. It will ensure that the revenue attained from fees and charges reflects the true cost to Council of providing such services.

#### 4. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget targets for 2020/21 as defined in the proposed Annual Budget 2020/21 to be met based on the volume assumed. In particular it will enable the generation \$955k of revenue from trade waste charges.

#### 5. MAKING A SUBMISSION

Submissions on the proposal are invited and must be received by the Council during the submission period which opens on Wednesday 1 April 2020 and closes at 5.00 pm on Monday 4 May 2020. Enquiries may be directed to the Transport & Infrastructure Manager on telephone 356 8199.

Submissions must be in writing and may be delivered, posted or emailed to:

Democracy & Governance Manager  
Palmerston North City Council  
Private Bag 11-034  
Palmerston North 4442

Email [submission@pncc.govt.nz](mailto:submission@pncc.govt.nz)

Submissions should include the name and address of the person making the submission, including a daytime telephone contact number, and also advise if they wish to speak about their submission to a meeting of Councillors.

Heather Shotter  
Chief Executive

## PROPOSED AMENDMENTS TO FEES AND CHARGES FOR PLANNING AND MISCELLANEOUS SERVICES

### STATEMENT OF PROPOSAL

#### 1. INTRODUCTION

It is Council's policy to review its fees and charges every year. As a result of the most recent review the proposed to change the fees and charges varies. Some of the fixed charges and deposits will increase to reflect that more time is being required to be spent assessing issues such as urban design, stormwater and roading. Charges based on hourly charge out rates will increase by approximately 3%.

The changes to fees and charges are designed to ensure there is sufficient revenue to match the increase in operational costs and satisfy the requirements of Council's Revenue & Financing Policy.

Changes to these fees and charges are required to be approved using the special consultative procedure or a similar procedure.

#### 2. BACKGROUND

##### 2.1 Revenue & Financing Policy Requirements

As part of Council's financial framework it has in place a Revenue and Financing Policy that was adopted in 2018.

The policy defines how operating expenditure for each activity will be funded. In summary the funding sources are from either, user charges or targeted rates (private), rates (public), or based on the exacerbator principle whereby the cost of an activity can be attributed to an individual or a group of individuals.

For the fees and charges being considered funding is based on the following principles:

##### 2.1.1 Planning Services

The entire community benefits from safe reliable infrastructure and resources and consistent transparent Council procedures. The entire community benefits from advice relating to potential resource consents or resource management as well as from resource consent monitoring and enforcement activities. Developers and property owners benefit from the resource consent advice, information and certainty provided by the Council.

The Revenue & Financing Policy outlines that the funding source for public services (namely planning advice, information, consent monitoring and enforcement) as compared to private services (being resource consent processing) should be clearly separated to reflect those who benefit from the service, the period of benefit and those who create the need.

The Policy indicates that a “high” percentage of planning (public) services should be funded from rates with a “high” percentage of planning (private) services to be funded by fees and charges.

The proposed budget for 2020/21 compared to the proposed funding policy is as follows:

Activity	Target Policy	Budget 2020/21	Compliance with Policy?
Planning Services – Private	100% Fees and Charges	100% Fees and Charges	<i>Meets the policy</i>
Planning Services – Public	100% Rates	100% Rates	<i>Meets the policy</i>

## 2.2 Statutory Requirements

The setting of the fees and charges for the fee group entitled **Planning Services** is empowered by Section 36 of the Resource Management Act 1991 (RMA) and requires the Council to follow the special consultative procedure as set out in section 83 of the Local Government Act 2002 (LGA). This requires the fees and charges proposed for planning to be initially referred to Council and then notified for public consultation before they can be approved by Council.

The Council is required to have regard for the criteria outlined in section 36AAA of RMA when establishing fees and charges. The key purpose of such charges is required to be to recover the reasonable costs incurred by the Council in relation to the activity for which the charge is being made.

Most of the charges for the fee group entitled **Miscellaneous** (except for those set under the Food Act 2014) are empowered under the LGA. This authorises the Council to recover the costs it incurs for approvals, authorities and inspections not covered by the primary legislation under which the Council operates, e.g., RMA. Accordingly, in terms of section 150 of the LGA they are required to be set in a manner which gives effect to the consultation principles in section 82 of the LGA. However, as they are being reviewed in conjunction with the charges for planning services it is practical to use the special consultative procedure.

Those set under section 205 of the Food Act 2014 to cover the Council’s activities relating to registration, verification and compliance and monitoring under the Act must be set using the special consultative procedure.

## 2.3 Factors Impacting on Setting Fees and Charges

A number of other considerations are factored into the proposed fees. They are:

### Transparency

It is important that fees and charges are structured in a manner that clearly identifies the specific service being provided and the true cost of providing such services.

### Fair and reasonable

That the charges are demonstrated to be fair and reasonable.

### Market comparable

Proposed fees and charges are generally benchmarked against similar sized local authorities to test how they compare and to be able to explain situations where there is any marked variation. Accordingly, for planning services fees, comparison has been made with the proposed fees and charges for Hamilton City Council, New Plymouth District Council, Tauranga City Council and neighbouring Manawatu District Council.

In undertaking a benchmarking exercise the results need to be qualified by the realisation that:

- Each Council may have a different Revenue & Financing Policy.
- The structure of Councils and how they set their budgets may vary which would impact on the costs being carried by respective services.
- Each Council may structure its fees and charges schedule in different ways.

## 2.3 Outline of Proposed Fees and Charges

### 2.4.1 Planning Services

The proposed fees and charges are shown in detail in **Attachment A**.

Many of the fees and charges are unchanged though some have increased to reflect increasing time spent assessing applications. Those charged on the basis of an hourly rate increase by approximately 3% to reflect increased operating costs.

As part of the review the proposed charges have been compared to the current 2019/20 charges for a number of Councils of a similar scale to Palmerston North as well as the neighbouring Manawatu District, as shown in the following table:

Officer hourly rate	MANAWATU DISTRICT COUNCIL	HAMILTON CITY COUNCIL	NEW PLYMOUTH DISTRICT COUNCIL	TAURANGA CITY COUNCIL	PNCC Proposed for 2020/21
Head of Planning Services	\$203	\$220	\$180	\$208	\$221
Senior Planner	\$176	\$190	\$180	\$193	\$203
Planner	\$153	\$175	\$180	\$183	\$190

10YP FUNDING POLICY	MANAWATU DISTRICT COUNCIL	HAMILTON CITY COUNCIL	NEW PLYMOUTH DISTRICT COUNCIL	TAURANGA CITY COUNCIL	PNCC
Private – fees	20%	48%	60-80%	>50%	**
Public – rates	80%	52%	20-40%	<50%	**

\*\* PNCC breaks down the cost of planning services based on the nature of the service provided, into a portion which is funded 100% from fees and charges and a portion funded 100% from rates.

For 2020/21 approximately 49% of costs are forecast to be incurred in the public category.

#### 2.4.2 Miscellaneous Services

The proposed fees and charges are shown in detail in **Attachment B**.

Most of them are proposed to be increased by approximately 3% to reflect increased operating costs.

A new Asset Bonds administration and processing fee of \$190 is proposed to enable the significant administration associated with the management of bonds to be recovered.

#### 2.5 Level of Service

As part of the process of preparing the 10 Year Plan 2018-28 the level of service for all areas was considered. This determined that the current levels are appropriate. The proposed fees reflect this decision.

## 6. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables Council to be satisfied that they are transparent, fair and reasonable and market comparable. This does not necessarily mean that fees will be increased every year.

The options available include no change being made, proceeding with the recommendations or changing fees by a different amount. If no change is made or fees are increased by a lesser amount, the proposed budgeted revenue for 2020/21 cannot be met. This will result in the level of ratepayer funding having to be increased to make up the shortfall or the level of services being reduced.

The remaining option is to proceed with the recommended changes. This will ensure that the charges for providing the services are fair and reasonable. It will ensure that the revenue attained from fees and charges reflects the true cost to Council of providing such services.

## 7. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget target of \$1.01m for 2020/21 as defined in the proposed Annual Budget to be met based on the volume assumed.

## 8. MAKING A SUBMISSION

Submissions on the proposal are invited and must be received by the Council during the submission period which opens on Wednesday 1 April 2020 and closes at 5.00 pm on Monday 4 May 2020. Enquiries may be directed to the Head of Planning Services on telephone 356 8199.

Submissions must be in writing and may be delivered, posted or emailed to:

Democracy & Governance Manager  
Palmerston North City Council  
Private Bag 11-034  
Palmerston North 4442

Email [submission@pncc.govt.nz](mailto:submission@pncc.govt.nz)

Submissions should include the name and address of the person making the submission, including a daytime telephone contact number, and also advise if they wish to speak about their submission to a meeting of Councillors.

Heather Shotter  
Chief Executive



Palmerston North City Council		Attachment A	
Planning Services		Fees & Charges	
Planning services charges listed below are imposed under the Resource Management Act 1991 to recover the cost to Palmerston North City Council for processing applications, monitoring consents and for Notice of Requirements Designations and Private District Plan Changes.			
Section 36 of the Resource Management Act enables the Council to charge additional fees to recover actual and reasonable costs when the fixed fee is inadequate. This means that applications that exceed standard processing times or which involve a hearing may incur additional charges. Consultants and solicitors fees associated with all work types are also included. We may also refund part of the fee if the work required to process the application is minimal.			
The deposits specified in the tables below are required up front and no action will be taken in accordance with section 36AAB(2) until paid. That does not mean that the Council is required to complete the activity upon payment of the deposit. The costs incurred will be monitored and additional amounts up to the total of the fixed charge may be required. Then additional charges may also be required before completion of the task if the fixed charges are inadequate to cover the Council's actual and reasonable costs.			
All fees and charges shown are GST inclusive unless indicated			
Fixed Charges			
Charges payable by applicants for resource consents, for the carrying out by the local authority of its functions in relation to the receiving, processing and granting of resource consents (including certificates of compliance [and existing use certificates] (section 36(1)(b)))			
Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Instant resource consents	\$ 215	\$ 215	\$ 215
Boundary Activity	\$ 270	\$ 300	\$ 300
Temporary or Marginal Breaches	\$ 270	\$ 300	\$ 300
Non notified land use consents (minor, see note (d) (b))	\$ 1,000	\$ 1,100	\$ 800
Non notified land use consents (other than minor)	\$ 2,550	\$ 3,400	\$ 2,500
Limited notified land use consents	\$ 11,150	\$ 14,000	\$ 10,000
Notified land use consents (full notification)	\$ 16,800	\$ 20,000	\$ 15,000
Non notified subdivision consents (Controlled Activity)	\$ 1,700	\$ 2,100	\$ 1,600
Non notified subdivision consents (Discretionary Restricted)	\$ 2,300	\$ 3,000	\$ 2,200
Non notified subdivision consents (other)	\$ 4,300	\$ 5,000	\$ 3,600
Notified subdivision consents for up to and including 20 lots in total (full and limited notification)	\$ 22,300	\$ 22,300	\$ 16,700
Notified subdivision consents for more than 20 lots (full and limited notification)	\$ 39,000	\$ 39,000	\$ 29,000
Certificates of compliance	\$ 460	\$ 460	\$ 345
Town Planning Certificate (Alcohol)	\$ 400	\$ 400	\$ 300
Existing use certificates	\$ 890	\$ 890	\$ 660
Outline Planning Approval	\$ 1,110	\$ 1,110	\$ 840
Waiver for requirement for Outline Plan	\$ 380	\$ 380	\$ 280
Notified notice of requirements, heritage orders, designation alterations.	\$ 16,800	\$ 16,800	\$ 12,500
Non notified notice of requirements, heritage order, designation alterations	\$ 2,550	\$ 2,550	\$ 1,900
District Plan changes	\$ 26,000	\$ 26,000	\$ 20,000

Charges payable by holders of resource consents, for the carrying out by the local authority of its functions in relation to the administration, monitoring and supervision of resource consents (including certificates of compliance [and existing use certificates]), and for carrying out its resource management functions under section 35. (section 36(1)(c))

Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Monitoring of non notified resource consents	\$330 per consent for inspections and monitoring (2 hours)	\$330 per consent for inspections and monitoring (2 hours)	
Monitoring of notified resource consents	\$660 per consent for inspections and monitoring (4 hours)	\$660 per consent for inspections and monitoring (4 hours)	
Variations to conditions (section 127 and 221 - subdivision and land use)	\$ 1,350	\$ 1,350	\$ 1,000
Extensions of time (section 125)	\$ 1,100	\$ 1,100	\$ 850
Cancellation of building line restrictions (under Local Government Act 1974 )	\$ 1,100	\$ 1,100	\$ 850
Adjustment of easements	\$ 1,100	\$ 1,100	\$ 850
Subdivision certificates (including section 223, 224)	\$ 380	\$ 380	\$ 285
Subdivision certificates (section 226)	\$ 1,350	\$ 1,350	\$ 1,000
Subdivision inspections for up to and including 5 lots, or staged, in total	\$ 800	\$ 800	\$ 600
Subdivision inspections for between 6 lots and up to and including 10 lots, or staged, in total	\$ 1,600	\$ 1,600	\$ 1,200
Subdivision inspections for between 11 lots and up to and including 20 lots, or staged, in total	\$ 3,200	\$ 3,200	\$ 2,400
Subdivision inspections for more than 20 lots un-staged	\$ 4,800	\$ 4,800	\$ 3,600
Removal of designations	\$ 265	\$ 265	\$ 265
Purchase of District Plan & District Plan updates	At cost	At cost	At cost

Charges payable by holders of resource consents, for the carrying out by the local authority of its functions in relation to reviewing consent conditions if:

- 1 the review is carried out at the request of the consent holder;
- 2 the review is carried out under section 128(1)(a);
- 3 the review is carried out under section 128(1)(c)

Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Review at the request of the consent holder	\$ 1,670	\$ 1,670	\$ 1,250
Review pursuant to section 128(1)(a)	\$ 1,670	\$ 1,670	\$ 1,250
Review pursuant to section 128(1)(c)	\$ 5,000	\$ 5,000	\$ 3,750

Charges for supply of documents payable by the person requesting the document. (Section 36(1)(f))			
Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Replacement copies of certificates	\$ 110	\$ 110	
Replacement copies of resource consents	At cost of officer's time per hour + disbursements	At cost of officer's time per hour + disbursements	
Other documents	\$1 per page	\$1 per page	
Additional copies of order papers	\$ 40	\$ 40	
<b>Notes:</b>			
(a) The number of lots in a subdivision includes the balance lot			
(b) The fixed charges do not include other charges that may be imposed under the Resource Management Act or other legislation such as:			
(i) Additional charges (section 36(5));			
(ii) Bonds;			
(iii) Monitoring and supervision charges expressly provided for in a resource consent;			
(iv) Development contributions			
(c) If the fixed charges are not sufficient to meet the Council's actual and reasonable costs then additional charges may be payable. Note this may include but not be limited to charges for consultants, solicitors, independent Commissioners and Council officers' time.			
(d) Fees Methodology:			
(a) Land use and subdivision consents have been based on an average costs of consents issued. Deposits have generally been set at 75% of the average unless the difference between the deposit and the total of actual and reasonable costs is of such a minor nature it is not cost effective to recoup the difference from an applicant. In such a case the deposit is set at the same value as the Fixed Charge. In terms of the Fixed Charge they are set at 100% of the average fee. Final charges will be charged at staff hourly rates, technical officer or consultant time and any standard fees applicable.			
(b) Minor non notified land use consents usually applies to:			
(i) Applications for a dwelling or a minor dwelling, dependent dwellings, accessory buildings, home occupations and access in the residential and rural zones.			
(ii) Applications for signage in the business and industrial zones.			
(c) Monitoring and inspection charges are based on staff hourly rates to complete. For non notified resource consents the inspection fee of \$330 is for 2 hours of inspections by the Monitoring Officer. For notified consents the inspection fee of \$660 is for 4 hours of inspections by the Monitoring Officer. In terms of dealing with compliance issues this is based on the actual time spent by the Monitoring Officer based on the hourly rate for the Monitoring Officer.			

Other Charges			
Advisory Service - Applies where staff provide information in response to customer queries		For queries received by Front of House staff - no cost for an individual enquiry up to 30min (whether in person or in writing), where an individual enquiry is for a period longer than 30min, charged at cost based on the relevant officer's hourly rate  For any queries received by staff not based at Front of House - to be charged at cost based on relevant officer's hourly rate	
Pre lodgement meetings; Applies where staff vet information prior to the lodgement of an application		Charged at the relevant officer's hourly rate	
Objections considered by a Hearings Commissioner (section 36(1)(af))		At cost plus disbursements of the Hearings Commissioner	
Consultant Charges			
Work Type		Rate per hour from 1 Jul 2019	Rate per hour from 1 Jul 2020
Consultants and Solicitors fees associated with all work types, including the processing of a consent or certificate (including specialist technical or legal advice where a consent involves creating legal instruments) and new notice of requirements, heritage orders, designation alterations, removal of designations and District Plan changes.		At cost plus disbursements	
Charges for hearings		Rate per hour from 1 Jul 2019	Rate per hour from 1 Jul 2020
Hearings for all applications, designations, notice of requirements private District Plan changes, development contributions and remittance fees and associated work by relevant staff.		At cost of officers time per hour as per rates listed below	
Production of Order Papers		At cost plus disbursements	
The following hourly rates for Council Officers and Decision Makers will be charged for the processing of consents, hearings, designations etc that do not have a fixed charge or where the fixed charge is inadequate to cover the actual and reasonable costs of the Council.			
Council Officer's Hourly Rates		Rate per hour from 1 Jul 2019	Rate per hour from 1 Jul 2020
Planning Officers/Graduate Planning Officer		\$ 184	\$ 190
Monitoring and Enforcement Officer		\$ 165	\$ 170
Senior Planner		\$ 197	\$ 203
Head of Planning Services		\$ 215	\$ 221
City Planning Manager		\$ 215	\$ 221
Senior Business Support officer		\$ 160	\$ 165
Administration/Committee Administration Staff		\$ 114	\$ 117
Technical and Professional Staff from all other Council units		\$ 184	\$ 190
General Manager		\$ 234	\$ 241
Commissioner		At cost plus disbursements	
Hearing Committee Chair and Members		At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements	

Palmerston North City Council		Attachment B	
Miscellaneous Services		Fees & Charges	
The miscellaneous charges detailed below are imposed under the Local Government Act 2002. They seek to recover the cost to Palmerston North City Council for approvals, authorities and inspections not covered by the primary legislation under which the Council operates. ( <i>These being the Resource Management Act 1991, Building Act 2004, Dog Control Act 1996, Impounding Act 1955, Food Act 2014 and Land Transport Act 1998</i> ).			
All fees and charges shown are GST inclusive			
Fixed Fees			
Payable when request for service/information is submitted to Council. No additional charges will be applied.			
Work Type	Fixed Fee from 1 Jul 2019	Fixed Fee from 1 Jul 2020	
LIMS			
Land Information Memorandum	\$ 455	\$	455
GIS			
GIS Inputting (per consent)	\$ 180	\$	180
Street Numbering			
Request for street number changes	\$ 375	\$	385
Noise			
Return of seized sound equipment:			
- for first offence	\$ 173	\$	178
- for second or third offence	\$ 286	\$	414
- for fourth or subsequent offence	\$ 400	\$	414
Disconnection of alarms under the Resource Management Act		Recovery of actual cost incurred by Council, including staff time and contractor costs	
Food Act 2014 Food Control Plan Auditing (including site visit, reporting and general administration)			
Processing an application under the Food Act 2014 for registration of a Food Control Plan or a National Programme	\$ 268	\$	276
Processing an application under the Food Act 2014 for renewal of registration of a Food Control Plan or a National Programme	\$ 268	\$	276
Verification -Initial site visit (including reporting)(hourly rate)	\$ 166	\$	171
Verification - Follow-up visits (including reporting) (hourly rate)	\$ 166	\$	171

<b>Deposits</b>		
Charges for all services are based on the actual costs incurred by the Council. Any deposit specified in the table below are payable before the Council commences the service. The total charge for the service will be determined upon completion of the service, on the basis of the time spent by the relevant officer undertaking the work specified at that officer's hourly rate.		
<b>Work Type</b>	<b>Deposit from 1 Jul 2019</b>	<b>Deposit from 1 Jul 2020</b>
<b>Right of Way Approval</b>		
Right of Way Approval- section 348	\$ 500	\$ 500
<b>Certificates</b>		
Certificate of Compliance Building Code - Alcohol	\$103 Deposit, then billed at actual cost of officer's time per hour	\$103 Deposit, then billed at actual cost of officer's time per hour
<b>Gambling</b>		
Gambling venue consent	\$445 plus officer's hours after 3 hours	\$445 plus officer's hours after 3 hours

<b>Other Charges</b>		
These fees may be applicable to a consent or may be applied as a single charge. Note that photocopying and scanning charges includes both material and labour costs associated with such work.		
Work Type	Charge from 1 Jul 2019	Charge from 1 Jul 2020
<b>Photocopying / Copy of scanned documents</b>		
A0, A1, A2	\$10/page	\$10/page
A3	\$0.45/page	\$0.45/page
A4	\$0.35/page	\$0.35/page
Double sided A3	\$0.55/sheet	\$0.55/sheet
Double sided A4	\$0.45/sheet	\$0.45/sheet
<b>For colour copies</b>		
Single sided	Additional charge of \$1.70/page	Additional charge of \$1.70/page
Double sided	Additional charge of \$3.80/sheet	Additional charge of \$3.80/sheet
<b>Request for Property Information</b>		
Copy of Property Information	At cost of officer's time per hour plus disbursements	At cost of officer's time per hour plus disbursements
Certificate of Title	\$ 26	\$ 27
<b>Swimming Pools</b>		
Swimming Pool initial compliance inspection	\$ 193	\$ 199
Swimming Pool reinspections (second and subsequent inspections)	\$193 per inspection	\$199 per inspection
<b>Vehicle Crossings (cost per inspection)</b>		
T1; Inspect existing vehicle crossing	\$ 210	\$ 216
T2; New vehicle crossing	\$ 388	\$ 400
T3; Alter an existing vehicle crossing	\$ 210	\$ 216
<b>Over-weight Vehicle Permit (note 4)</b>		
Application for each single, multiple trip or linked permit *	\$ 18.18	\$ 18.18
Application for each continuous, high-productivity motor vehicle, or specialist vehicle permit *	\$ 54.55	\$ 54.55
Application for each renewal of each continuous permit *	\$ 9.09	\$ 9.09
* Additional charge for each of the above permits where less than 3 working days available for processing	\$ 9.09	\$ 9.09
<b>Asset Bonds</b>		
Council Asset Bond (payable for each building consent above the value of \$100,000)	\$1,000 (no GST)	\$1,000 (no GST)
Administration & processing fee		\$ 190
<b>Overgrown Trees/Shrubbery</b>		
Removal of Overgrown Trees/Shrubbery	Recovery of actual cost incurred by Council, including staff time and contractor costs	Recovery of actual cost incurred by Council, including staff time and contractor costs

<b>Charges for Council Officers and Decision Makers</b>		
The following hourly rates will be charged for those approvals, authorities and inspections listed in this schedule that are not listed as a fixed fee		
<b>Council Officer's Hourly Rates (per hour)</b>	<b>Charge from 1 Jul 2019</b>	<b>Charge from 1 Jul 2020</b>
General Manager	\$ 234	\$ 241
Division Head	\$ 215	\$ 221
Senior Planner	\$ 197	\$ 203
Planning Officers/Graduate Planning Officers	\$ 183	\$ 190
Monitoring and Enforcement Officer	\$ 165	\$ 170
Team Leader - Building	\$ 202	\$ 208
Senior Plumbing and Drainage Officer and Advanced Building Officer	\$ 202	\$ 208
Building Officer	\$ 183	\$ 190
Principal Environmental Health Officer	\$ 199	\$ 205
Environmental Health Officer	\$ 178	\$ 183
Environmental Health Officer Cadet	\$ 161	\$ 166
Senior Business Support Officer	\$ 160	\$ 165
Administration/ Committee Administration Staff	\$ 114	\$ 117
Technical and Professional Staff from all other Council Units	\$ 183	\$ 190
Commissioner	At cost plus disbursements	At cost plus disbursements
Hearings Committee Chair and Members	At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements	At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements
<b>Notes:</b>		
1 The hourly rates for Council Officers noted above will be charged for the work type listed above which do not have a fixed fee		
2 The hourly rates for the services which are listed in the above tables are for those staff listed in the table headed "Charges for Council Staff"		
3 Where it states above the fee per hour, please note this should be read in full as "fee per hour or part thereof".		
4 Over-weight vehicle permit fees are set by the Land Transport (Certification & Other Fees) Regulations 2014		



## PROPOSED AMENDMENTS TO FEES AND CHARGES FOR PLANNING AND MISCELLANEOUS SERVICES

Appendix 3b

### SUMMARY OF INFORMATION

Pursuant to Sections 83 and 150 of the Local Government Act 2002, the Palmerston North City Council gives notice that it is commencing the Special Consultative Procedure to obtain community feedback on proposed updates to fees and charges for Planning and Miscellaneous Services. It is Council's policy to review the above fees and charges every year to ensure there is sufficient revenue to match the increase in operational costs and satisfy the requirements of Council's Revenue and Financing Policy.

As a result of the most recent review the proposed to change the fees and charges varies. Most fixed charges and deposits will not increase but a number of them do to reflect additional time being spent to assessing applications. Charges based on hourly charge out rates will increase by approximately 3%.

A copy of the Statement of Proposal including the schedule of proposed fees and charges can be inspected and/or obtained as follows:

- Through the Council's website [pncc.govt.nz](http://pncc.govt.nz)
- At the Customer Services Centre, Civic Administration Building or the City Library (both in the Square)
- By telephoning 356 8199.

Enquiries may also be directed to the Head of Planning Services on telephone 356 8199.

Submissions on the proposal are invited and must be received by the Council during the submission period which opens on Wednesday 1 April 2020 and closes at 5.00 pm on Monday 4 May 2020. Submissions must be in writing and may be delivered, posted or emailed to:

Democracy & Governance Manager  
Palmerston North City Council  
Private Bag 11-034  
Palmerston North 4442  
Email [submission@pncc.govt.nz](mailto:submission@pncc.govt.nz)

All submissions received will be considered. Submissions should include the name and address of the person making the submission, including a daytime telephone contact number, and also advise if they wish to speak about their submission to a meeting of Councillors.

Heather Shotter  
**CHIEF EXECUTIVE**

## Building Services Fees and Charges

### Appendix 4

#### 1. INTRODUCTION

The Council's Revenue and Financing Policy (10 Year Plan 2018-28, page 217) outlines that as the main beneficiaries of the building activity are those who use the service (i.e. property developers and building owners), a significant portion of the cost should be borne by users. For the purposes of the Policy this portion is described as medium/high (i.e. 60-79% of the costs).

Broadly the Policy is based on the belief that consents processing and inspections should be user funded with information gathering and monitoring to be publicly funded.

Fees and charges were last increased from 1 July 2019.

#### 2. BACKGROUND

##### 2.1 Statutory Requirements

The setting of fees and charges for Building Services is empowered by Section 219 of the Building Act 2004. As such, they can be set by Council resolution and do not require any special consultative procedures. In accordance with the spirit of the LGA it is recommended that they be publicly notified.

##### 2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges;

- The legislative requirements as to the nature of the work required to be undertaken by the Council
- The volume of work undertaken as some costs are fixed and do not fluctuate depending on volume

##### 2.3 Other Factors Impacting on Setting Fees and Charges

In response to approaches from building industry representatives in 2013 the previous fees were restructured to:

- Provide more certainty for clients by having more fixed fees
- Simplifying the processing required for low value work and as a result lowering fees, making them more affordable, and as a consequence encouraging higher levels of compliance.

### 3. PROPOSED FEES AND CHARGES

The proposed amended fees and charges are contained in attached schedule (**Attachment A**).

Increases of approximately 3% are proposed to reflect the desire to cover sufficient of the estimated costs to meet Council's policy target.

The exception to this is the charges proposed for online consent processing. They have been restructured to more closely align with the actual costs being incurred by the Council from the on-line service provider. It is proposed to dispense with the system implementation charge for on-line consenting as by 1 July it is anticipated that due to the increased volume and complexity (value) of building consents the cost will have been covered. The original commitment was that the charge would be dispensed with five years from implementation (on 30 June 2022).

Following a review of systems and processes it has been decided that the deposits currently required for building consents should be dispensed with. It has been estimated this change will effectively save two days of handling time for the majority of building consent applications. The present level of deposits is relatively low in comparison to the amount charged for consents so they are not really effective. The financial risk of not taking an up-front deposit has been assessed and considered minor.

### 4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable. The options available are:

- no change being made to existing fees and charges; or,
- proceeding with the recommendations set out in this proposal

### 5. FINANCIAL IMPLICATIONS

The proposed amended fees and charges will assist budget targets for 2020/21 being met, based on the volume of work assumed. The actual fees and charges for 2018/19 represented 70% of costs incurred and the budget for 2019/20 is 63%. The proposed budget for 2020/21 includes a 66% fee recovery assumption.

Activity	Target Policy	Budget 2020/21	Compliance with Policy?
Building services – PNCC	60 – 79% Fees and Charges	66% Fees and Charges	Within policy target band

## 6. COMPARISON WITH OTHER COUNCILS – FEES FOR 2019/20

TYPE OF FEE	MANAWATU DISTRICT COUNCIL	GISBORNE DISTRICT COUNCIL	HAMILTON CITY COUNCIL	NEW PLYMOUTH DISTRICT COUNCIL	PNCC Proposed for 2020/21
BC processing officer p hr	\$178	\$155	\$185	\$168	\$190
Inspection /each #	\$198	\$155	\$200 per hour	\$189	\$198
Accreditation levy per \$1k value	-	\$0.55	\$0.50	\$1.70	\$1.56
Woodburner – freestanding (without wetback)	\$527 Fixed fee	\$353* Deposit <small>*Charge calculated on actual &amp; reasonable costs associated with processing the consent</small>	\$360 Fixed fee	\$337 Fixed fee	\$560 Fixed fee

# Inspection charges are each, excepting Hamilton which charge per 30 mins on a time charged basis

\*\* Hamilton and New Plymouth charge a “base fee” up front, which is calculated at close to the actual average cost. This does not include, in some cases charges like levies, scanning or additional inspection travel costs. The difference is then charged or refunded, dependant on the completed costs incurred. For PNCC deposit covers a limited amount of administration work and processing time. It is set at a low level to encourage applications being lodged.

The fee charged for woodburners is based on the minimum average cost incurred for officer time both processing and inspection, admin time and the system use fee. This is 100% recovery. Many other Councils choose to subsidise to encourage greater levels of compliance. As we have a fast track scheme of approved customers – Officers do not believe we have the same level of non-compliance.

10YP FUNDING POLICY	GISBORNE DISTRICT COUNCIL	HAMILTON CITY COUNCIL	NEW PLYMOUTH DISTRICT COUNCIL	PNCC
Private – fees	80%	100%	80 – 100%	60 – 79%
Public – rates	20%	0%	0 – 20%	20 – 39%

Palmerston North City Council		Attachment A	
Building Services		Fees & Charges	
Building Services charges listed below are imposed under the Building Act 2004 to recover the cost to Palmerston North City Council for processing applications, undertaking inspections, and related work.			
All fees and charges shown are GST inclusive unless indicated			
Fixed Fees			
Work Type		Fixed Building Consent Fee (excludes PIM)	
		from 1 July 2019	from 1 July 2020
Demolitions			
The demolition fixed fee contains all fees applicable, however a refundable asset bond may be taken additionally to the fixed fee			
K1	Residential - Demolition/Removal of existing residential building or outbuilding. Separate consent required to replace.	\$ 703	\$ 724
K2	Commercial - Demolition/Removal of existing commercial building. Separate consent required to replace.	\$ 794	\$ 818
Conservatories			
N	Conservatory (proprietary) - Conventional construction placed on existing deck or platform only. No Foundations included.	\$ 668	\$ 688
Fast-track minor consents (note 1)			
F1	Freestanding Solid Fuel Heater (Approved customers only)	\$ 544	\$ 560
F2	Inbuilt Solid Fuel Heater (Approved customers only)	\$ 740	\$ 762
F3	Proprietary Garage (Approved customers only)	\$ 1,142	\$ 1,176
Project Information Memorandum (fixed fee work)			
	PIM Fixed Fee Work	\$ 122	\$ 126
Note 1 - An "approved customer" must be pre-approved by Palmerston North City Council Building Services. An "approved customer" are those who submit applications with agreed construction parameters utilising a refined method, to Council's satisfaction.			

Deposits: Applications where a PIM and Building Consent Fee Deposit Apply			
Unless there is prior agreement for them to be invoiced, deposits are payable at the time the application is lodged. Total fees will be determined at the time the consent is granted, and unless there is prior agreement for them to be invoiced, the outstanding balance is payable before a Building Consent and/or Project Information Memorandum (PIM) (if requested) is issued. The total fee will include officer's time per hour and consent specific costs such as structural engineer, New Zealand Fire service and any other costs.			
Work Type		Building Consent Deposit	
		from 1 July 2019	from 1 July 2020
<b>New Residential Buildings</b>			
O1	\$0 - \$100,000	\$ 600	\$ -
O2	\$100,001 - \$200,000	\$ 656	\$ -
O3	Above \$200,000	\$ 722	\$ -
<b>Residential Additions and Alterations (note 2)</b>			
P0	Out buildings designed to NZS3604	\$ 516	\$ -
P1	\$0 - \$5,000, (amendment made to this category to include freestanding and inbuilt fire places, as from 17 June 2013)	\$ 297	\$ -
P2	\$5,001 - \$20,000	\$ 383	\$ -
P3	\$20,001 - \$100,000	\$ 516	\$ -
P4	\$100,001 - \$200,000	\$ 600	\$ -
P5	\$200,001 - \$500,000	\$ 720	\$ -
P6	\$500,001 - \$1,000,000	\$ 961	\$ -
P7	Above \$1,000,000	\$ 1,201	\$ -
<b>New Commercial Buildings</b>			
Q1	Under \$100,000	\$ 516	\$ -
Q2	\$100,001 - \$200,000	\$ 600	\$ -
Q3	\$200,001 - \$500,000	\$ 722	\$ -
Q4	\$500,001 - \$1,000,000	\$ 961	\$ -
Q5	Above \$1,000,000	\$ 1,201	\$ -
<b>Commercial Additions and Alterations</b>			
R1	\$0 - \$5,000	\$ 299	\$ -
R2	\$5,001 - \$20,000	\$ 383	\$ -
R3	\$20,001 - \$100,000	\$ 516	\$ -
R4	\$100,001 - \$200,000	\$ 600	\$ -
R5	\$200,001 - \$500,000	\$ 722	\$ -
R6	\$500,001 - \$1,000,000	\$ 961	\$ -
R7	Above \$1,000,000	\$ 1,201	\$ -
<b>Commercial Signs</b>			
M2	Signs Other (Commercial)	\$ 457	\$ -
<b>Project Information Memorandum (Deposit work)</b>			
	PIM Deposit Work (Deposit Taken and work on PIM charged at hourly rate for officers)	\$ 111	\$ -
Note 2 - Includes carports, sheds, garages, grease trap installation, removing an interior wall, constructing a conservatory (proprietary) placed on new deck/foundations, installing an exterior wall/window, storm water drain, WC/shower, hot water cylinder/solar heating system, on site effluent disposal field and continuous flow hot water heater.			

<b>Other Fees</b>			
The fees in this table are processing fees for the applications listed under "Work Type"			
<b>Work Type</b>		<b>Building Consent Fee/Deposit</b>	
		<b>from 1 July 2019</b>	<b>from 1 July 2020</b>
<b>Private Building Consent Authorities</b>			
	BCA Filing Fee	\$ 105	\$ 108
<b>Warrant of Fitness and Compliance Schedules</b>			
	Annual Building Warrant of Fitness Renewal	\$ 95	\$ 98
	New Compliance Schedule	\$ 176	\$ 181
	Alteration to existing compliance schedule	\$ 113	\$ 116
	Building Warrant of Fitness Site Audit/Reinspections	\$193 per inspection	\$198 per inspection
	IQP Registration (for new IQP's)	\$ 388	\$ 400
	IQP Renewal (annual) refer to note 3	\$ 108	\$ 111
	Copy of IQP's list	\$ 35	delete
<b>Engineering Checking</b>			
	Structural Engineering Checking	As charged by the consultant engineer - actual cost	
	Fire Engineering Checks sent to New Zealand Fire Service	As charged by the Fire Service - actual cost	
<b>Advisory Service</b>			
	Applies where staff provide information in response to customer queries	For queries received by Front of House staff - no cost for an individual enquiry up to 30 min (whether in person or in writing), where an individual enquiry is for a period longer than 30 min, charged at costs based on the relevant officer's hourly rate  For enquiries received by staff not based at Front of House - to be charged at cost based on relevant officer's hourly rate	
<b>Pre Lodgement Vetting</b>			
	Applies where staff vet information prior to the lodgement of an application	Charged at the relevant officer's hourly rate	
<b>Other Fees</b>			
	Code Compliance Certificate - Residential	\$ 151	\$ 156
	Code Compliance Certificate - Commercial	\$ 488	\$ 503
	Standard Building Inspection	\$193 per inspection	\$199 per inspection
	Third Party Report	\$ 550	\$ 567
	Section 72 certificate condition	\$ 674	\$ 694
	Section 75 certificate condition	\$ 744	\$ 766
	Application to extend building consent/CCC timeframes	\$ 84	\$ 87

Work Type		Building Consent Fee/Deposit	
		from 1 July 2019	from 1 July 2020
	Exempt Building Work (schedule 1 (2))	\$110 deposit then charged at relevant officer's hourly rate	delete
	Exempt Building Work (schedule 1 excludes (2) - residential)	\$ 210	delete
	Exempt Building Work (schedule 1 excludes (2) - commercial)	\$ 290	delete
	Amendment to a Building Consent	\$110 deposit then charged at relevant officer's hourly rate	delete
	Certificate of Public Use	\$110 deposit then charged at relevant officer's hourly rate	delete
	Building Consent (BC) application, Amendment to BC, Certificate of Public Use, Exempt building work, Waiver and Modification applications	Charged at relevant officer's hourly rate + any additional relevant fees/charges	
	Licensed building practitioner registration - additional fee for all restricted building work projects	\$ 143	\$ 147
	Certificate of Acceptance	\$637 non refundable lodgement fee then billed at relevant officer's hourly rate plus any inspections, planning checks etc	\$750 non refundable lodgement fee. Processing charged at relevant officer's hourly rate plus any inspections, planning checks etc
	BCA Accreditation Fee (per \$1,000 of project value)	\$ 1.51	\$ 1.56
	Scanning Fee, Digital storage and File Management Fee for Building Consent Applications - refer Note 3 (for all applications other than fixed fee applications)		
	A0 - A2	\$3.75/page	\$3.75/page
	A3 & A4	\$2.25/page	\$2.25/page
Note 3 The scanning, digital storage and file management fee will not be charged against those building consent applications and/or additional information lodged for processing subject to the Online Building Consent System being operational and the application being submitted in a format that meets Council's requirements.			



**Online Consenting Service Charge and System Implementation Charge (Note 4)**

The Online Consenting Charge is a charge to use the online system. The System Implementation Charge is to recover the cost Council has incurred in implementing the online system.

All application types	from 1 July 2019	from 1 July 2020
<b>Online consenting service charge</b>		
Value of work less than \$125,000	\$ 86	\$ 86
Value of work more than \$125,000 up to \$2.5m	0.0748%	0.0748%
Value of work more than \$2.5m	\$ 1,868	\$ 1,868
<b>System implementation charge</b>		
Value of work less than \$125,000	\$ 16	delete
Value of work more than \$125,000 up to \$2.5m	\$ 54	delete
Value of work more than \$2.5m	\$ 66	delete
Note 4 - The fee for online consenting service will be charged against all applications processed by Council.		
Additional to the charges prescribed by the Palmerston North City Council are levies imposed by the Building Research Association of New Zealand (BRANZ) and the Ministry of Business Innovation and Employment (MBIE) on all building consents that have a building work value of \$20,000 or more. BRANZ levies contribute to the cost of testing and certifying building materials for use while MBIE levies contribute to the cost of Building Consent administration at the National level.		
Current levies (subject to change without notice) are:		
Building (MBIE) levies (per \$1,000 of project value <b>over threshold of \$20,444 GST inclusive</b> )	\$ 2.01	\$ 1.75
BRANZ levies (per \$1,000 of project value) (No GST)	\$ 1.00	\$ 1.00

<b>Charges for Earthquake-prone building matters</b>		
These charges are to recover the cost Council has incurred in implementing the legislative requirements under the Building (Earthquake-prone Buildings) Amendment Act 2016.		
	<b>from 1 July 2019</b>	<b>from 1 July 2020</b>
<b>Earthquake-prone buildings</b>		
Extension of time	\$ 345	\$ 355
Determine Earthquake rating	\$ 1,125	\$ 1,159
Exemption	\$ 345	\$ 355
Alterations to EPB (added to building consent fees & charges)	\$ 495	\$ 510
<b>Charges for Council Staff</b>		
The following hourly rates for Council Officers will be charged for the processing of consents which do not have a set fee.		
	<b>from 1 July 2019</b>	<b>from 1 July 2020</b>
<b>Council Officer's Hourly Rates</b>		
Team Leader - Building	\$ 202	\$ 208
Senior Plumbing and Drainage Officer and Advanced Building Officer	\$ 202	\$ 208
Building Officer	\$ 184	\$ 190
Senior Planning Officer	\$ 197	\$ 203
Planning Officer/Graduate Planning Officer	\$ 184	\$ 190
Monitoring and Enforcement Officer	\$ 165	\$ 170
Principal Environmental Health Officer	\$ 199	\$ 205
Environmental Health Officer	\$ 178	\$ 183
Environmental Officer (By-laws)	\$ 161	\$ 166
Senior Business Support Officer	\$ 160	\$ 165
Division Head	\$ 215	\$ 221
General Manager	\$ 234	\$ 241
Technical and professional staff from other parts of Council	\$ 184	\$ 190
Administration/Committee Administration Staff	\$ 114	\$ 117

## Environmental Health Fees and Charges

Appendix 5

### 1. INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2018-28, page 224) outlines that as licensed business' are major beneficiaries of the environmental/public health activity they should bear a significant portion of the cost of the activity. For the purposes of the Policy this portion is described as medium/low (ie 20-39% of the costs).

This activity consists of Environmental Health, Alcohol Licensing and Bylaws. The Policy seeks to ensure that inspections and processing of applications is generally user funded from fees and charges. Also, that the provision of information and enforcement, particularly in terms of Bylaws, be generally funded by rates.

Fees and charges were last increased from 1 July 2019. The latest review proposes that an increase of approximately 3% to fees and charges is needed to enable Council's targeted recovery from users to be obtained.

### 2. BACKGROUND

#### 2.1 Statutory Requirements

The charges for Environmental Health Services are empowered by Regulation 7 of the Health (Registration of Premises) Regulations 1966.

Alcohol licensing fees are set through the Sale and Supply of Alcohol (Fees) Regulations 2013. The Council does have the authority to make bylaws in relation to the fees payable to it (as authorised by the Sale and Supply of Alcohol (Fee-setting Bylaws) Order 2013) in respect of on-licences, off-licences and club licences. The Council has chosen to continue to use those set by regulation at this stage.

Fees set under section 205 of the Food Act 2014 to cover the Council's activities relating to registration, verification and compliance and monitoring under the Act must be set using the special consultative procedure.

#### 2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges;

- The legislative requirements as to the nature of the work required to be undertaken by the Council
- The volume of work undertaken as some costs are fixed and do not fluctuate depending on volume

For 2018/19 environmental health revenue reached 30% of operating expenses which was within the target policy band. The budgets for 2019/20 and 2020/21 assume user charges of 38% and 45% respectively will be achieved.

### 3. PROPOSED FEES AND CHARGES

The proposed fees and charges are contained in attached schedule (**Attachment A**). Alcohol licensing fees are not included in the schedule as they are prescribed by regulation. Charges set under the Food Act 2014 (and associated Regulations) are likewise not included. Those set by the Council under the Food Act 2014 are contained in the separate schedule of Miscellaneous Services.

### 4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

### 5. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable the budget targets for 2020/21 as defined in the proposed Annual Budget to be met. This is projected to generate revenue of \$586,000 which at 45% is just above the Policy band. The basis used for allocating indirect costs/overheads to this activity will be reviewed during the preparation of the next 10 Year Plan and the funding policy will also be reviewed at that time.

Activity	Target Policy	Budget 2020/21	Compliance with Policy?
Public Health	20 – 39% Fees and Charges	45% Fees and Charges	<i>No</i>

Palmerston North City Council				Attachment A	
Environmental Health Services			Fees & Charges		
Environmental Health charges are imposed under Regulation 7 of the Health (Registration of Premises) Regulations 1966 to recover the cost to the Palmerston North City Council of providing Environmental Health Services.					
All fees and charges shown are GST inclusive					
Fixed Charges					
These charges cover the standard cost to Council in undertaking the work listed. However, additional charges may be set down depending on the circumstances, such as for additional inspections, change of ownership or interpretation services that may be incurred by the Council during or after the processing of the applications, or undertaking related inspections.					
	Work Type	Discounted fee if paid between 1 July 2019 - 31 July 2019	Discounted fee if paid between 1 July 2020 - 31 July 2020	Standard fee if paid after 31 July 2020	
	Annual Inpection of Premises for Hairdressers	\$ 162	\$ 167	\$ 250	
	Annual Inspection of Camping Grounds	\$ 410	\$ 422	\$ 633	
	Annual Inspection of Mortuaries	\$ 410	\$ 422	\$ 633	
	Annual Inspection for Offensive Trades	\$ 410	\$ 422	\$ 633	
	Fee per activity	Takes effect from 1 July 2019		Takes effect from 1 July 2020	
	Mobile Trader - Food Permit	\$ 192		\$ 198	
	Mobile Trader - Non-Food Permit	\$ 104		\$ 107	
	Event/festival food inspections	At cost of Officer's time per hour		At cost of Officer's time per hour	
	Amusement Device Inspection Fee	\$11.50 (plus Officer Time for inspection)		\$11.50 (plus Officer Time for inspection)	
	Change of Ownership for a Health Licence	\$ 205		\$ 211	
	Change of ownership for Hairdresser	\$ 103		\$ 106	
Note:					
Event/festival organisers are responsible for the cost of inspections.					

Other Fees			
These fees may be applicable to an application, inspection etc or may be applied as a single charge.			
Work Type		Takes effect from 1 July 2019	Takes effect from 1 July 2020
Hairdressers - additional inspection		At cost of Officer's time per hour	
Setting up premises - inspection(s)		At cost of Officer's time per hour	
Interpretation service		Actual cost plus 10% to cover Council administration costs	
Inspection for tank removal/installations		At cost of Officer's time per hour	
Charges for Council Staff			
Council Officer's Hourly Rates (per hour)		Takes effect from 1 July 2019	Takes effect from 1 July 2020
Principal Environmental Health Officer		\$ 199	\$ 205
Environmental Health Officer and Environmental Health Technical Officer		\$ 178	\$ 183
Administration Staff		\$ 114	\$ 117
Senior Business Support Officer		\$ 160	\$ 165
Environmental Health Officer Cadet		\$ 161	\$ 166
Head of Environmental Protection Services		\$ 215	\$ 221
General Manager		\$ 234	\$ 241
Note:			
1. The hourly rates for the services which are listed in the tables above are for those staff listed in the table headed "Charges for Council Staff"			
2. Where it states above, 'the fee per hour", please note this should be read in full as "fee per hour or part thereof"			
3. The Head of Environmental Protection Services is authorised to remit, reduce or refund any of these fees or part of a fee in any particular case where there are special grounds for doing so			

## Animal Control Fees and Charges

Appendix 6

### 1. INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2018-28, page 223) outlines that the animal control activity is principally related to the actions or inactions of dog owners. These owners, and the public at large (through reduced nuisance), benefit from this. A significant portion of the costs should therefore be borne by dog owners. For the purposes of the Policy this portion is described as high (ie 80-100% of the costs).

The Policy reflects the belief that services related to dog registration, enforcement work, housing and feeding animals be funded by user charges. Also, that patrolling and provision of information be covered by rates.

Registration fees and charges were last increased from 1 July 2019.

In December 2019 the Committee considered a report that had been requested "to review the charging structure for animal control fees to explore a mechanism to shift the fee burden to non-compliant dog owners". The report concluded there was little practical that could be done to recover more of the costs from non-compliant owners but officers indicated they planned to place more emphasis than before on monitoring compliance with the criteria for classification as a preferred owner and that the rationale for the components of the fees would be reviewed each year as part of the process for recommending an updated schedule of fees and charges.

The recommendations in this report incorporate proposed restructuring of some components of the fees and charges.

### 2. BACKGROUND

#### 2.1 Statutory Requirements

Animal Control Services includes impounding fees and driving charges that are set under the Impounding Act 1955.

Animal Control Services also includes dog registration and dog control fees that are empowered by Section 37 (1) of the Dog Control Act 1996. It also includes fees for impounding dogs which are empowered under Section 68 of the Dog Control Act 1996. No consultative procedure is required to be followed to adopt the fees but they are required to be publicly notified during June.

### 3. PROPOSED FEES AND CHARGES

The proposed fees and charges are contained in attached schedule (**Attachment A**).

They incorporate a number of proposed changes as follows:

Simplifying registration categories by:

- Removing preferred owners (de-sexed dog) on the basis that if an owner qualifies as “Preferred Owner” then the dog being de-sexed is irrelevant.
- Remove rural non-working as a category on the basis that they have access to the same services as other customers and under the proposed structure they will now be able to apply for Preferred Owner status.
- Decrease fee for Preferred Owner.
- Add in a one-off application fee for Preferred Owner.
- In recognition that current Preferred Owners will not require a home visit (just a basic test) they will pay a lesser application fee if they register for preferred owner within 2 years.

Impounding:

- Maintain the daily charge (previously called the sustenance fee) at \$19 on the basis that customers are already struggling to pay and \$19 currently covers costs.
- Decrease microchipping charge to \$20, on the basis that this covers costs and should not be a barrier to someone collecting their dog.
- Adoption charge of \$360 to cover microchipping, vaccination, neutering, registration, flea & worm treatment.
- Change the impounding process into a graduated process to deter recidivist offenders.
- Where a dog is microchipped and within the last 12 months has no history with Council's animal control services, it will be returned home at no cost – this reflects current practice.

### 4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

### 5. FINANCIAL IMPLICATIONS

The proposed fees and charges will help the budget targets for 2020/21 as defined in the proposed annual budget to be met.



In past updates on this activity, including the report provided in December 2019, we have advised the external revenue is within the policy target but the ratepayer contribution is progressively increasing.

The cost of operating the animal control activity comprises direct and indirect (overhead) costs. During the preparation of the proposed annual budget for 2020/21 officers have reviewed the allocation of indirect (overhead) costs for a number of activities including animal control. As a consequence, the total cost of the animal control activity for 2020/21 is now shown as being approximately \$1.1m compared with the budget for 2019/20 of \$809,000. There are consequential reductions in other activities. The 2020/21 budget assumes income of \$781,000 compared with \$689,000 in the 2019/20 budget. This combination of changes means that 71% of costs are budgeted to be covered from fees and charges. The methodology for these assumptions will be reviewed again during the preparation of the 2021-31 10 Year Plan and the Revenue & Financing Policy.

The response of dog owners to the proposed changes to the preferred owner scheme is unpredictable so there is a level of uncertainty about the assumed revenue figures.

Activity	Target Policy	Budget 2020/21	Compliance with Policy?
Animal Control	80 – 100% Fees and Charges	71% Fees and Charges	No

#### 6. COMPARISON WITH OTHER COUNCILS – FEES FOR 2019/20

TYPE OF FEE	MANAWATU DISTRICT COUNCIL	GISBORNE DISTRICT COUNCIL	HAMILTON CITY COUNCIL	NEW PLYMOUTH DISTRICT COUNCIL	TAURANGA CITY COUNCIL	PNCC Proposed for 2020/21
General Registration (if paid by 31 July)	\$105	\$108.75	\$165 (\$150 if paid by 30 June)	\$155	\$87	\$145
Preferred Owner	\$34	\$77.50	\$95(\$80)	\$125	\$87	\$75
Rural Working Dog	\$34	\$58.75	\$95(\$80)	\$58	\$87	\$50
Impounding Fee (First pound)	\$138	\$59	\$84	\$70-\$150	\$55-\$85	\$124

10YP FUNDING POLICY	MANAWATU DISTRICT COUNCIL	GISBORNE DISTRICT COUNCIL	HAMILTON CITY COUNCIL	NEW PLYMOUTH DISTRICT COUNCIL	TAURANGA CITY COUNCIL	PNCC
Private – fees	55%	70%	60%	60-80%	>80%	80-100%
Public – rates	45%	25%	40%	20-40%	<20%	1-19%
Subsidies and Grants	N/A	5%	N/A	N/A	N/A	N/A

Palmerston North City Council		Attachment A		
Animal Control Services		Fees & Charges 2020/21		
Dog Registration and Dog Impounding Fees are imposed under the Dog Control Act 1996. Impounding fees and driving charges are imposed under the Impounding Act 1955. The fees and charges are necessary to recover the cost to Palmerston North City Council of providing animal control services.				
All fees and charges shown are GST inclusive				
The fees are effective from 1 July 2020.				
Fixed Fees				
These charges cover the standard cost to Council in undertaking the work listed. However, additional charges may be charged depending on the circumstances such as additional inspection fees that may be incurred in undertaking the work noted below.				
Work Type		Current Standard Fee from 1 July 19	Proposed Standard Fee from 1 July 20	Total Fee (incl. penalty) if paid after 1 August 20
(a) Dog Registration (set under the Dog Control Act 1996)				
General Registration	\$	142	\$ 145	\$ 217.50
General Registration (Desexed dog)	\$	106	\$ 108	\$ 162.00
Preferred Owner	\$	92	\$ 75	\$ 112.50
Preferred Owner (Desexed Dog)	\$	80	delete	delete
Rural Non-Working	\$	76	delete	delete
Rural Non-Working (Desexed Dog)	\$	64	delete	delete
Rural Working	\$	44	\$ 50	\$ 75.00
Disability Assist	\$	nil	\$ nil	\$ nil
Certified for use by Specified Agency	\$	nil	\$ nil	\$ nil
Preferred Owner Application - current preferred owner			\$ 35	
Preferred Owner Application - new			\$ 60	
Work Type		Standard Fee from 1 July 19	Standard Fee from 1 July 20	
(b) General Impounding Fees (set under the Impounding Act 1955)				
All animals other than dogs (per head)		\$124 (first offence) \$187 (repeated offence) \$15 per day (sustenance & care)	\$124 (first offence) \$187 (repeated offence) \$15 per day (sustenance & care)	
(c) Dog Pound Fees (set under s.68 of the Dog Control Act 1996)				
Where a dog is microchipped and within the last 12 months has no history with Council's animal control services, it will be returned home at no cost.				
First impound	\$	122	\$	124
Subsequent offences (within 12 months)	\$	183	delete	
Second impound - within 12 months of first impound			\$	187
Third or subsequent impound - within 12 months of previous impound			\$	250
Daily Charge per dog per day or part of a day	\$	19	\$	19
Destruction of a dog	\$	83	\$	83
Sale of a dog (adoption/re-homing) Note : In addition to the sale charge there will be a registration fee (where applicable) and neutering fee (where applicable)	\$	62	revise as below	
Adoption fee - covers microchipping, vaccination, neutering, registration, flea and worm treatment			\$	360

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<b>Other Fees</b>		
These fees may be added to a fixed fee type of work listed earlier or may be applied as a single charge.		
<b>Work Type</b>	<b>Standard Fee from 1 July 19</b>	<b>Standard Fee from 1 July 20</b>
<b>(a) Impounding Fees (set under the Impounding Act 1955)</b>		
Supplementary feed for stock	150% of sustenance charge	
<b>(b) Dog Pound Fees (set under the Dog Control Act 1996)</b>		
Emergency release of animals outside normal hours ie 8am - 5pm Monday to Friday excluding statutory and public holidays	\$61 for first impound, \$92 for subsequent impounds (within 12 months)	\$61 for first impound, \$92 for subsequent impounds (within 12 months)
<b>(c) Pound Fees for all other animals (set under the Impounding Act 1955)</b>		
Emergency release of animals outside normal hours ie 8am - 5pm Monday to Friday excluding statutory and public holidays	\$61 for first impound, \$92 for subsequent impounds (within 12 months)	\$61 for first impound, \$92 for subsequent impounds (within 12 months)
<b>(d) Driving Charges (set under the Impounding Act 1955)</b>		
Hire transport	Actual cost incurred by Council	
Council vehicles	\$2.26 per kilometer	
<b>(e) Microchipping (set under the Dog Control Act 1996)</b>		
To undertake microchipping	\$44 per dog	\$20 per dog
<b>Charges for Council Staff</b>		
<b>Council Officer's Hourly Rates (per hour)</b>	<b>Rate per hour from 1 July 2019</b>	<b>Rate per hour from 1 July 2020</b>
Senior Animal Control Officer	\$ 178	\$ 183
Animal Control Officer	\$ 126	\$ 129
Administration Staff	\$ 114	\$ 117
Head of Environmental Protection Services	\$ 215	\$ 221
General Manager	\$ 234	\$ 241
<b>Notes:</b>		
1 The hourly rates for the services which are listed in the above tables are for those staff listed in the table headed "Charges for Council Staff"		
2 Where it states above the fee per hour, please note this should be read in full as "fee per hour or part thereof"		
3 'Disability Assist' and 'Specified Agency' are as defined in section 2 of the Dog Control Act 1996		
4 The Head of Environmental Protection Services is authorised to remit, reduce or refund the dog control fee or part of the fee in any particular case or class of dog where there are special grounds for doing so		
5 The registration fee for a dog that is declared a dangerous dog will be 150% of the level that would apply if it were not so classified (as required by section 32 (1)(e) of the Dog Control Act 1996)		

## Burial & Cremation Charges

## Appendix 7

### 1. INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2018-28, page 222) outlines that as the main beneficiaries of the cemetery and crematorium activity are those who use the service, a significant portion of the cost should be borne by users. For the purposes of the Policy this portion is described as medium/high (ie 60-79% of the costs). The remaining costs are funded from rates recognising there is a wider community benefit to providing cemetery and crematorium services.

Fees and charges were last increased from 1 July 2019 by an average of 5% following an increase of 3% the previous year. The latest review identifies that fees and charges need to be increased again in 2020/21 to cover increasing costs and to enable Council's targeted recovery from users to be obtained.

### 2. BACKGROUND

#### 2.1 Statutory Requirements

The Council adopted a revised Cemeteries and Crematorium Bylaw in 2018 under its statutory powers contained in the Burial and Cremation Act 1964. The Bylaw prescribes the Council may, by resolution publicly notified, set fees and charges for all services relating to the operation and maintenance of cemeteries and crematoria.

#### 2.2 Factors Impacting on Setting Fees and Charges

The Council's Community Services and Facilities Plan (developed under the Connected Community Strategy) outlines the Council provides cemeteries that 'meet community needs' now and in the future. Primary community needs are met through providing efficient and appropriate burial and cremation services. The other focus of community needs at the cemetery relates to the level of service provided in relation to the presentation of the cemetery grounds. The community has high expectations relating to the standards of presentation. As the cemetery expands, and as decoration of graves increases, so does the maintenance cost increase.

The following factors impact on the fees and charges;

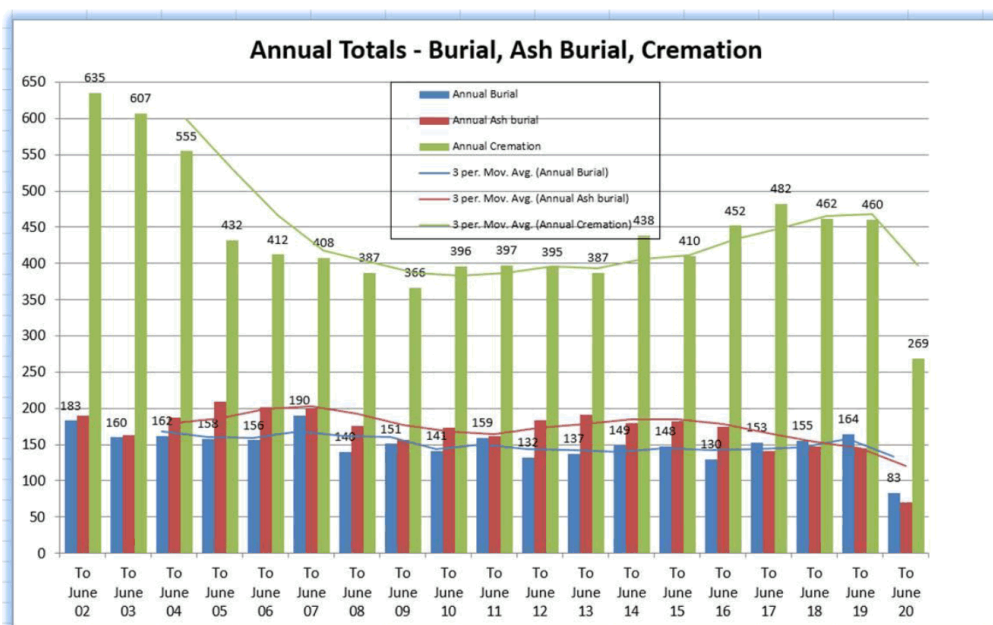
- Costs of operating the cemeteries and crematorium
- The number of burials and cremations
- The level of charges set by private cremators.

Actual cemetery and crematorium revenue for 2013/14, 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 represented 73%, 62%, 55%, 62%, 52% and 61% respectively of the operating costs. The budgets for 2019/20 and 2020/21 assume recoveries of 57% and 58% respectively will be achieved ie marginally below the Policy target.

	Actual 2017/18	Budget 2018/19	Actual 2018/19	Budget 2019/20	Budget 2020/21
Expenses (\$k)	1,242	1,206	1,183	1,206	1,210
Revenue (\$k)	645	676	726	690	706
Revenue as % of Expenses	52%	56%	61%	57%	58%

Operating expenses for the burial and cremation activity are held under tight control but continue to increase as the size of the cemetery increases (ie as more beams are built) and as consent requirements for the crematorium cost more to administer. The provisional 2020/21 budget assumes an increase in expenses (compared with the 2019/20 budget) of 0.3% and an increase in revenue of 2.4%.

Volumes of burials have remained reasonably static over recent years with a drop in 2015/16. By comparison cremation numbers progressively increased to June 2017, then dropped slightly and remain reasonably consistent since then. See the following table (note the data for "June 2020" is for the first 6 months of this financial year):



### 3. PROPOSED FEES AND CHARGES

The changes proposed in the **attached schedule** represent an increase of approximately 2.5% for most of the fees and charges. It seeks not only to achieve the budgeted revenue but also to recognise the continuing need to raise prices so that the share of the costs of the activity borne by ratepayers does not continue to increase. The recommendation at this level is based on an assumption that volumes in 2020/21 will be near the average. It has also been assumed that the increase in the charges will not have an adverse impact on the volumes choosing to utilise the City's facilities.

### 4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

Two other non-financial changes to the fees and charges are proposed this year:

- Introducing a \$250 fee for "Fill-your-own" burials to cover the additional set-up and clean-up costs related to this increasingly common practice at funerals.
- Changing the time that the overtime surcharge applies from. Currently 4.30pm, now proposed to apply from 4.00pm to ensure that the staff can complete post burial activities before dark in mid-winter. This change better matches the current standard service-provision hours at the cemetery.

### 5. FINANCIAL IMPLICATIONS

The proposed fees and charges will assist the budget targets for 2020/21, as defined in the proposed Annual Budget, to be met based on the numbers of burials and cremations assumed. The budget assumes revenue of \$706,000 will be generated. This is \$16,000 more than assumed in 2019/20 but does not meet the policy target in percentage terms.

Palmerston North City Council		
<b>Burial and Cremation Charges</b>		<b>Fees &amp; Charges</b>
<b>(Terrace End, Kelvin Grove, Ashhurst &amp; Bunnythorpe Cemeteries)</b>		
All fees and charges shown are GST inclusive		
<b>Burial Fees</b>	<b>From 1 July 2019</b>	<b>From 1 July 2020</b>
<b>Purchase of Plot</b>		
Kelvin Grove, Ashhurst & Bunnythorpe Cemeteries (Double beam plots)	\$ 1,986	\$ 2,036
Kelvin Grove Cemetery (Single beam areas) Section V	\$ 2,935	\$ 3,008
Children's Section at Kelvin Grove (up to 13 years old)	\$ 993	\$ 1,018
Services Section (RSA) - Kelvin Grove & Ashhurst	\$ 497	\$ 509
Note: Each plot is able to be used for two burials providing that, at the first interment, an extra depth requirement is advised to the Cemetery Administration Officer		
<b>Interment Fees (Standard hours Mon-Fri 9.00am - 4.00pm)</b>		
Adult (14 years or over, including Services Personnel)	\$ 964	\$ 988
Child up to 13 years	\$ 390	\$ 400
Child up to 12 months	\$ 232	\$ 238
Extra depth surcharge	\$ 212	\$ 217
"Fill-your-own" surcharge (Clean-up)		\$ 250
Overtime surcharge per hour or part thereof - applied if funeral activities at the cemetery have not concluded by 4.00pm Monday - Friday	\$196/hour	\$201/hour
Disinterment	\$ 1,993	\$ 2,043
<b>Interment Fees (Saturdays) - Applies to Interment, Extra depth and "Fill-your-own" fees</b>		
Saturday morning	standard fee x 1.5	standard fee x 1.5
Saturday afternoon (by arrangement with cemetery staff) (note 3)	standard fee x 2	standard fee x 2

Cremation and Ash Burial Fees		From 1 July 2019	From 1 July 2020
Adult (Standard hours Mon-Fri 9.00am - 4.00pm)			
	Cremation only	\$ 607	\$ 622
	With Committal Service (includes Chapel fee)	\$ 727	\$ 745
	With Full Service (includes Chapel fee)	\$ 770	\$ 789
	Medical Referee's Fee	\$ 60	\$ 60
Child (from one year up to 13 years)(Standard hours Mon-Fri 9.00am - 4.00pm)			
	Cremation only	\$ 274	\$ 281
	With Committal Service (includes Chapel fee)	\$ 387	\$ 397
	With Full Service (includes Chapel fee)	\$ 431	\$ 442
	Medical Referee's Fee	\$ 60	\$ 60
Child (up to 12 months)(Standard hours Mon-Fri 9.00am -4.00pm)			
	Cremation only	\$ 76	\$ 78
	With Committal Service (includes Chapel fee)	\$ 197	\$ 202
	With Full Service (includes Chapel fee)	\$ 239	\$ 245
	Medical Referee's Fee	\$ 60	\$ 60
Purchase of Ashes Plot for ash interment			
	Lawn Cemetery (Plaque) Section U/1A	\$ 637	\$ 653
	Lawn Cemetery (Headstone) Section T, U/2A, V/A, Bunnythorpe & Ashhurst	\$ 637	\$ 653
	Lawn Cemetery Memorial Gardens - Section T	\$ 637	\$ 653
	Remembrance Garden Kerb - Section GK 1, 2 & 3	\$ 637	\$ 653
	Niche Walls - Kelvin Grove and Ashhurst	\$ 692	\$ 709
	Services Section (RSA) - Kelvin Grove and Ashhurst	\$ 159	\$ 163
	Child - Section T/4A & Children's section O ash beams	\$ 595	\$ 610
Purchase of memorial plaque plot			
	Remembrance Garden Kerb - Section GK 4 - Plaques only	\$ 547	\$ 561
Other Cremation Charges			
	Burial of Ashes - Weekdays (note 2)	\$ 192	\$ 197
	Burial of ashes with no family present and no service (note 2)	\$ 133	\$ 136
	Burial of Ashes - on Saturday morning	\$ 288	\$ 296
	Burial of Ashes - on Saturday afternoon (note 3)	\$ 384	\$ 394
	Disinterment of Ashes	\$ 76	\$ 78
	Overtime surcharge (per hour or part thereof) will be applied if funeral activities at the crematorium have not concluded by 4.00pm Monday - Friday	\$98/hour	\$100/hour
Cremation fees (Saturdays)			
	Saturday morning	Cremation & chapel fees x 1.5	Cremation & chapel fees x 1.5
	Saturday afternoon (by arrangement with cemetery staff) (note 3)	Cremation & chapel fees x 2	Cremation & chapel fees x 2



Other Charges		From 1 July 2019	From 1 July 2020
	Memorial permit fee (for all headstones and plaques)	\$ 44	\$ 45
	Use of Kelvin Grove Chapel	\$ 141	\$ 145
	Breaking concrete	\$ 212	\$ 217
	Plot cancellation fee	\$ 57	\$ 58
	Entry in Book of Remembrance	\$ 97	\$ 97
	Search fee - per entry	\$ 9	\$ 9
	Search fee - maximum fee	\$ 133	\$ 136
	<b>Out of District Surcharge (note 1)</b>	Plus 30% on all services except Chapel and Cremation. Plus 10% on Chapel and Cremation charges.	
<b>Notes:</b>			
1 "Out of District" surcharge applies to persons normally resident outside of the Palmerston North City boundary. (These people do not pay rates to Palmerston North City Council). Exemptions apply to persons who can provide evidence of residence in the City for at least 20 years or who have operated a rate-paying business in the City for at least 20 years.			
2 For regular ash interment the site is prepared for a ceremony. The hole is cut and tidied, soil left alongside with a shovel, and a container of sand provided. Requests for Ash interment by cemetery staff with no friends or family present will incur the reduced fee.			
3 Burials or cremations <u>may</u> be provided by arrangement, subject to availability of staff, after 12.00 noon Saturday.			

## Service Connecton Fees

## Appendix 8

### 1. INTRODUCTION

Service connection fees are levied on those wishing to connect to one or more of the Council's water, wastewater, or stormwater systems. The actual physical connection is made at the applicant's cost, by an approved contractor. The charges levied by the Council cover the administration of processing the application, and the researching of plans, the inspection of the finished work to ensure it meets Council's standards and the production of as built plans of the connection(s). The data gathered in the as built process is then input to Council's asset management system.

### 2. BACKGROUND

#### 2.1 Statutory Requirements

The setting of fees and charges for service connections is empowered by Section 12 of the Local Government Act 2002 i.e. the general power of competence to carry on any activity or business with associated rights, powers and privileges. As such, they can be set by Council resolution and do not require any special consultative procedures.

#### 2.2 Factors Impacting on Setting Fees and Charges

The Council's Revenue and Financing Policy (10 Year Plan 2018-28, pp211-231) outlines Council's views about the extent to which users should bear the cost of providing particular services. The policy outlines that "an activity should be funded on a user pays basis if an individual or group of individuals directly receives benefits of the activity exclusively, and the costs of the activity can easily be attributed to that individual or groups of individuals."

As service connections is a relatively small activity the policy does not specifically address what proportion of the costs should be covered by user fees.

Service connection fees were considered in detail in 2017 and as a consequence restructured and increased.

### 3. PROPOSED FEES AND CHARGES

As there was a significant review in 2017 (including a simplification of the fee structure) it is proposed this year that fees be increased with an inflationary adjustment of 3% (rounded). A similar inflationary adjustment was made in in of the two previous years.

The proposed fees and charges are contained in following table:

**Palmerston North City Council**  
**Service Connection Fees**

	Current Fees (\$) GST inclusive from 1 July 2019			Proposed Fees (\$) GST inclusive from 1 July 2020		
	Application Fee	Inspection Fee	Total Fee	Application Fee	Inspection Fee	Total Fee
One connection (water, wastewater or stormwater)	74.00	116.00	190.00	76.00	119.00	195.00
Two connections (water, wastewater or stormwater)	116.00	170.00	286.00	119.00	175.00	294.00
Three connections (water, wastewater or stormwater)	153.00	222.00	375.00	158.00	229.00	387.00

**4. DESCRIPTION OF OPTIONS**

It is Council policy to review fees and charges on a yearly basis although a review of these particular fees and charges has been overlooked.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal; or
- changing fees by a different amount.

**5. FINANCIAL IMPLICATIONS**

The fee income is not significant in the Council's overall budget ie it is less than \$20k pa.

## Sportsfield Charges

## Appendix 9

### 1 INTRODUCTION

It is the Council policy to review fees and charges each year. The Council's Revenue and Financing Policy (10 Year Plan 2018-28 page 221 & 230) outlines that users of sportsfields are expected to contribute through charges a low (i.e. 1-19%) proportion of the costs.

The policy also acknowledges that either it is not practical to identify and charge users (eg for city-wide or local reserves) or that in some instances charges would be prohibitively high if they were set at the level which would be necessary to cover the entire cost.

In April 2019 Council reviewed the funding policy for sportsfields, concluding it would continue with its funding model of charging sportsfield users a percentage of the costs of sportsfield provision, targeting a level of approximately 5% cost recovery. Council also resolved to continue its policy of not charging for sportsfields used exclusively by junior players.

Sportsfield charges were last increased in 2018.

### 2 BACKGROUND

#### 2.1 Statutory Requirements

Under its statutory powers contained in the Local Government Act 2002 (LGA) the Council has power to set fees and charges for the use of reserves including sportsfields.

#### 2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges;

- Costs of creating and maintaining sportsfields and associated buildings and structures
- The practicability of charging for some types of use
- Council's policy on the extent to which users should contribute toward the cost
- Whether or not sportsfields are being fully utilised
- The number of fields required by various sports codes – this varies depending on changing ground allocation practices and the number of teams playing each year.

### 3. PROPOSED FEES AND CHARGES

Fees and charges would need to be increased significantly before revenue from sportsfields increased to any significant extent compared with operating costs.

In recent years actual sportsfield revenue represented between 5% and 6% of operating costs. The budget for 2019/20 assumes 4.8% and the draft for 2020/21 3.5% recovery. Draft budgeted expenditure has increased significantly from 2019/20. Part of this increase is direct costs for increased levels of service in major sportsgrounds such as Fitzherbert Park, Colquhoun Park and

Memorial Park, part relates to an increased sportsfield renovation programme to improve the durability of grounds, and part associated with the way indirect/overhead costs are allocated. These costs and allocation regimes will be reviewed through the development of the next 10 year plan.

Recognising costs are increasing it is recommended charges should be increased.

Recommended changes shown in the **attached schedule** comprises the following elements:

- An across the board increase of 3.8% to come into effect from the summer of 2020/21
- Continuing to impose zero fees for fields used exclusively for junior sport (school age teams)

#### 4. DESCRIPTION OF OPTIONS

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

#### 5. FINANCIAL IMPLICATIONS

The proposed fees and charges will enable there to be a small increase in revenue (provided use is similar to that assumed).

Palmerston North City Council				
<b>Sportsfield Fees and Charges</b>				
All fees and charges shown are GST inclusive				
<b>Season Charges</b>			<b>Current</b>	<b>Proposed</b>
			(Summer 2019/20, Winter 2020)	(Summer 2020/21, Winter 2021)
<b>Winter</b>				
Rugby Union	per field (8280 sq m)		\$ 1,179	\$ 1,224
League	per field (8280 sq m)		\$ 1,044	\$ 1,084
Football	per field (7300 sq m)		\$ 1,103	\$ 1,145
Netball (Vautier Park)	per court		\$ 523	\$ 543
<b>Winter Training Grounds</b>				
Football	1 @ Skoglund - 3,000 m.sq		\$ 483	\$ 501
	1 @ Waterloo - 11,000 m.sq		\$ 1,775	\$ 1,842
	1 @ Takaro - 8,400 m.sq		\$ 1,355	\$ 1,406
	1 @ Hokowhitu - 2,500 m.sq		\$ 404	\$ 419
	2 @ Monrad - 5,580 m.sq		\$ 903	\$ 937
	2 @ Bill Brown - 6,000 m.sq		\$ 1,066	\$ 1,107
	1 @ Ashhurst Domain - 8,400 m.sq		\$ 1,355	\$ 1,406
Rugby	2 @ Ongley - 7,000 m.sq		\$ 1,149	\$ 1,193
	1 @ Bill Brown - 7,000 m.sq		\$ 1,149	\$ 1,193
	1 @ Lincoln - 6,050 m.sq		\$ 975	\$ 1,012
	1 @ Colquhoun - 6,050 m.sq		\$ 975	\$ 1,012
	1 @ Bunnythorpe - 4,000 m.sq		\$ 644	\$ 668
League	1 @ Coronation - 7,700 m.sq		\$ 1,105	\$ 1,147
<b>Summer</b>				
Cricket	Per field (14320 sq m)		\$ 2,551	\$ 2,648
	per grass wicket		\$ 242	\$ 251
	per artificial wicket		\$ 183	\$ 190
Softball	per grass diamond (6013 sq m)		\$ 783	\$ 813
	per skin diamond (6013 sq m)		\$ 710	\$ 737
Touch	per field (3500 sq m)		\$ 332	\$ 345
	per Coronation Pavilion		\$ 1,924	\$ 1,997
Athletics	per grass track		\$ 1,036	\$ 1,075
Tennis	per court @ Vautier		\$ 437	\$ 454
	per court @ Colquhoun		\$ 149	\$ 155
	per court @ Awapuni		\$ 367	\$ 381
	per court @ Takaro		\$ 277	\$ 288
	per court @ Wallace		\$ 277	\$ 288
Summer Soccer	per field		\$ 552	\$ 573
Rugby 7's	per field		\$ 590	\$ 612
<b>Charge Grounds</b>				
Fitzherbert Park	Summer		\$ 4,098	\$ 4,098
	Winter		\$ 3,981	\$ 3,981
Memorial Park	Summer		\$ 4,118	\$ 4,118
	Winter		\$ 4,118	\$ 4,118
<b>Winter Season = 2nd week April to 3rd week September.</b>				
<b>Summer Season = 2nd week October to 3rd week March.</b>				

One-off Charges			Current (Summer 2019/20, Winter 2020)	Proposed (Summer 2020/21, Winter 2021)
<b>Sportsfields</b>	Playing Field (pre-season)	per game	\$ 85	\$ 88
	Playing Field (casual)	per game	\$ 109	\$ 113
	Touch field (casual/preseason)	per game	\$ 39	\$ 40
	Ongley Park (tournament)	per day (excl change rooms)	\$ 652	\$ 677
	Ashhurst Domain (tournament)	per day (excl change rooms)	\$ 652	\$ 677
	Fitzherbert Park (casual)	1/2 day	\$ 193	\$ 200
	Fitzherbert Park (casual)	per day	\$ 369	\$ 383
	Memorial Park (casual)	1/2 day	\$ 193	\$ 200
	Memorial Park (casual)	per day	\$ 369	\$ 383
	Cricket (grass wicket)	per day	\$ 301	\$ 312
	Cricket (artificial wicket)	per day	\$ 133	\$ 138
	Changing room x 1	each clean	\$ 32	\$ 33
<b>Sportsfield Pavilions</b>	Social area/kitchen	per hour	\$ 19	\$ 20
<b>Manawaroa Pavilion</b>	Pavilion Hire (regular)	1/2 day per week per season	\$ 505	\$ 524
	Pavilion Hire (regular)	1/2 day per week per year	\$ 1,010	\$ 1,048
	Pavilion Hire (regular)	1 day per week per season	\$ 861	\$ 894
	Pavilion Hire (regular)	1 day per week per year	\$ 1,721	\$ 1,786
	Pavilion Hire (casual)	per day	\$ 85	\$ 88
	Pavilion Hire (casual)	per hour	\$ 26	\$ 27
	Smart Card	per card	\$ 13	\$ 13
<b>The Square</b>	Serviced rest rooms (open after hours)	per hour	\$ 39	\$ 40
	Ground Hire	casual per day	\$ 144	\$ 149
<b>Railway Land</b>	Ground Hire (large circus)	per day	\$ 300	\$ 311
	Major Event	Eg wine & food festival	\$ 1,799	\$ 1,867
<b>Bonds</b>	Large Event	Eg NZ touch nationals	\$ 899	\$ 933
	Medium Event	Eg marching	\$ 361	\$ 375
	Small Groups	Eg Railway land use	\$ 144	\$ 149
	Key Bond	Any key	\$ 25	\$ 25
<b>Commercial usage</b>				
Coffee cart	per season at invitation of sports code	Per site	\$ 470	\$ 488
	Power per season		\$ 135	\$ 140
eg BloKart hiring	Per season	Per site	\$ 470	\$ 488
	Per day		\$ 27	\$ 28
Tennis Coaching	Per season	Per court	\$ 470	\$ 488
	Per day		\$ 27	\$ 28

## Water Tanker Filling Station Charges

Appendix 10

### 1 INTRODUCTION

It is the Council policy to review fees and charges each year. The Council has a water tanker filling station in Francis Way and it is appropriate to review the charges for this for the 2020/21 year.

### 2 BACKGROUND

#### 2.1 Statutory Requirements

The Council adopted the current Water Supply Bylaw in 2015. The Bylaw prescribes the Council may set fees and charges for the matters listed in Schedule 2 of the Bylaw in accordance with section 150 of the Local Government Act 2002 (LGA). The Bylaw makes provision for the terms of operation and charging for the use of a tanker filling station. Water cannot be taken from the station without a permit issued by the Council. The schedule provides for two types of fee:

- Tanker filling station access fee – payable to recover reasonable costs associated with capital costs and administration of the tanker filling station
- Tanker filling station supply fee – market water charges payable for the tanker filling station

#### 2.2 Factors Impacting on Setting Fees and Charges

The following factors impact on the fees and charges:

- The cost of construction and maintenance of the water filling station
- The cost of administering access to and billing of the use of the filling station
- The Council's objective of encouraging those who take bulk water from the Council's reticulation system to do so in a manner than reduces the risk of infiltration to the water network and therefore to make use of this filling station rather than other unapproved sources such as hydrants.

### 3. PROPOSED FEES AND CHARGES

At the present time the following charges are made up of a \$115 key/access deposit, an access fee of \$0.31 per cu<sup>3</sup> and a supply fee at the rate set for metered water for the year (currently \$1.2075 per cu<sup>3</sup>).

It is proposed to charge an access fee in two parts:

- An administration charge of \$200 (GST incl.) that provides for initial registration and key supply – to be charged to new customers and any existing customers who require a replacement key or code.
- A charge of \$0.20 per cu<sup>3</sup> (GST incl.) to cover costs associated with provision of the facility

The metered water supply charge will be set as part of the rates resolution to be adopted in June.



#### **4. DESCRIPTION OF OPTIONS**

It is Council policy to review fees and charges on a yearly basis. This enables the Council to be satisfied that the fees and charges are transparent, fair and reasonable.

The options available are:

- no change being made to existing fees and charges,
- proceeding with the recommendations set out in this proposal: or
- changing fees by a different amount.

#### **5. FINANCIAL IMPLICATIONS**

The proposed fees and charges will enable the Council to better recognise the costs of providing this facility and encouraging its use.



## MEMORANDUM

**TO:** Finance & Audit Committee

**MEETING DATE:** 18 March 2020

**TITLE:** Transforming PNCC's Business Continuity Practice

**PRESENTED BY:** Miles Crawford, Risk Manager

**APPROVED BY:** Chris Dyhrberg, Chief Customer Officer

### RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the Finance & Audit Committee note progress made in developing Council's business continuity arrangements.

#### 1. ISSUE

While business continuity plans exist for Council's business critical functions, recent organisational restructures have renewed the organisation's focus on building business continuity into how Council operates on a day-to-day basis.

#### 2. BACKGROUND

Resilient Organisations Ltd (Res Orgs) was engaged in November 2019 to transform PNCC's business continuity practice. They were asked to build upon the Council's existing plans; ensuring plans are progressive, agile and fit for purpose; and to use their consultation process to grow Council awareness and engagement.

Res Orgs' business continuity review is implemented across four stages:

##### Stage 1 – (ending 28/02/20)

A review of business unit BCPs to understand the current state of BCP arrangements and scenario workshops with two Units within Council.

##### Stage 2 – (ending 31/03/20)

Scenario workshops with the remaining Units within the Council and an online benchmark survey and integrate transformation projects in with business continuity planning.

Stage 3 – (ending 30/06/20)

One day workshop with resilience champions from across the organisation to assist them in updating their BCPs and related activities.

Stage 4 – (n/a)

Engage the Executive Leadership Team via a presentation and short interactive activity to help gain support for ongoing risk and resilience management efforts at the senior level.

Stage 1 is now complete with Res Orgs reporting that while teams worked collaboratively in the exercises, further work is needed to build awareness and champions within PNCC to build an ongoing programme of work.

**3. NEXT STEPS**

The next steps in this programme are to:

- Run further scenario workshops with other Units across Council.
- Discuss transformation projects with appropriate staff to understand the implications of these for BC.
- Assess the all of staff view of PNCC resilience.
- Run training workshops with identified BC champions.

**4. COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>Yes</b>
If Yes quote relevant clause(s) from Delegations Manual <Enter text>	
Are the decisions significant?	<b>Yes</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>No</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy	

Contribution to strategic direction and to social, economic, environmental and cultural well-being	Council's business continuity arrangements enable Council to maintain its service to the community in a disruption event.
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### **ATTACHMENTS**

Nil



## COMMITTEE WORK SCHEDULE

**TO:** Finance & Audit Committee

**MEETING DATE:** 18 March 2020

**TITLE:** Committee Work Schedule

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### RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the Finance & Audit Committee receive its Work Schedule dated March 2020.

### ATTACHMENTS

1. Committee Work Schedule [↓](#) 

## FINANCE & AUDIT COMMITTEE

### COMMITTEE WORK SCHEDULE – MARCH 2020

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1.	March 2020	Business-Continuity Planning PNCC-update	Chief Customer-Officer	Will be looked at by new Risk Manager role	19 February 2018 Clause 4.2 (Audit & Risk)
2.	April 2020	Quarterly Performance and Finance Report	Chief Financial Officer		
3.	April 2020	Health and Safety quarterly update	Human Resources Manager		
4.	May 2020	Issues and options report on the audit issues facing Council Controlled Organisations	Chief Financial Officer	Once outcome of S17A reviews are determined	10 September 2018 clause 27.6
5.	August 2020	Expenses of the Mayor and Deputy Mayor	General Manager – Strategy and Planning		Council 13 November 2019 Clause 148.6
6.		Management Agreed Corrective Actions Implementation Progress	General Manager – Strategy and Planning	To be deleted – new reporting regime to be implemented alongside new Business Assurance approach	6 May 2019 Clause 17.2