



PALMERSTON NORTH CITY COUNCIL

AGENDA

FINANCE & AUDIT COMMITTEE

9AM, WEDNESDAY 19 AUGUST 2020

ELWOOD ROOM, CONFERENCE & FUNCTION CENTRE
354 MAIN STREET, PALMERSTON NORTH



MEMBERSHIP

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

Stephen Armstrong
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 | Civic Administration Building, 32 The Square
City Library | Ashhurst Community Library | Linton Library

Heather Shotter
Chief Executive, Palmerston North City Council

Palmerston North City Council

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Private Bag 11034, 32 The Square, Palmerston North



FINANCE & AUDIT COMMITTEE MEETING

19 August 2020

ORDER OF BUSINESS

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

Page 7

“That the minutes of the Finance & Audit Committee meeting of 17 June 2020 Part I Public be confirmed as a true and correct record.”

6. Human Resources and Health, Safety and Wellbeing Report

Page 13

Memorandum, presented by Alan Downes, Health Safety & Wellbeing Manager.

7. S17A Review of Economic Development

Page 21

Memorandum, presented by Sheryl Bryant, General Manager - Strategy & Planning.

8. Reserve land acquisition - unbudgeted proposals - Whakarongo Lagoon and Greens Road

Page 25

Report, presented by Kathy Dever-Tod, Manager - Parks and Reserves.

9. Whakarongo Housing - Cashflow Analysis

Page 43

Memorandum, presented by Stuart McKinnon, Chief Financial Officer.

10. Quarterly Performance and Financial Report - Quarter Ending 30 June 2020

Page 51

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

11. Update of Treasury Policy (including Liability Management & Investment Policies) Page 135

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

12. Treasury Report - 12 months ending 30 June 2020 Page 185

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

13. Te Huringa (ERP Ozone Replacement) Project - Business Assurance Progress Report Page 195

Memorandum, presented by Masooma Akhter, Business Assurance Manager.

14. Committee Work Schedule Page 229

15. 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 Elwood Room, Conference & Function Centre, 354 Main Street, Palmerston North on 17 June 2020, commencing at 9.02am

Members Present:	Councillor Susan Baty (in the Chair), The Mayor (Grant Smith), Mr Stephen Armstrong and Councillors Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor and Bruno Petrenas.
Non Members:	Councillors Brent Barrett, Rachel Bowen, Zulfiqar Butt, Billy Meehan and Aleisha Rutherford.
Apologies:	Councillor Tangi Utikere.

NOTE: Prior to the commencement of the meeting, Mr Stephen Armstrong was introduced as a new independent member of the Committee.

19-20 Apologies

Moved Susan Baty, seconded Vaughan Dennison.

The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

Clause 19-20 above was carried 16 votes to 0, the voting being as follows:

For:

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

20-20 Confirmation of Minutes

Moved Susan Baty, seconded Lorna Johnson.

The COMMITTEE RESOLVED

1. That the minutes of the Finance & Audit Committee meeting of 18 March 2020 Part I Public be confirmed as a true and correct record.

Clause 20-20 above was carried 16 votes to 0, the voting being as follows:

For:

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

21-20 Palmerston North Airport Limited - Updated draft Statement of Intent for 2020/21

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

After discussion Elected Members agreed an updated company position could be provided in October, as by then Palmerston North Airport Limited would have a better perspective of recovery after COVID-19, and would be able to include financial information from one quarter of the financial year. Elected Members also requested that capital development be progressed when financially prudent.

Moved Aleisha Rutherford, seconded Karen Naylor.

The COMMITTEE RECOMMENDS

1. That the Palmerston North Airport Ltd updated draft Statement of Intent for 2020/21, presented to the Finance & Audit Committee on 17 June 2020, be received and the Company be advised that:
 - Council supports the draft SOI recognising the uncertainty of significant assumptions that have had to be made in its preparation
 - Council requests an updated company position be provided (in October) and if changes have been significant that an amended SOI (including projections for 2021/22 and 2022/23) be provided to the Council for consideration
 - Council encourages the Board to progress its capital development programme when financially prudent.

Clause 21-20 above was carried 16 votes to 0, the voting being as follows:

For:

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

22-20 Fees and Charges - Confirmation Following Public Consultation

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

Moved Susan Baty, seconded Aleisha Rutherford.

The COMMITTEE RECOMMENDS

1. That the submission relating to planning fees, as attached in Appendix A of the memorandum titled 'Fees and Charges – Confirmation Following Public Consultation' presented to the Finance & Audit Committee on 17 June 2020, be received.
2. That the fees and charges for Trade Waste Services, as scheduled in

Appendix C of the memorandum titled 'Fees and Charges – Confirmation Following Public Consultation', presented to the Finance & Audit Committee on 17 June 2020, be approved, effective from 1 July 2020.

Clauses 22.1 and 22.2 above were carried 16 votes to 0, the voting being as follows:

For:

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

Moved Susan Baty, seconded Aleisha Rutherford.

3. That the fees and charges for Planning & Miscellaneous Services, as scheduled in Appendix B of the memorandum titled 'Fees and Charges – Confirmation Following Public Consultation' presented to the Finance & Audit Committee on 17 June 2020, be approved, effective from 1 July 2020.

Clause 22.3 above was carried 15 votes to 1, the voting being as follows:

For:

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

Against:

Councillor Vaughan Dennison.

23-20

Public Rental Housing within Council's Whakarongo Subdivision

Memorandum, presented by Bryce Hosking, Manager - Property.

During discussion Elected Members requested further financial modelling be undertaken to include cashflow analysis of the impact of retaining the Whakarongo subdivision sections vs. selling the sections, and to include any partnership options. Elected Members also requested a report regarding energy and environmental efficiency options for any public housing opportunities, and that the conversation around wider housing development opportunities for Council be referred to the Long Term Plan process.

The meeting adjourned at 10.41am

The meeting resumed at 11.04am

Moved Susan Baty, seconded Brent Barrett.

The COMMITTEE RESOLVED

1. That the memorandum titled 'Public Rental Housing within Council's Whakarongo Subdivision', presented to the Finance and Audit Committee on 17 June 2020, be received for information.
2. That further financial modelling be undertaken to include cashflow analysis of the impact of retaining the sections vs. selling the Whakarongo

subdivision sections and to include any partnership options, and that this be reported back to the August meeting of the Finance & Audit Committee.

Clauses 23.1 and 23.2 above were carried 15 votes to 0, the voting being as follows:

For:

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

Moved Brent Barrett, seconded Susan Baty.

3. That the Chief Executive be instructed to report back to the October meeting of the Finance & Audit Committee regarding energy and environmental efficiency options for any public housing opportunities.

Clause 23.3 above was carried 15 votes to 0, the voting being as follows:

For:

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

Moved Aleisha Rutherford, seconded Leonie Hapeta.

4. That the conversation around wider housing development opportunities for Council be referred to the Long Term Plan process.

Clause 23.4 above was carried 15 votes to 0, the voting being as follows:

For:

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

Note:

Councillor Vaughan Dennison declared a conflict of interest and withdrew from the discussion.

24-20

CET Arena - Commercial Building Opportunity

Report, presented by Bryce Hosking, Manager - Property.

Moved Susan Baty, seconded Vaughan Dennison.

The COMMITTEE RECOMMENDS

1. That Council does not proceed with the balance of programme #1514 – Central Energy Trust Arena Manawatu – Commercial Building in the current financial year.

Clause 24-20 above was carried 16 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar

Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Billy Meehan, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

Moved Susan Baty, seconded Vaughan Dennison.

Note:

On a motion that: "Council considers the construction of a commercial building at Arena, along with the timing of such a development, as part of the 2021-31 Long-Term Plan" the motion was lost 5 votes to 10, with 1 abstention, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Vaughan Dennison, Patrick Handcock ONZM, Leonie Hapeta and Billy Meehan.

Against:

Councillors Susan Baty, Brent Barrett, Rachel Bowen, Zulfiqar Butt, Renee Dingwall, Lew Findlay QSM, Lorna Johnson, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

Abstained:

Mr Stephen Armstrong.

25-20

Committee Work Schedule

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

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

Clause 25-20 above was carried 16 votes to 0, the voting being as follows:

For:

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

The meeting finished at 12.03pm

Confirmed 19 August 2020

Chairperson

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Human Resources and Health, Safety and Wellbeing Report

PRESENTED BY: Alan Downes, Health Safety & Wellbeing Manager

APPROVED BY: Patrick Watson, Chief People & Performance Officer

RECOMMENDATION TO FINANCE & AUDIT COMMITTEE

1. That the memorandum entitled 'Human Resources and Health, Safety and Wellbeing Report' presented to the Finance & Audit Committee on 19 August 2020, be received.

1. REPORT

This report covers the period 1 April to 30 June 2020. The information included in this report is discussed at the appropriate H&S Committees.

2. KEY POINT SUMMARY

- The quarterly dashboard illustrates an increase in incidents across PNCC and within the Infrastructure unit, however overall trend is unchanged. This increase in reporting is an indication of improvements in the reporting culture and effectiveness of reporting tools.
- There were eleven injury incidents with three requiring professional medical attention. Threatening behaviour by customers and driving incidents continue to feature in near miss reports.
- PNCC successfully transitioned personnel back to work following COVID-19 restrictions.
- Alan Downes commenced the position of Health, Safety & Wellbeing Manager on 1 July.
- Immediate Safety, Health & Wellbeing focus is in understanding effectiveness of controls in critical risk areas with particular emphasis on the risk consequence.
- Annual Leave liability has grown during COVID-19 by 4%. It is expected to be managed back to normal levels within the next six months. Management is

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exploring leave liability from a wellbeing, financial liability and process perspective.

- Annual staff turnover is slightly above the 12% target but no immediate management action is required.

3. TRAINING

COVID-19 inhibited progression of training during the lockdown period. A remediation plan is in place.

	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20
Total Number of Events	13	21	21	19	20	14
Total Number of Staff Attending	102	374	106	48	99	34

4. PNCC CRITICAL RISK TABLE

Whole of PNCC	Infrastructure & Whole of PNCC
Mental Health	Excavation
Violence / Robbery	Bodies of Water
Working Alone	Tree-Felling
Asset Failure	Working at Height
Mobile Plant	Confined Spaces
Stationary Plant & Powered Hand Tool	Hazardous Substances

5. CRITICAL INCIDENTS (JULY 2019 – JUNE 2020)

Type	Description	Mitigating / remedial controls
Excavation	<p>9 underground strikes: 4 power cable strikes and 5 gas service strikes.</p> <p>7 near miss incidents were also recorded.</p> <p>Mitigating factors - Service line plan information can be inaccurate, or line is unknown and/or the line has no detection capability.</p>	<p>Work organisation includes securing service line plans and site marking prior to starting work (dial before you dig). Note: Older gas lines do not have a detection capability.</p> <p>Safe systems of work item 3: underground and overhead services procedure in place.</p> <p>An educational programme from service providers started in July 2020.</p>
Mobile plant	During training the trainer was injured when the safety mode was	Both the trainer and trainee have been advised to ensure the safe mode is

	not engaged (digger).	engaged when the digger is not in use.
Powered hand tools/stationary plant	Incorrect use of a hand tool resulted in injury to employee (router).	Employee advised to use safe work practices.
Powered hand tools/stationary plant	While sawing tree and doing tree work, grit got into right eye and eye became infected.	Safety glasses were being used. Saline solution available in first aid kit. Process discussed with operator. Explore use of goggles.
Working at height	While stepping backwards down a ladder the employee slipped and sprained his ankle (3 step ladder).	Employees reminded of the rules around ladder use and the importance of staying engaged in the task.
Asset Failure	Employee received an electric shock when she pushed the call button of the staff lift on the second floor at the Library.	The lift was isolated and service provider called to assess it. Their service provider advised the sanitiser spray residue is causing the problem. Direct spraying has been stopped.
Members of the public (violence)	Customer with knife threatened to attack staff member. Customer on premises with an axe.	Police called, contact with appropriate agencies, security assessment occurred.
Members of the public (violence)	Seven other threatening behaviour incidents.	Provision of body camera, EAP/Vitae support and de-escalation training provided. Reminder to staff on processes for dealing with aggressive behaviour.
Members of the public (violence)	Armourguard attended a noise complaint. Security officer received 3 stab wounds (not life threatening).	Property placed on a dangerous property list requiring police presence if an END* is being issued. Refresher training for all security officers on assessing risk, adherence to operating procedures and PPE use and wearing requirements, e.g. stab resistant protective vest, body camera and high-viz.

* Excessive noise direction

6. ANNUAL LEAVE

The average annual leave balance per staff member is 25.2 days (entitled plus accrued leave). This rose during the Covid19 lockdown when staff did not take leave.

Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20
1556	1660	3287	2051	1884	1749	3006	1775	585

Total days of annual leave taken over the quarter

7. TURNOVER

Turnover for the quarter of permanent staff was 11 or 1.83%. The annual turnover rate was 14.45%. Normally we measure employee initiated turnover only which is 12.1%. Employee initiated turnover are resignations and retirements. Our benchmark is 12% which ensures that we have enough turnover to refresh the organisation.

Date	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20
Employee Initiated	11	12	20	15	11	19	19	26	9
Other	0	0	11	3	5	8	2	2	2


The attachment is the H&S Dashboard for the quarter that is discussed at H&S committees.

8. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
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?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
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	

The action is: Providing a safe and healthy workplace	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Providing a safe and healthy workplace

ATTACHMENTS

1. H&S Dashboard June 2020 [↓](#) 



Health and Safety Quarterly Dashboard Report: April – June 2020



Near Misses

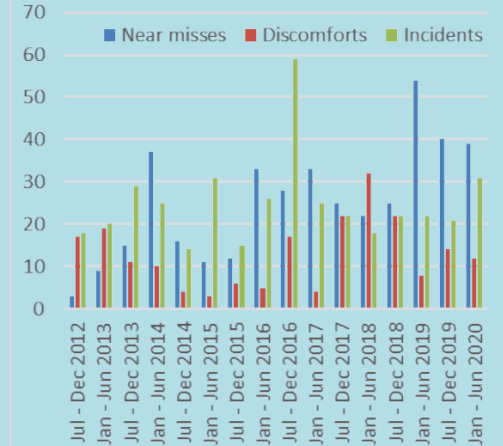
Incidents

Infrastructure

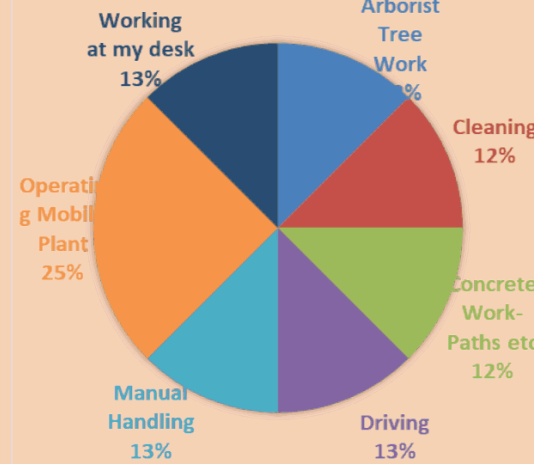
Near Misses by Activity



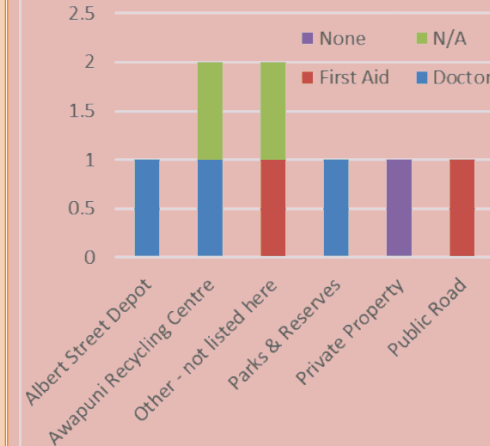
Health and Safety Reporting



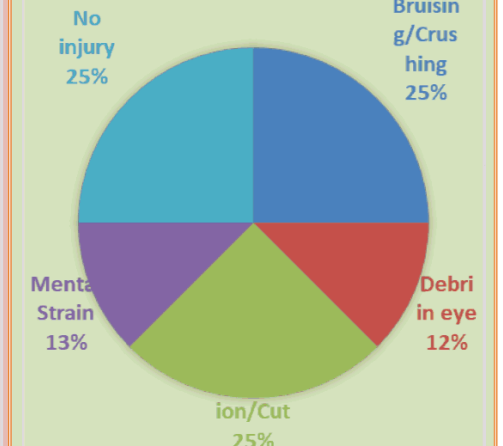
Incidents by Activity



Treatment by Location



Nature of Injury

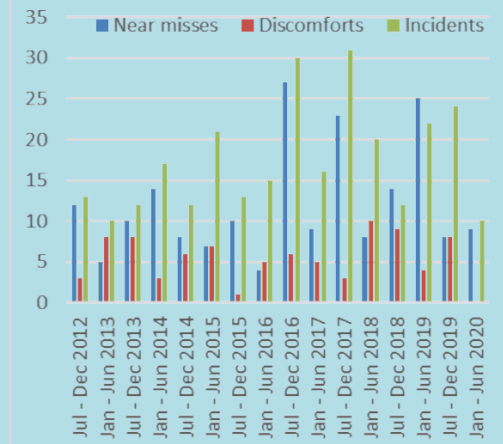


Rest of Council

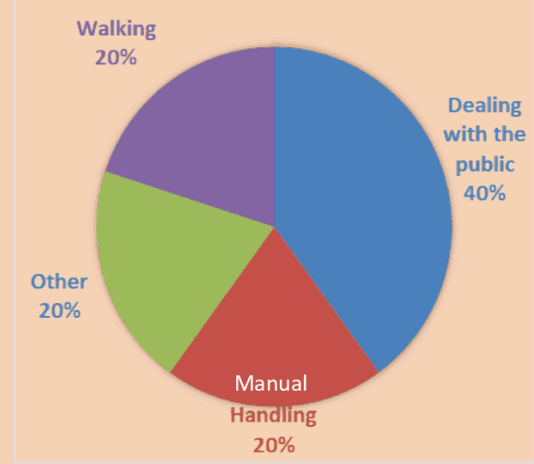
Near Misses by Unit



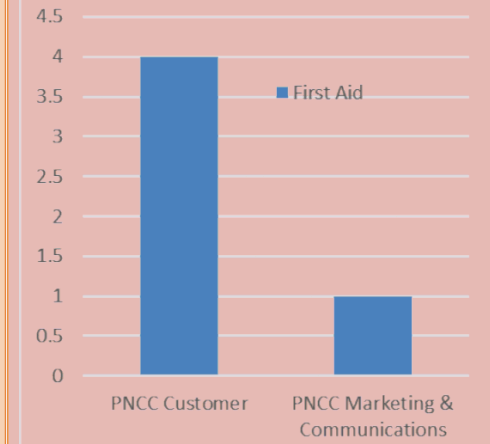
Health and Safety Reporting



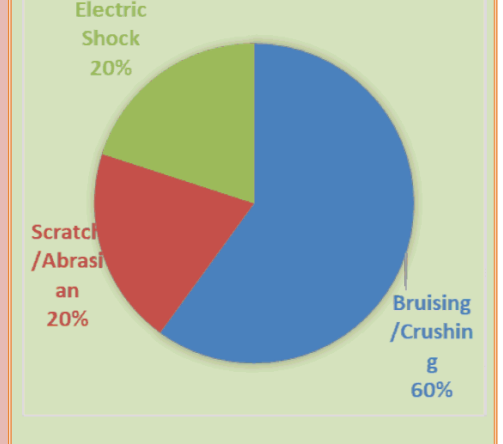
Incidents by Activity



Treatment by Area



Nature of Injury



Combined

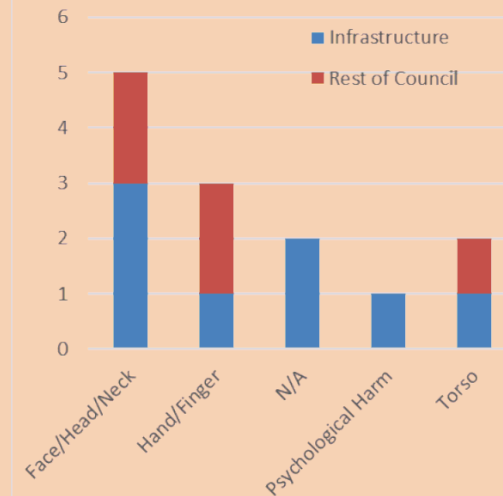
Critical Risks:

There have been several near misses related to PNCC's critical risks in the last quarter:

- One near miss relating to Powertools
- Seven near misses relating to Mobile Plant
- Three near misses relating to Excavation
- One near miss relating to Violence

There have been two incidents relating the critical risk of Mobile Plant in the last quarter, one was a high potential risk. They occurred in Infrastructure

Affected Body Part



Summary:

- As with previous quarters, the majority of near misses in Council relate to driving and threatening behaviour of customers
- Injuries are treated primarily with first aid only.

There were three instances of threatening behaviour reported this quarter, two in Customer and one in Infrastructure

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: S17A Review of Economic Development

PRESENTED BY: Sheryl Bryant, General Manager - Strategy & Planning

APPROVED BY: Heather Shotter, Chief Executive

RECOMMENDATION TO COUNCIL

1. That Council undertake a Section 17A review under the Local Government Act 2002 of Economic Development and that an unbudgeted expense of \$15,000 be approved for the review.

1. ISSUE

Primarily budget provision is being sought to undertake a review of economic development activities.

2. BACKGROUND

Under the Local Government Act 2002, Section 17A, the Council is required to “review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.”

In this case, it is to be no later than every 6 years. CEDA was established to deliver economic development activities for Palmerston North City Council and Manawatu District Council and started operating 1 September 2016.

The Joint Strategic Planning Committee, in a workshop setting, has requested that a S17A review be undertaken in the lead up to the Long Term Plan and before the expiry of the current contract with CEDA, being 30 June 2021. This report will formalise that request as well as seek funding to undertake the review.

Officers have developed terms of reference for the review based on the provisions of S17A and sought proposals to undertake the review.

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No budget provision has been made to undertake this review. Any costs will be shared between Manawatu District and Palmerston North City Councils equally.

3. NEXT STEPS

Once approved, the review can progress. The review will be reported back to the Joint Strategic Planning Committee with any recommendations being referred to each Council.

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?	No
Are the recommendations inconsistent with any of Council's policies or plans?	Yes
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	Section 17 A reviews are a requirement under the Local Government Act 2002.

ATTACHMENTS

1. Extract Local Government Act 2002 Section 17A 

Local Government Act 2002

17A Delivery of services

(1) A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.

(2) Subject to subsection (3), a review under subsection (1) must be undertaken—

- (a) in conjunction with consideration of any significant change to relevant service levels; and
- (b) within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and
- (c) at such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection (1).

(3) Despite subsection (2)(c), a local authority is not required to undertake a review under subsection (1) in relation to the governance, funding, and delivery of any infrastructure, service, or regulatory function—

- (a) to the extent that the delivery of that infrastructure, service, or regulatory function is governed by legislation, contract, or other binding agreement such that it cannot reasonably be altered within the following 2 years; or
- (b) if the local authority is satisfied that the potential benefits of undertaking a review in relation to that infrastructure, service, or regulatory function do not justify the costs of undertaking the review.

(4) A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:

- (a) responsibility for governance, funding, and delivery is exercised by the local authority;
- (b) responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—
 - (i) a council-controlled organisation of the local authority; or
 - (ii) a council-controlled organisation in which the local authority is one of several shareholders; or
 - (iii) another local authority; or
 - (iv) another person or agency;
- (c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed in paragraph (b)(i) to (iv).

(5) If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—

- (a) the required service levels; and
- (b) the performance measures and targets to be used to assess compliance with the required service levels; and
- (c) how performance is to be assessed and reported; and
- (d) how the costs of delivery are to be met; and
- (e) how any risks are to be managed; and
- (f) what penalties for non-performance may be applied; and
- (g) how accountability is to be enforced.

(6) Subsection (5) does not apply to an arrangement to the extent that any of the matters specified in paragraphs (a) to (g) are—

- (a) governed by any provision in an enactment; or

(b) specified in the constitution or statement of intent of a council-controlled organisation.

(7) Subsection (5) does not apply to an arrangement if the entity that is responsible for governance is satisfied that—

(a) the entity responsible for delivery is a community group or a not-for-profit organisation; and

(b) the arrangement does not involve significant cost or risk to any local authority.

(8) The entity that is responsible for governance must ensure that any agreement under subsection (5) is made publicly available.

(9) Nothing in this section requires the entity that is responsible for governance to make publicly accessible any information that may be properly withheld if a request for that information were made under the [Local Government Official Information and Meetings Act 1987](#).

Section 17A: inserted, on 8 August 2014, by [section 12](#) of the Local Government Act 2002 Amendment Act 2014 (2014 No 55).

REPORT

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Reserve land acquisition - unbudgeted proposals - Whakarongo Lagoon and Greens Road

PRESENTED BY: Kathy Dever-Tod, Manager - Parks and Reserves

APPROVED BY: Tom Williams, Chief Infrastructure Officer

RECOMMENDATIONS TO COUNCIL

1. That the report entitled 'Reserve land acquisition – unbudgeted proposals – Whakarongo Lagoon and Greens Road' presented to the Finance & Audit Committee on 19 August 2020, be received.
2. That Council approve acquisition of approximately 3,300m² of part of Lot 1 DP 467810, east of the Whakarongo Lagoon, from the Etheridge family, noting that new operational funding of \$10,000 per year for three years, and \$8,000 per annum thereafter, will be required to maintain this land.
3. That subject to acquisition of the Whakarongo land being approved, Council approve utilisation of Programme 144 Urban Growth – Whakarongo – Reserve Land Purchase in the 2020/21 financial year to fund costs associated with the land acquisition, which are estimated to be \$10,000.
4. That Council approve acquisition of approximately 1.19ha, being part of Lot 1 DP 541201, adjacent to Greens Road, noting that new operational funding of \$1,600 per annum will be required to maintain the land.
5. That subject to acquisition of the Greens Road land being approved, Council approve unbudgeted expenditure of up to \$27,000 in the 2020/21 financial year to purchase the property.
6. That Council note that operational costs associated with land acquisitions approved by Council, as part of report entitled 'Reserve land acquisition – unbudgeted proposals – Whakarongo Lagoon and Greens Road', will be added to existing operating budgets as part of the development of the draft 2021/31 Ten Year Plan.

SUMMARY OF OPTIONS ANALYSIS FOR

Problem or Opportunity	<p>Two opportunities have arisen to acquire approximately 1.52ha of additional reserve areas, which would complement the existing reserve and walkways networks.</p> <p>The owners of 3,300m² of escarpment associated with the Whakarongo Lagoon are proposing to gift it to Council. Council needs to decide if it accepts the costs associated with acquiring and maintaining the land that is proposed to be gifted.</p> <p>The owners of land adjacent to Greens Road are proposing to grant Council an easement over or sell approximately 1.19ha of land alongside the Greens Road boundary of their property. This would make the current temporary off-road path, constructed to improve pedestrian safety during the windfarm development, a permanent feature. Council needs to decide if the costs associated with acquiring and maintaining this easement are acceptable.</p>
Whakarongo Lagoon escarpment extension	
OPTION 1:	Accept the gift of approximately 3,300m² of land, to be part of the Whakarongo Lagoon.
Community Views	<p>Rangitāne o Manawātū are supportive of the land being added to the Whakarongo Lagoon area and restored.</p> <p>The general community has not been consulted.</p>
Benefits	A larger ecological restoration area supporting biodiversity of flora and fauna will be available. This assists with restoring the mauri of the Whakarongo Lagoon. There would be a consistent terrace and lagoon management approach.
Risks	Pest management and restoration planting costs more than estimated.
Financial	<p>\$10,000 subdivision and acquisition costs using budget from Programme 144 Urban Growth – Whakarongo – Reserve Land Purchase.</p> <p>\$5,000 fencing capital costs covered within Programme 95.</p> <p>\$1,000 one-off unbudgeted operational cost to relocate a pohutukawa tree.</p> <p>\$10,000 per year unbudgeted operational costs, for three years, for plant pest control, planting and general maintenance and \$8,000 per annum thereafter.</p>
OPTION 2:	Decline the gift of approximately 3,300m² land to be part of the Whakarongo Lagoon.

Community Views	Rangitāne o Manawātū are supportive of the land acquisition. The general community has not been consulted.
Benefits	Declining the proposal avoids unbudgeted capital and operating costs.
Risks	Any future owner of the escarpment may not undertake planting and animal pest control. This would negatively impact on the aesthetics of the area.
Financial	There are no financial implications associated with declining the proposal.
Greens Road pedestrian easement	
OPTION 1:	Approve the creation of an easement approximately 1km long, over property Lot 1 DP 541201, adjacent to Greens Road to enable off-road walking and running to continue.
Community Views	The local Te Araroa Trail Committee support the proposed easement. Te Araroa Manawatu Trust has an ongoing objective to move more of the trail off the road. The owners of Greens Estate support this proposal as contributing to their future vision for their property. The general community has not been consulted on the proposal.
Benefits	Improves safety by keeping walkers, runners and Te Araroa hikers off the road for approximately 1km. Adds approximately 1.5ha of biodiversity planting opportunities.
Risks	If the Te Araroa Trail was diverted to another route in the future, the benefits would be reduced. Walkers and runners may choose to use the road anyway.
Financial	\$19,239 in unbudgeted legal and easement purchase costs. \$33,750 fencing and minor upgrade costs covered within Programme 95. \$1,600 per year unbudgeted operational maintenance costs.
OPTION 2:	Approve the purchase of a strip of land 1km long on the property, Lot 1 DP 541201, adjacent to Greens Road to enable walking and running access to remain off the road.
Community Views	The local Te Araroa Trail Committee support the proposed easement. Te Araroa Manawatu Trust has an ongoing objective to move more of the trail off the road. The owners of Greens Estate support this proposal as contributing to their future vision for their property. The general community has not been consulted on the proposal.

Benefits	<p>Improves safety by keeping walkers, runners and Te Araroa hikers off the road for approximately 1km.</p> <p>Adds approximately 1.5ha of biodiversity planting opportunities.</p> <p>Purchasing the land provides greater control and less risk for future public use.</p>
Risks	<p>If the Te Araroa trail was diverted to another route in the future, the benefits would be reduced.</p> <p>Walkers and runners may choose to use the road anyway.</p>
Financial	<p>\$26,825 in unbudgeted legal and land purchase costs.</p> <p>\$33,750 fencing and minor upgrade costs covered within Programme 95.</p> <p>Operational costs - \$1,600 per year additional maintenance.</p>
OPTION 3:	Decline the creation of an easement or purchase of approximately 1km long on property, Lot 1 DP 541201, adjacent to Greens Road to enable walking and running access to remain off the road.
Community Views	<p>The local Te Araroa Trail Committee support the proposed easement.</p> <p>The general community has not been consulted as part of the proposal development.</p>
Benefits	No unbudgeted capital and operational expenditure.
Risks	The opportunity for improving the safety and experience of Te Araroa and community walkers for this section of road may not arise again.
Financial	No effect on existing budgets.

RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 Council has two opportunities to enhance the recreational and ecological environments that have not been planned or budgeted for in the current financial year.
- 1.2 The opportunity to accept a gift of approximately 3,300m² of escarpment associated with the Whakarongo Lagoon and connected to James Line, which comes with associated costs.
- 1.3 The opportunity to create an easement on, or purchase of, land adjacent to Greens Road, at the Kahuterawa Road end, allowing walkers and runners to remain off the road. This also comes with associated costs.
- 1.4 This report seeks Council direction on whether to accept or decline these proposals.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

2.1 Whakarongo Lagoon escarpment extension

- 2.1.1 Whakarongo Lagoon and the associated escarpment sits within the Napier Road Residential area as shown in Map 7.5, Section 7, of the District Plan – refer Figure One.



Figure One: Whakarongo Lagoon and Etheridge property

- 2.1.2 Residential development in the area is underway.
- 2.1.3 The developer is required to undertake restoration works on the Whakarongo Lagoon and escarpment before vesting these with Council.
- 2.1.4 Officers identified that there will be a potential disjoint with the restoration of the Lagoon/escarpment and the management of the escarpment in private ownership to the immediate east of the Whakarongo Lagoon. This property is owned by the Etheridges, as shown in Figure One.

2.2 Greens Road pedestrian easement or purchase

- 2.2.1 Greens Road forms part of a popular recreational loop used by walkers, runners, cyclists and horse riders. Greens Road connects the top end of Turitea Road to Kahuterawa Road via a 1.5km section closed to vehicle traffic since the 1990s.

- 2.2.2 Greens Road is also part of the Te Araroa Trail. The Te Araroa route south from Palmerston North, is shown in Appendix One.
- 2.2.3 Over the years Council has supported enhancements to the Te Araroa Trail, which also support local walking and running, through the city with projects such as:
- Up to 2006, working with the Te Araroa Manawatu Trust to establish the route;
 - 2017 Turitea Green Corridor bridge over Turitea Stream \$40,000;
 - 2019 Moturimu Whare and toilet at Gordon Kear Forest \$50,000;
 - 2020 off-road path to take walkers off the Turitea Road escarpment bends \$70,000
- 2.2.4 The landowner adjacent to Greens Road was approached by Electrix and Mercury to facilitate a safe off-road option for cyclists and walkers via his property during the construction of the Turitea Wind Farm. Contours proved difficult for cyclists, but a walking option was feasible.
- 2.2.5 An off-road walking route, marked with poles, was created as an alternative for Te Araroa hikers as the Turitea Wind farm construction commenced during the summer of 2019/20.
- 2.2.6 Mercury and the landowner funded construction of several stiles and small boardwalks over streams and swamps. The Te Araroa Manawatu Trust funded and installed a picnic table. The route was well used by Te Araroa hikers and runners during the summer, reducing on-road conflict with vehicles and tree felling contractors.
- 2.2.7 The property owner, Brad Nieunkoop, is developing the property as a boutique downhill mountain bike venue with longer term aspirations to provide accommodation for users of Arapuke Mountain Bike Park and Te Araroa hikers. He views the hiker/runner use of the proposed easement or land sale as an enhancement to the vision for his property and the district.
- 2.2.8 The upgrade of the road for windfarm construction access has likely resulted in higher operating speeds for general traffic as the road has been widened and sealed.

3. DESCRIPTION OF OPTIONS

3.1 Whakarongo Lagoon escarpment extension

- 3.1.1 Council officers approached the owners to ascertain their intentions for the land including whether they would consider sale to Council.

- 3.2 The owners of the property, Leonie and Roderick Etheridge, were not only receptive to the idea but were considering subdividing their property for sale. They are bird enthusiasts and wished to see the retention of the escarpment in a reserve.
- 3.3 Since discussions with the Etheridges, the property has been placed on the market. It is advertised for sale with the caveat that the owners are currently negotiating possible vesting of a portion of the land with Council.
- 3.4 The Etheridges are aware that a decision of Council is required regarding the vesting of the land, and have asked that this be given some urgency in order to give surety to potential purchasers of their property.
- 3.4.1 **Option One:** *Accept the gift of approximately 3,300m² land, to become part of the Whakarongo Lagoon.*
- 3.4.2 The donation would be executed through a sale and purchase agreement with a sale price of \$1.
- 3.4.3 The approximate area is shown in Figure Two. The actual area gifted would be subject to survey and agreement.



Figure Two: Approximate area of escarpment proposed to be accepted

- 3.4.4 The area forms part of the margins of the Whakarongo Lagoon to the east, being the slope between the terrace and the road being formed as part of the residential development. Accepting the gifted land would essentially extend the Whakarongo Lagoon area.
- 3.4.5 The proposed area comprises a variously sloped bank/terrace area and is heavily vegetated as shown in Figures Three and Four.
- 3.4.6 Work on planting and pest control would be required to progressively bring it up to the same standard as the restored Whakarongo Lagoon.



Figure Three: View of escarpment



Figure Four: Close view of escarpment

- 3.4.7 The Etheridges are keen bird enthusiasts and follow the roosting habits of the birds in large trees located on the land proposed to be gifted. They wish to ensure trees are not removed unnecessarily.
- 3.4.8 A ten to twelve-year-old, 3.5m tall pohutukawa tree is considered particularly special by the Etheridges. It is situated in an awkward location in relation to the land proposed to be gifted, as shown in Figure Five.
- 3.4.9 A cul-de-sac of land would be created to retain it in its present location. The maintenance costs and the potential for issues with the neighbours when the tree matures means it would be better to relocate the tree than amend the land boundary to include it. The cost to relocate the tree to the Whakarongo walkway linking James Line and the Whakarongo School, is estimated at \$1,000.

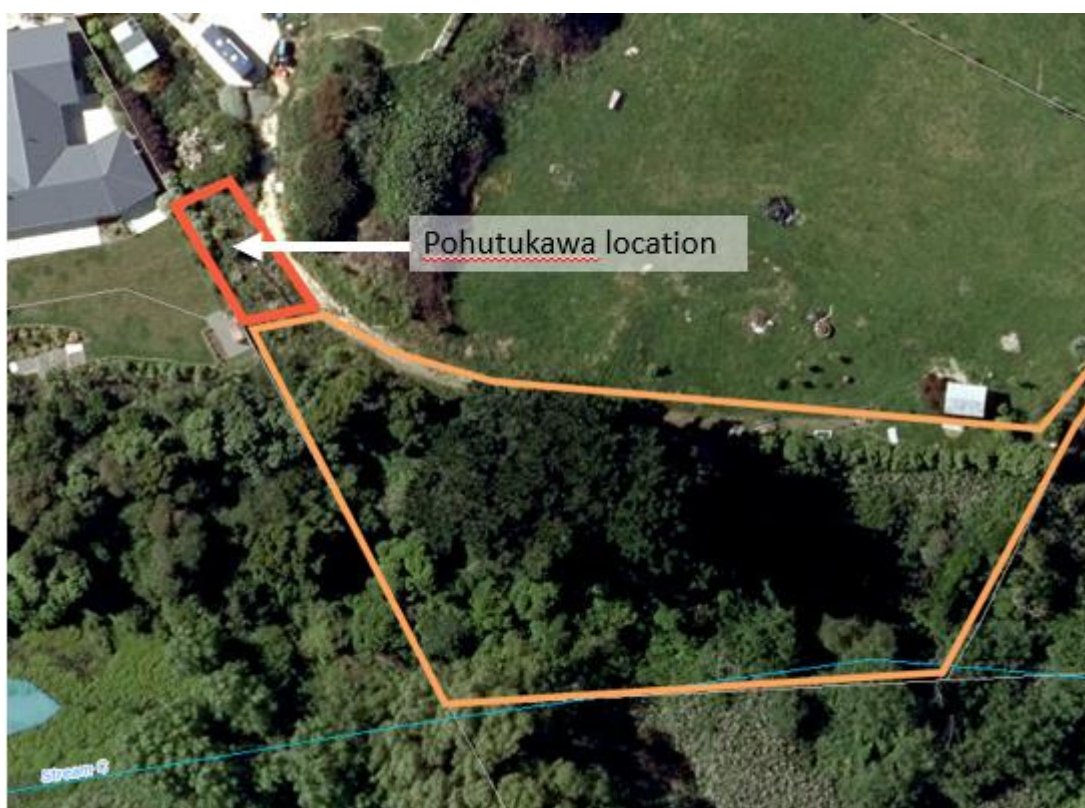


Figure Five: View of escarpment

- 3.4.10 Proposed conditions of the gifting of the land include:
- That the ten to twelve-year-old pohutukawa tree on the property which is being sold into private ownership be relocated to a Council park.
 - That the land be retained by Council as a reserve in perpetuity.

- That the large trees on the land being gifted, both exotic and native, be retained until such time as they either naturally die, are assessed by a suitably qualified person as being a danger to people or property, or be negotiated for removal (in writing) with the Etheridges on a case-by-case basis.

3.4.11 **Option Two:** *Decline the gift of approximately 3,300m² land to be part of the Whakarongo Lagoon.*

3.5 **Greens Road pedestrian easement/purchase**

3.5.1 The owners identified that this temporary safety arrangement could be made permanent, benefiting recreation users and local community in the area. They approached Council officers to consider an easement or sale proposal.

3.6 **Option One:** *Approve the creation of an easement approximately 1km long on property, Lot 1 DP 541201, adjacent to Greens Road to enable walking and running access to remain off the road.*

3.6.1 Under Option One Council would acquire a permanent easement permitting pedestrian access for approximately 1 km along the private land adjacent to Greens Road shown in Figure Six.



Figure Six: Extent of proposed Greens Road pedestrian access length

- 3.6.2 The easement would vary in width following the existing temporary off-road path varying from 3 to 20m wide. A view of the easement corridor is shown in Figure Seven.



Figure Seven: Easement location – view from top of the hill easement path follows the road boundary to the shed visible in the mid right of the photo

- 3.6.3 Council would fence the inside boundary of the easement. Future fence maintenance costs for the inner easement boundary would be shared 50/50, ie. the inside boundary fence of the easement would essentially form the new boundary fence of the useable property.
- 3.6.4 The existing property boundary fence could be left to deteriorate as the easement walkway matures and revegetate as a native roadside boarder.

3.7 **Option Two:** *Purchase the land and own it outright.*

3.7.1 Option Two has the same general features as Option One. Instead of securing an easement Council would purchase the land outright.

3.7.2 Under the purchase option there is one location at which the current owner would require an easement across the purchased land for a potential access to his adjoining land. This is not seen as an issue for the walking/hiking activities.

3.8 **Option Three:** *Decline the creation of an easement/land purchase approximately 1km long on property, Lot 1 DP 541201, adjacent to Greens Road to enable walking and running access off the road.*

3.9 This option would forego the recreation and safety benefits and save Council the unbudgeted acquisition, fencing and maintenance costs.

4. ANALYSIS OF OPTIONS

4.1 **Whakarongo Lagoon escarpment extension**

4.1.1 The costs and benefits of the Whakarongo Lagoon escarpment extension proposal are contained in Table One.

Costs	Benefits
<i>Acquisition Costs – up to \$10,000</i> <ul style="list-style-type: none"> - Subdivision including survey costs, consent and title up to \$8,000 - Legal fees up to \$2,000 	<ul style="list-style-type: none"> - Larger ecological restoration area supporting biodiversity of flora and fauna – supporting the Biodiversity Plan purpose - Assists restoring the mauri of the Whakarongo Lagoon, which Rangitāne o Manawātū support - Allows a consistent terrace and lagoon reserve management approach avoiding any confusion from the public about ownership and management boundaries
<i>Capital Development Cost - \$5,000</i> <ul style="list-style-type: none"> - Fencing (deer fence style) \$5,000 	
<i>Operating costs - \$10,000 per year</i> <ul style="list-style-type: none"> - \$1,000 expenditure in 2020/2021 to relocate the pohutukawa - \$10,000 a year for three years for planting, plant and animal pest control, tree, fence and general maintenance. \$8,000 a year thereafter 	

Table One: Whakarongo Lagoon escarpment extension costs and benefits

4.1.2 The risks are:

- The cost of plant pest removal and restoration planting being higher than estimated.
- No detailed assessment of the escarpment bank stability has been undertaken. The bank appeared stable and well vegetated during a recent site visit. There are no adjacent hard surfaces draining to the bank, which may accelerate erosion. The contour, at its midpoint, is six metres lower than the Whakarongo Lagoon escarpment and is less steep as shown in Figure Eight. The bank stability risk is considered to be very low and can be managed through maintaining vegetation cover or specialised assessment for any proposed works.



Figure Eight: Contour comparison

4.2 **Greens Road pedestrian easement or purchase**

4.3 The costs and benefits of the Greens Road pedestrian easement or purchase proposal are similar. The differences are:

- The cost of buying the land is approximately \$7,000 more than acquiring an easement.
- The benefits of purchase are the rights of outright ownership reducing the risk of negotiations and conflicts between the easement rights and land owners activities.

4.4 Table Two details the costs and benefits of the options.

Costs	Benefits
Acquisition Costs – Option 1 \$20,000 for an easement, or Option 2 \$27,000 to purchase <ul style="list-style-type: none"> - <u>Option 1</u>: Easement purchase valuation is \$15,589. Easement creation costs \$4,000. Total \$19,589 - <u>Option 2</u>: Purchase land freehold land valuation \$20,825, plus \$6,000 in survey and legal fees. Total \$26,825 	<ul style="list-style-type: none"> - Improves Te Araroa Trail quality and safety - Provides additional biodiversity enhancement opportunities - Improves walker/runner safety
Capital Development Cost - \$34,000 <p><i>Both options would incur capital costs of:</i></p> <ul style="list-style-type: none"> - Minor improvements to track \$10,000 - Fencing 950m at \$25 = \$23,750 	
Operating costs - \$1,600 <p><i>Both options would incur operational costs of:</i></p> <ul style="list-style-type: none"> - Track maintenance and clearance - one person for four days per year - 50% of boundary fence maintenance 	

Table Two: Greens Road costs and benefits

4.5 The risks are:

- That the initial trail is proposed to be a grass track as is being used during the windfarm construction. There is a risk over time that an increased level of service might be desired, costing more.
- That hikers may choose to walk down the road as the contours and footing would make walking easier.
- That if the route of the Te Araroa Trail were to change in the future, the demand/use level would reduce.

5. FINANCIAL

5.1 Acquisition Costs

- 5.1.1 Programme 144 Urban Growth – Whakarongo – Reserve Land Purchase sets aside \$659,000 for reserve purchases in the Whakarongo area. Whether the budget is fully subscribed will depend on subdivision progress and final reserve costs. It is likely the \$10,000 cost of the Whakarongo Lagoon escarpment extension can be accommodated in this budget.

5.1.2 Programme 94, Walkways and Shared Path – Purchase of Land to Extend Network contains \$102,000 in the 2020/21 Annual Budget. The following purchases are expected to utilise all of available budget.

- Moonshine Valley Road to Polson Hill Drive walkway connection
- Mangaone Stream Esplanade Reserve

5.1.3 The cost including fees of creating and acquiring the easement, or alternatively purchasing the land at Greens Road, cannot be accommodated within any appropriate existing budget and would require new borrowing.

5.2 Development costs

5.3 Programme 95, Walkways and Shared Path – Construction, has a budget of \$72,000 in 2020/21. The following works are planned:

- McCraes Bush Bridge \$10,000
- Moonshine to Polson fencing \$20,000

5.4 The fencing costs of the Whakarongo Lagoon Escarpment of \$5,000 and the fencing and development costs of the Greens Road easement of \$33,750, can be accommodated within this year's budget provision.

5.5 The cost to move the pohutukawa tree can be accommodated within the existing parks tree maintenance budget.

5.6 Operating Costs

5.6.1 There is no provision in the existing operating budgets for these new reserve and walkway opportunities.

5.6.2 If the proposals were accepted, Council would be committing to additional operational funding of \$10,000 per year for three years, and \$8,000 per annum thereafter for the Whakarongo Lagoon escarpment and \$1,600 per year for the Greens Road easement or purchase. These additional operational costs would need to be incorporated into operating budgets as part of the development of the Draft 2021/31 Ten Year Plan.

6. **CONCLUSION**

6.1 The opportunities presented will allow for improvements to the ecology and recreation in the Whakarongo Lagoon and Greens Road areas.

6.2 Purchasing the 1.19ha of land at Greens Road provides greater control and reduces risks than the option of an easement for a small increase in cost.

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- 6.3 While the development costs of fencing for both areas can be covered from Programme 95 and the acquisition costs for the Whakarongo Lagoon extension from Whakarongo Urban Growth Land Purchases Programme 144, the Greens Road purchase costs of \$26,825 cannot be accommodated from existing budgets.
- 6.4 Additional unbudgeted operational costs of \$11,600 per year would be incurred from 2021/22 should the proposals be accepted, \$10,000 per year at the Whakarongo Lagoon site and \$1,600 per year at Greens Road.
- 6.5 It is recommended that both proposals be approved.

7. NEXT ACTIONS

- 7.1 Complete survey and sale and purchase processes.

8. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

- 8.1 No general community engagement has been undertaken or is proposed. Te Araroa Manawatu Trust support the proposed Greens Road easement and Rangitāne o Manawātū support both proposals.

COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	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?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	
The recommendations contribute to Goal 4: An Eco City	
The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the outcomes of the Eco City Strategy	
The recommendations contribute to the achievement of action/actions in the Active Community Plan	
The recommendations contribute to the achievement of action/actions in the Active Community Plan	
The action is: Extend the walking and cycling network, including completing and upgrading	

parts of the existing network.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	The opportunities to extend the reserve area and recreational access provide opportunities to enhance the biodiversity and recreational opportunities in the city.

ATTACHMENTS

1. Te Araroa route - southern Palmerston North  

APPENDIX ONE:

TE ARAROA ROUTE AND EASEMENT PROPOSAL LOCATION



MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Whakarongo Housing - Cashflow Analysis

PRESENTED BY: Stuart McKinnon, Chief Financial Officer

APPROVED BY: Heather Shotter, Chief Executive

RECOMMENDATION TO FINANCE & AUDIT COMMITTEE

1. That the memorandum entitled 'Whakarongo Housing – Cashflow Analysis' presented to the Finance & Audit Committee on 19 August 2020, be received for information.
-

1. ISSUE

- 1.1 A report titled 'Public Rental Housing within Council's Whakarongo Subdivision' was presented to the Finance and Audit Committee on 17 June 2020.

- 1.2 The Committee Resolved

That further financial modelling be undertaken to include cashflow analysis of the impact of retaining the sections vs. selling the Whakarongo subdivision sections and to include any partnership options, and that this be reported back to the August meeting of the Finance & Audit Committee.

- 1.3 This report is in response to the resolution.

2. BACKGROUND

- 2.1 The above report made a number of broad assumptions regarding the financial implications of building public rental housing at the future Whakarongo subdivision, however the Committee requested a cashflow analysis to gain clarity on the financial impacts of such an investment.

- 2.2 Through the Chair, clarification was sought as to the specifics of the above resolution for which feedback was provided that this analysis should be based on 40 houses being built, as opposed to the 26 discussed as part of the above report, and that

values used should be updated to reflect the best estimates available at the time of writing.

- 2.3 A number of assumptions have been made in preparing the analysis, and external advice was sought. These include significant assumptions on variables such as section sales price, rental incomes, cost of borrowing, the type of housing to be built and cost of house construction. In the cashflow analysis these are presented as average values for the purpose of the modelling. Exact values for the elements above will be subject to market conditions and future decisions regarding the subdivision.
- 2.4 The analysis presented as Appendix 1 makes the following assumptions:
- The subdivision will get appropriate consents within the timeframes and that 114 sections will be available. Consent conditions will not result in significant additional costs of development.
 - A mix of two and three bedroom options with an average build price of \$375,000. (GST is not claimable on residential house building of this nature, so this equates to \$326,086 excl GST). This advice was received from a reputable building company that Council uses, and is the halfway point between \$300k excl GST for two bedroom properties and \$350k excl GST for three bedroom properties.
 - Development costs based on a July 2020 assessment from Veros consultants, who are the development team for the subdivision.
 - An average weekly rental of \$450 per week, available for 48 weeks per annum to allow for vacancies. This is based on advice from Property Market professionals and averages at \$400 per week for a two bedroom property and \$500 per week for a 3 bedroom property.
 - Section sale price average of \$240,000 (incl GST). This is advice received from several Property Market professionals with whom we have engaged.
 - The long-term average cost of borrowing set at 3.4%.
 - Retain houses for 30 years, therefore a 30 year loan timeframe as per financial strategy.
 - Timing of section sales and year of building are estimates and may change.
- 2.5 The cashflow impact of building houses as described above is shown in Appendix 2.

- 2.6 The net impact on operating cashflows is a net cash deficit of \$542k per annum when all houses are built and tenanted. This is the combination of an annual \$272k cashflow deficit and the opportunity cost of a net \$270k in interest savings if no rental houses are built.
- 2.7 The current Long Term Plan assumes that the subdivision will go ahead with all sections being sold, resulting in a cash surplus of approximately \$10m which is currently budgeted to repay debt. Under the scenario presented in Appendix 1 where no houses are built \$10.1m is available for debt repayment or as capacity to complete further developments.
- 2.8 If 40 houses are built that would result in approximately \$7.9m less net revenue in sales, and an additional cost of construction of \$15.3m. The net impact on loans is an increase in debt of \$23.2m over that assumed in the current Long Term Plan.
- 2.9 Consideration should be given to the effect this could have on Council's capacity to borrow, as one of the key challenges we are likely to face through the Long Term Plan will be Council's ability to fund future infrastructure needs.
- 2.10 In summary, building 40 houses will add 23.2m to debt levels and require a rates subsidy of \$272k per annum to rent out. Officers suggest that if this is an option Council would like to pursue, that further financial advice and analysis be sought regarding the implications of this cost in light of other priorities through the Long Term Plan and the overall financial position of Council.
- 2.11 As the cashflow analysis is based on a large number of assumptions, some scenario analysis is presented in Appendix 3. This presents the results under different assumed scenarios such as land sale price, construction price, rental return and interest rate assumptions.

Partnership Opportunities

- 2.12 The original concept for development of the Whakarongo subdivision is based on Council marketing and selling the sections to individual buyers, and current demand for sections suggests that this could be successfully achieved. Alternatively, there could be potential partnership opportunities, and organisations who could be approached regarding the provision of houses at Whakarongo. This needs to be explored further as Officers have not yet had the opportunity to engage with potential partners.
- 2.13 Conceptual strategies for partnership opportunities could be split into 3 broad categories:
 1. Building Companies – retaining as rentals.
 - a. Council provides the land, the building company builds the house, we have a 50/50 split on the rental income and expenses.

2. Building Companies – house and land packages to ensure houses are built.
 - a. Council provides the land, the building company builds the house, house and land packages sold to market, profit split 50/50.
3. Government Organisations.
 - a. Sections sold to government agencies who build the houses themselves at their cost to rent and/or sell to their tenants.
 - b. Examples could be Defence, Roading alliance, etc.

2.11 Council Officers have engaged with a group builder to gauge the interest in options 1 and 2. Whilst this is only one opinion, it does provide some insight. There was not much interest in option 1. This was deemed to be outside of their business model and not something they were interested in engaging on. However, there was some interest in option 2 and this has been done with other clients.




3. NEXT STEPS

3.1 Council to consider its options in respect to retaining 40 sections within the Whakarongo subdivision and the building of public rental housing on these sections.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
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?	No
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 Housing and Future Development Plan	
The action is: Progress a Council led housing development at Whakarongo.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	

ATTACHMENTS

1. Cashflow Analsis - No Houses [↓](#) 
2. Cashflow Analysis - 40 Houses [↓](#) 
3. Scenario Analysis [↓](#) 

Whakarongo Housing Development Cashflows - No Houses

		up to 2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	6 year total
CASH RECEIVED	Variables		10	55	27	22			114
Sales	240,000	0	2,400,000	13,200,000	6,480,000	5,280,000			27,360,000
less GST on sales		0	313,043	1,721,739	845,217	688,696			3,568,696
Cash received		0	2,086,957	11,478,261	5,634,783	4,591,304	0	0	23,791,304
CASH EXPENSES									0
Development Costs		350,000	5,684,000	2,000,000	4,508,201	0			12,542,201
Sales Costs	10,050	0	100,500	552,750	271,350	221,100			1,145,700
Development Contributions	10,954	0	865,366	0	383,390	0			1,248,756
Cash Paid		350,000	6,649,866	2,552,750	5,162,941	221,100			14,936,657
Net Cash		(350,000)	(4,562,909)	8,925,511	471,842	4,370,204			8,854,647
Development Contributions received		0	865,366	0	383,390	0			1,248,756
Net Cash Effect		(350,000)	(3,697,543)	8,925,511	855,232	4,370,204	0	0	10,103,403
Interest (costs)/savings		(11,900)	(137,616)	165,851	194,929	343,516	343,516	343,516	1,241,810

Build and Rent houses Cashflows (Average cost per house)

CAPITAL COST	Build 40 houses	-	-	-					-
Capital New	375,000	-	-	-					-
Project Management		-	-	-	-	-	-	-	-
CASH RECEIVED									-
Rent Revenue	450	-	-	-	-	-	-	-	-
CASH EXPENSES									-
Letting cost	6.0%	-	-	-	-	-	-	-	-
Interest Expense	3.4%	-	-	-	-	-	-	-	-
Loan repayments		-	-	-	-	-	-	-	-
Rates - PNCC	2,330	-	-	-	-	-	-	-	-
- Horizons	500	-	-	-	-	-	-	-	-
Insurance	1,500	-	-	-	-	-	-	-	-
Maintenance	2,000	-	-	-	-	-	-	-	-
TOTAL									-
NET CASH									-
Cumulative Loan Effect									-
Loan (increase)/decrease		(350,000)	(3,697,543)	8,925,511	855,232	4,370,204	0	0	10,103,403
Cumulative Loan Value	-	350,000	4,047,543	(4,877,967)	(5,733,199)	(10,103,403)	(10,103,403)	(10,103,403)	(10,103,403)
Rental Revenue return on Capital =	#DIV/0!						check	check	-

Whakarongo Housing Development Cashflows - Build 40 Houses

		up to 2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	6 year total
CASH RECEIVED	Variables		10	41	14	9			74
Sales	240,000	0	2,400,000	9,840,000	3,360,000	2,160,000			17,760,000
less GST on sales		0	313,043	1,283,478	438,261	281,739			2,316,522
Cash received		0	2,086,957	8,556,522	2,921,739	1,878,261	0	0	15,443,478
CASH EXPENSES									0
Development Costs		350,000	5,684,000	2,000,000	4,508,201	0			12,542,201
Sales Costs	10,050	0	100,500	412,050	140,700	90,450			743,700
Development Contributions	10,954	0	865,366	0	383,390	0			1,248,756
Cash Paid		350,000	6,649,866	2,412,050	5,032,291	90,450			14,534,657
Net Cash		(350,000)	(4,562,909)	6,144,472	(2,110,552)	1,787,811			908,821
Development Contributions received		0	865,366	0	383,390	0			1,248,756
Net Cash Effect		(350,000)	(3,697,543)	6,144,472	(1,727,162)	1,787,811	0	0	2,157,577
Interest (costs)/savings		(11,900)	(137,616)	71,296	12,572	73,358	73,358	73,358	154,424

Build and Rent houses Cashflows (Average cost per house)

CAPITAL COST	Build 40 houses	14	13	13					40
Capital New	375,000		5,250,000	4,875,000	4,875,000				15,000,000
Project Management			100,000	100,000	100,000				300,000
		0	0	5,350,000	4,975,000	4,975,000	0	0	15,300,000
CASH RECEIVED									0
Rent Revenue	450		0	302,400	583,200	864,000	864,000	864,000	2,613,600
CASH EXPENSES									
Letting cost	6.0%		0	18,144	34,992	51,840	51,840	51,840	156,816
Interest Expense	3.4%		90,950	262,893	425,008	498,978	488,013	488,013	1,765,842
Loan repayments			0	105,354	206,905	311,908	322,513	322,513	946,680
Rates - PNCC	2,330		32,620	62,910	93,200	93,200	93,200	93,200	375,130
- Horizons	500		7,000	13,500	20,000	20,000	20,000	20,000	80,500
Insurance	1,500		21,000	40,500	60,000	60,000	60,000	60,000	241,500
Maintenance	2,500		0	35,000	67,500	100,000	100,000	100,000	302,500
TOTAL			151,570	538,301	907,605	1,135,927	1,135,566	1,135,566	3,868,968
NET CASH EFFECT			(151,570)	(235,901)	(324,405)	(271,927)	(271,566)	(271,566)	(1,255,368)
Cumulative Loan Effect									
Loan (increase)/decrease		(350,000)	(3,697,543)	794,472	(6,596,808)	(2,980,285)	311,908	322,513	(12,195,743)
Cumulative Loan Value		350,000	4,047,543	3,253,072	9,849,880	12,830,165	12,518,256	12,195,743	12,195,743

check -

check -

Rental Revenue return on Capital = 5.6%

Scenario Analysis - Whakarongo Subdivision, build houses

All assumptions remain as per those expressed in paragraph 2.4 of the Report and Appendix 2, except for the condition described as the scenario below. The cumulative operating cash effect is the combination of interest savings and operational cashflow up to the end of 2025/26 (6 years). The additional borrowing is at 30/6/2026.

Scenario 1 - Section Sale Price	180,000	200,000	220,000	240,000	260,000
Cumulative Operating Cash Effect	(1,696,968)	(1,498,293)	(1,299,619)	(1,100,944)	(902,269)
Additional Borrowing	15,923,413	14,680,856	13,438,300	12,195,743	10,953,187

Scenario 2 - Construction Price	325,000	350,000	375,000	400,000	425,000
Cumulative Operating Cash Effect	(746,314)	(923,629)	(1,100,944)	(1,278,259)	(1,455,574)
Additional Borrowing	10,319,513	11,257,628	12,195,743	13,133,858	14,071,973

Scenario 3 - Rental Return (per week)	350	400	450	500	550*
Cumulative Operating Cash Effect	(1,646,896)	(1,373,920)	(1,100,944)	(827,968)	(554,922)
Additional Borrowing	12,195,743	12,195,743	12,195,743	12,195,743	12,195,743

* At \$550 per week net cash effect per year is a loss of \$91k. Rent needs to be \$600 per week to break even.

Scenario 4 - Long Term interest rate	2%	2.5%	3%	4%	5%
Cumulative Operating Cash Effect	(644,678)	(802,318)	(965,920)	(1,310,102)	(1,675,303)
Additional Borrowing	11,975,851	12,058,399	12,136,464	12,279,490	12,405,781

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Quarterly Performance and Financial Report - Quarter Ending 30 June 2020

PRESENTED BY: Stuart McKinnon, Chief Financial Officer and Andrew Boyle, Head of Community Planning

APPROVED BY: Stuart McKinnon, Chief Financial Officer
Sheryl Bryant, General Manager - Strategy & Planning

RECOMMENDATIONS TO COUNCIL

1. That the memorandum entitled 'Quarterly Performance and Financial Report – Quarter Ending 30 June 2020' presented to the Finance & Audit Committee on 19 August 2020 be received, and that Council note the following:
 - a. The June 2020 financial performance and operating performance.
 - b. The June 2020 capital expenditure programme progress together with those programmes identified as unable to be completed this financial year.
2. That Council note that the capital expenditure carry forward values in the 2020/21 Annual Budget will be increased by a net \$3,822,000 and capital revenue will increase by \$384,000.

1. ISSUE

To provide an update on the performance and financial achievements of the Council for the period ending 30 June 2020. This is the third update provided for the year, as the March quarterly update was affected by COVID-19.

2. BACKGROUND

Details of operating and financial performance are included in the attachments. Reports are against the goals as detailed in the 10 Year Plan 2018-28.





3. NEXT STEPS

The Annual Report will be provided after clearance has been granted by Audit NZ.

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?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
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 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. Quarterly Performance and Financial Report - Quarter Ending 30 June 2020 - CE and Catalyst Report [↓](#) 
2. Quarterly Performance and Financial Report - Quarter Ending 30 June 2020 - Performance Measures [↓](#) 
3. Quarterly Performance and Financial Report - Quarter Ending 30 June 2020 - Supplementary Material [↓](#) 
4. Quarterly Performance and Financial Report - Quarter Ending 30 June 2020 - Revision to carry forwards 2020-21 [↓](#) 

Report to Council – June 2020

Chief Executive's Report to Council

For June 2020

Introduction

Overall, the year has finished on a relatively positive note, given the impact that Covid19 pandemic has had across the nation, our city, our local communities and our business over the past quarter. During this unprecedented time, I was incredibly proud of how we stepped up to look after the primary needs of our residents through welfare (food, shelter, clothing and medical) needs and essential (call centre, cleaning, rubbish collection, water supply and wastewater disposal) services. Not only were the immediate needs of our city met, the majority of our staff were enabled to deliver either their day to day work remotely at home, or through redeployment into other essential functions. Our Covid19 experience brought our desired culture to life across the organisation with individuals and teams showcasing our new behaviours and values in action.

At the end of June Council adopted our Annual Budget for the next financial year (2020/21). This budget saw significant adjustments from our 10 year Plan in order to balance the need for affordability from our ratepayers due to Covid19 and continuation of our programmes of work to enable our economy to recover and flourish. It also included assumptions on revenue stream reductions from airport dividends due to continued travel restrictions, and limitations of domestic events and conferences. Early indications from data and metrics are that our local and regional economy has recovered well and is not currently heavily impacted from the pandemic. We will however keep a watching brief on these indicators, as government support reduces and the world responds to elimination of the virus.

The Council's 10 Year Plan outlines 94 key performance measures (KPI) that indicate achievement towards the city's vision, goals and guiding principles. For the year end, given how Covid19 impacted our ability to deliver, we performed well with a total of 70 measures (75%) having been achieved. Of the remaining measures, 14 (15%) were not achieved due to reasons outside Council's control, with Covid19 being a key reason for this non-achievement that reduced Council's ability to hold events or enable use of Council facilities. The other 10 (11%) measures not achieved, were related to a variety of reasons, from inability to fill vacancies, incidents of serious traffic crashes, and unforeseen expenses affecting the ability to provide services within budget.

Financial

I am heartened to report that the year ended, with a small favourable surplus in our operational budget of \$72,000. While this is positive news, our overall financial performance has been significantly impacted by the Covid19 pandemic. A favourable surplus of \$2.7M at the end of February proved unsustainable due to lockdown. Lost revenue and unforeseen expenses totalling \$3.5M were offset by interest expense savings, providing a net reduction in surplus of \$2.6M over the final 4 months of the year.

The major losses on net operating revenue included inability to run events at CET Arena (\$540k) and Conference and Function Centre (\$215k), reduction in Parking revenue (\$515k), expenses relating to cancellation of the Military Tattoo (\$310k) that were unable to be offset, an inability to fill planning services vacancies increased the use of consultants (\$270k) to meet statutory timeframes, and reduced charges for commercial tenants (\$70k) during the months of April (100% reduction) and May (50% reduction).

Impacts on operating expenses included security (\$200k) and cleaning (\$65k) of our facilities, and increased expenditure within Emergency Management mostly associated with the welfare function, with the bulk of this (\$1.45M) reimbursed by central government, and the rest (\$300k) associated with staff related costs and pre-lockdown expenses. Working through lockdown has increased our total staff leave liabilities (\$650k), which will be actively managed over the coming months. Some offsets to these increased expenses were made through a reduction in training and travel (\$135k), Council run events (\$55k) and Libraries (\$140k).

While the true impact of Covid19 is largely unknown, the amount of property and water rates owing at year end is 29% higher than the previous year, with a \$460k increase in the amount receivable. We will continue to monitor this over the next financial year.

Outside of Covid19 impacts, additional professional services were required to assist with the timely completion of asset management planning for the long-term plan (\$500k), and net interest for the year was \$2.1M favourable due to lower interest rates and lower debt than budgeted (an expectation that was anticipated but further lowered due to inability to complete capital works during lockdown).

The capital new programme resulted with \$26.5M being completed overall for the financial year against a revised budget of \$57.7M. This outcome led to only 46% of the capital new budget being spent compared to 64% (\$35M) completed in the previous year. This result was heavily impacted by work halting during Covid19 lockdown period, while previous year comparison is skewed by the value of major projects such as He Ara Kotahi. Programmes that were scheduled to be advanced and have contributed to this underspend, include Streets for People (\$2.8M), Papaioea Place Social Housing (\$2.8M) and CET Arena upgrades (\$5.6M).

Renewal expenditure of \$26.7M was completed by the end of the financial year, against a budget of \$29.7M, with a total of 90% of work completed against budget for the year to date. This compares to \$23.3M (90%) completed in the previous financial year. It is fantastic to see this programme of work substantially completed, given the downtime involved during the Covid19 lockdown period and the larger renewal programme.

An estimate of carry forward capital works totalling \$17.6M, based on anticipated works unable to be completed, was adopted as part of the 2020/21 Annual Budget. An adjustment to these carry forwards totalling \$3.8M is also now required. This is made up of \$3.77M capital new and a small amount of capital renewal, with the Covid19 pandemic being a major factor in the carry forward requests. Of the new carry forward requests, \$2.5M relates to existing commitments that were expected to be completed by June, with Streets for People accounting for \$1.4M of this cost. The balance of \$1.4M relates to programmes where no firm commitments were in place, or they weren't identified as needed in 2020/21 and were required to be brought forward, eg, Mercury Energy grant funding being applied to programme 1473 (refer External Fundraising below).

External Fundraising

Through lockdown (April 2020), funding applications were submitted to CIT (Crown Infrastructure Partners) for 10 Shovel ready Projects totalling \$125M. These projects have since been referred to the Provincial Development Unit and at the close of the financial year we are still awaiting advice on whether government assistance will be provided for this shovel ready work.

Funding applications were also submitted to NZTA (May 2020) for 9 "Innovating Streets for People" projects totalling \$742,000. Recently we have been informed that 6 of these projects totalling \$515,890, which is 90% funded by NZTA, have been successful. We are also currently awaiting advice on the success or not of a further 2 applications, totalling \$290,000, which were submitted to the second round of this fund in July.

In June our application to Lottery Community Facilities fund (DIA) for the Splash Pad was unsuccessful as it did not align with the committee's priorities and funding criteria as much as other

requests. This is despite earlier indications that it would be supported. We have requested feedback on this decision.

Lion Foundation has generously allowed Council, subject to providing proof of expenditure, to retain the \$49,000 funding for the Military Tattoo to help offset costs incurred by Council.

In June/July the following applications totalling \$1,172,000 were submitted to the Provincial Development Unit's Provincial Growth Fund (PGF) new financial support package that included community halls. This work was completed within very short timeframes;

- The hall addition at Bunnythorpe Community Hall,
- The Splash Pad at Memorial Park,
- The Bonsai and Lath House at Victoria Esplanade Park,
- The upgrade of the Pavilion Hall at Papaioea Park
- Maintenance work on 4 x PNCC buildings (Totaranui House, Monrad Park Hall, buildings at Memorial Park and at I-Site).

In addition, an Expression of Interest was submitted to PGF for the Turitea Pa Site Viewing Platform (\$200,000), a Council project supported by Rangitāne. We also supported the Te Rangimarie Marae Trustees in their application for maintenance work at Te Rangimarie Marae and associated buildings at Rangiotu.

In July, led by Sacha Haskell, a \$300,000 3-year sponsorship agreement around lighting projects within the City and Arena has been signed with Mercury. \$100,000 of this will be utilised in conjunction with a newly requested carryforward of programme 1473-City Centre Lighting and Projection Demonstration Project.

Catalyst projects

Key highlights over the quarter on the catalyst projects that are a key part of the 10 Year Plan are outlined below. There is more information on all the projects later in this report:

- 'Streets for People' Square East: Progress on site has moved with pace upon Covid19 lockdown being lifted. The footpath was completed quickly and opened for use by the public. Meetings with local businesses recommenced as an important forum to raise issues outside of the project, such as, buses, skateboarding, beggars and smoking. Stage 2 is on track for opening early August 2020. Procurement of design services for the remaining stages of the programme is currently out to market.
- Central Energy Trust Arena Masterplan: As the first project to commence in the city following Covid19 lockdown, construction of the entrance plaza, pits relocation and embankment are now well underway and on schedule. Ground works have advanced, the phoenix palms have been relocated, the embankment has been carved out and the foundations for the ablution block have been poured. By October the speedway pits will be operational for the 2020 speedway season. Final design elements of the works have been developed in partnership with Rangitāne, which will embed our cultural and heritage story into the fabric of the infrastructure created. Potential funding sources are also being pursued to support some items that are outside of the allocated budget, with Mercury Energy recently confirming sponsorship for the Bridge LED lighting work.

Work on a new ceiling, LED lighting and enhanced sprinkler protection system in Fly Palmy Arena also progressed over the last quarter. Following lockdown, works were able to be accelerated while events were limited, with the majority of works now able to be completed by the end of August 2020.

- Victoria Esplanade: Park Road entrance options were workshopped with Elected Members, and a final option selected to proceed to detailed design. Detailed design, resource consent approval, tender documentation and building consent preparations were completed over this quarter for the Bonsai/Lath house. Progress is now waiting on the outcome of third party funding. Progress on temporary improvements to the Exotic Aviary were slowed

due to Covid19 lockdown. Food preparation benches were installed but repairs to the shelter and netting will now progress over the next quarter. Concept design for replacement of the aviary will also progress next quarter, following a review by staff and Massey University Wildbase team.

- Manawatu River Shared Pathway (Ashhurst to City): Designs are underway, and a Resource Consent with Horizons will be submitted when designs are completed, to build another 1.5km of pathway from the end of Te Matai Road along the Manawatu River towards Ashhurst. Negotiations to reach agreement for access across the remaining landholding to connect to the existing pathway at Raukawa Road are continuing, with access agreements critical to completing the link.
- Te Apiti Biodiversity and Recreation: A Governance meeting was held in early May, with the inaugural working group meeting in June to speed up and align the project work with NZTA Te Ahua a Turanga processes.
- Manawatu River Framework: The urban eels project was significantly progressed over the quarter following lifting of lockdown, with final works completed during July culminating in an official opening ceremony on 31st July. Turitea Pa site testing and design works continued over the quarter, with detailed construction plans progressing over the next quarter to enable fabrication of steel and construction from February 2021. The sale and purchase agreement for the Manawatu Golf Club land was completed, and the accretion application now underway. Lighting of the He Ara Kotahi and Fitzherbert Bridge lighting loop will now be considered through the 10 Year Plan process.
- Wastewater Treatment Plant Upgrade: Work on technical assessment of short-listed options continued, and public consultation/stakeholder meetings occurred throughout June and early July. Feedback from consultation and outcomes of treatment solutions require a further review options and associated assumptions in respect to growth, network management and treatment technology. A revised project programme will be submitted to the Project Steering Group in the next quarter, with multi-criteria analysis workshops scheduled for late September/early October.
- Strategic Transport: Collaboration is continuing with NZTA and KiwiRail on the regional freight ringroad and Freight Hub projects. NZTA has shared with council a draft network options report (programme business case) for our feedback. If approved by NZTA Board, it will progress to a package of detailed business case work. Advocacy with government to fast track funding outside the business case process is being worked on concurrently. KiwiRail has announced its preferred site for the regional freight hub with general consultation underway. A Notice of Requirement is expected to be lodged in the next quarter. A resource consent application from was approved for a large distribution warehouse within NEIZ.
- Residential Growth Areas: Over the last quarter, Council's Whakarongo Subdivision stormwater resource consent was submitted to Horizons, with staff continuing to work to obtain a global consent for the entire Whakarongo growth area. Detailed design work is progressing to enable tender preparation for contracted works and pre-sales. Two appeals were lodged to the Environment Court on Plan Change C (Kikiwhenua) with a number of submitters joining the appeals. The structure plan for Aokautere is being finalised and preparations continued for a hearing to designate Abbey Road connection to Johnstone Drive. A High Court injunction lodged to stop the Abbey Road designation was declined.
- Stormwater: Aokautere Structure Plan layout changes required a revisit of the concept design, and discussions are proposed over the next quarter with Horizons on proposed stormwater management and erosion control plan. A draft programme and report for Hai Manga Oranga I Toward Healthy Waterways progressed for submission by the end of July, with the monitoring programme and implementation plans being decided over the next quarter. Whakarongo global consent pre-lodgement meeting with Horizons and Iwi consultation is in progress, with detailed design of the pond and supporting investigations planned over the next quarter. A flood hazard model for Kakatangiata was completed, with detailed modelling now awaiting progress on the development layout.

- **Water Supply:** The Turitea Duplicate Water Main was delayed due to Covid19 lockdown, with two bridge crossings now complete and 10% of the pipework installed. Pipework installation will continue over the next quarter. Papaioea Park bore physical works, including UV treatment, were completed with the commissioning and connection to the network now underway. Progress on the Keith Street bore reservoir is now dependent on the purchase of land and addressing the issue of excessive sand production by the new bore. Stage 2 of the Ashhurst rising main renewal (Hackett's Road bore to Custom Street) is 75% complete, with work programmed for completion over the next quarter. Construction of the chemical treatment works for the final stage of the Railway Road bore is out to tender. Discussions with KiwiRail are required to navigate the impact of the location of Railway Road bore in relation to the proposed KiwiRail freight hub.
- **Three Waters Service Delivery:** Work commenced during May on the joint DIA funded programme to develop a business case for a collaborative service delivery model across councils in the Manawatu region. Concurrently to this work, in June, I joined a joint central/local government steering committee that was established to work collaboratively on a Three Waters Reform Programme, where governments starting intention is for publically owned multi-regional models for water service delivery. A series of workshops across the country are being held over July/August to discuss the first tranche of the reform programme, to sign up to an MOU to investigate multi-regional models alongside a funding agreement to enable councils to construct 3 water infrastructure improvements during the next financial year. Over the next quarter, we will be reviewing and realigning our regional business case work to this new national reform programme.

Organisational Transformation

While the Covid19 pandemic over the last quarter of the financial year provided uncertainty for our city and residents and impacted on our financial and programme performance, we saw the outcomes of the culture transformation we are striving for come to life across the organisation. Our staff stepped up in extraordinary circumstances, and we are now identifying the lessons learnt from this experience to ensure we embed the positive actions, remove barriers to success, and increase our resilience moving forward.

I am looking forward to consolidating our work into next year, to ensure our organisation becomes enablers for our city to grow economically, socially, culturally and environmentally.

Heather Shotter
Chief Executive Officer

Financial Summary to Budget

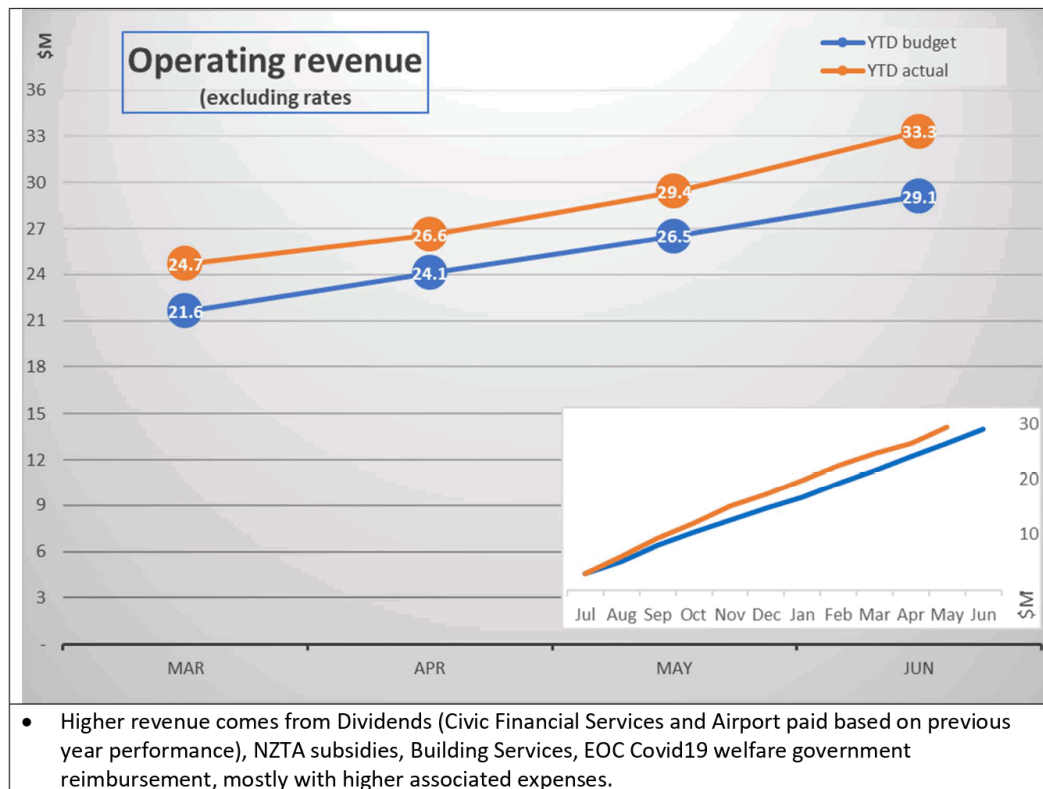
The following table of operating financial performance and graphs are compared to revised budget.

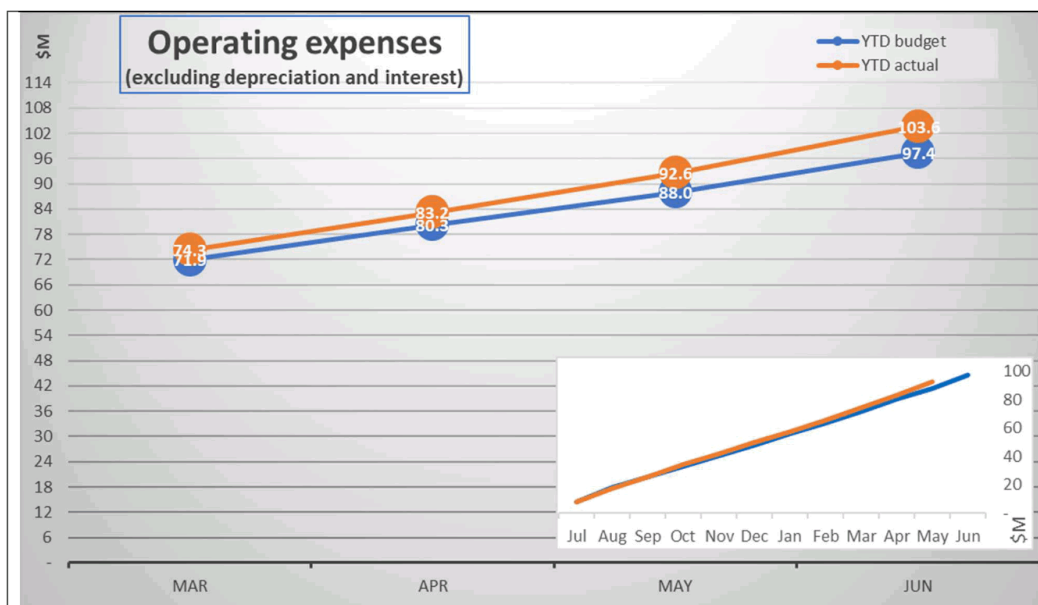
Summary of Financial Performance For the period to 30 June 2020	2019/20 \$000's					
	Year to Date Actual Budget		Variance \$000's %		Full Year Revised Budget	Full Year Annual Budget
Operating revenue	33,338	29,119	4,219	14.5%	29,119	28,978
Rates	98,853	98,893	(40)	(0.0%)	98,893	98,855
Total Revenue	132,192	128,012	4,180	3.3%	128,012	127,832
Operating Expenses	103,565	97,374	(6,191)	(6.4%)	97,374	96,475
Interest	5,527	7,609	2,083	27.4%	7,609	7,599
Total Expenses	109,092	104,984	(4,108)	(3.9%)	104,984	104,074
Operating Controllable Surplus / (Deficit)	23,100	23,028	72	0.3%	23,028	23,759
Depreciation	(37,292)	(35,619)	(1,673)		(35,619)	(35,619)
Non-operating revenue	12,735	15,293	(2,558)		15,293	15,293
Non-operating expenses	(2,456)	(1,998)	(458)		(1,998)	(1,998)
Net Result	(3,913)	704	(4,617)		704	1,435

Highlights:

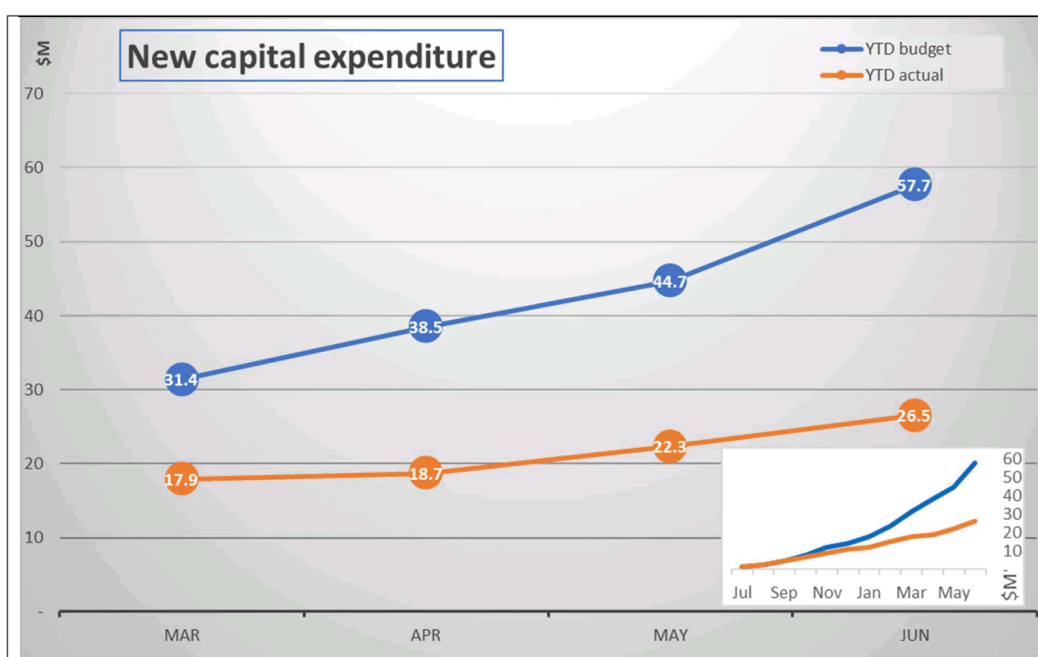
- Overall operating surplus was \$72k favourable against revised budget.
- At the end of February, was \$2.7M favourable, but mostly due to Covid19 and the associated lockdown, the surplus was unable to be sustained, reducing by \$2.6M in the final 4 months of the year. \$3.5M of this reduction was due to operating revenue and expenses, offset by interest expense savings.
- Some of the major impacts on operating revenue lost due to Covid19 included:
 - Net loss of revenue for CET Arena (\$540k) due to inability to run events as well as issues with the liquidity of their ticket vendor.
 - Military Tattoo revenue loss meaning existing expenses were unable to be offset as anticipated (310k).
 - Net loss of revenue for Conference and Function Centre due to inability run events (\$215k).
 - An inability to fill vacancies in planning services led to increased use of consultants in order to meet our statutory timeframes, reducing (\$270k).
 - Parking revenue due to not charging for parking through to the end of Queen's Birthday weekend (\$515k).
 - Commercial tenants weren't charged in April and were charged only 50% in May (\$70k).
- Rates owing at year-end was 29% higher than at the same point last year, a \$460k increase in the amount receivable, affecting both rates and water debtors equally.
- Some of the major impacts on operating expenses due to Covid19 included:
 - Covid19 led to an increased level of service within Emergency Management, with increased expenditure mostly associated with the welfare function. The bulk of this (\$1.45M) was able to be reimbursed by central government, leaving \$300k unable to be claimed for reimbursement due to not being within the criteria (eg. staff related costs, pre-lockdown expenses).

- Cleaning products (\$65k) and security (\$200k) both were higher due to increased need to secure and clean our facilities.
- Working through lockdown increased our staff leave liabilities, leading to the leave liability of Council increasing by \$850k from March – June, and \$650k over the year. This will be actively managed over the coming months.
- Some offsets to the increased expenses were made during those months in training and travel (\$135k), Council run events (\$55k), Libraries (\$140k).
- Outside of Covid19 impacts, additional professional service expenses were required to assist with timely completion of asset management planning for the long-term plan (\$500k).
- Net interest for the year was \$2.1M favourable due lower interest rates and lower debt than budgeted. Lower year-end debt was anticipated in the draft annual budget, but this expectation was further lowered due to the impact of Covid19 due to the inability to complete capital works during lockdown.

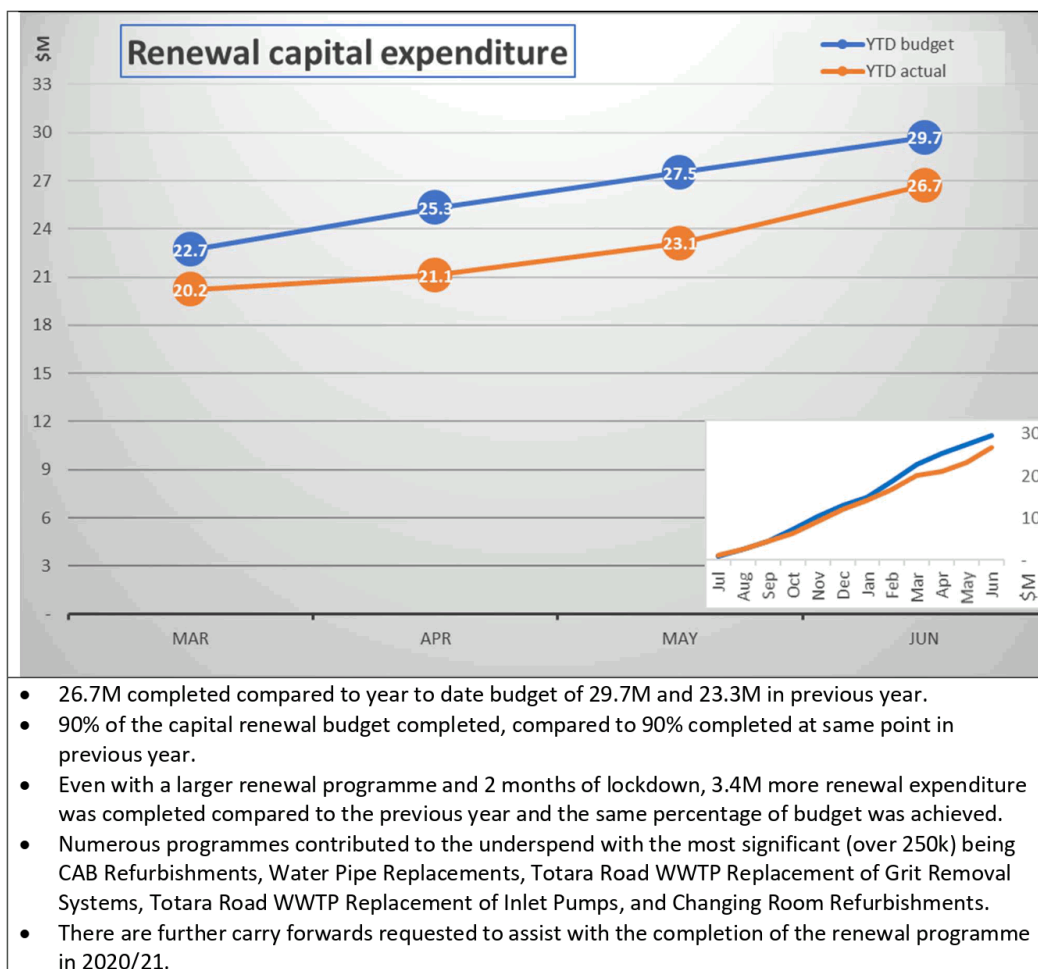




- Higher expenses mainly associated with additional revenues noted above. Some additional costs were also associated with the Covid19 response and asset management planning work.



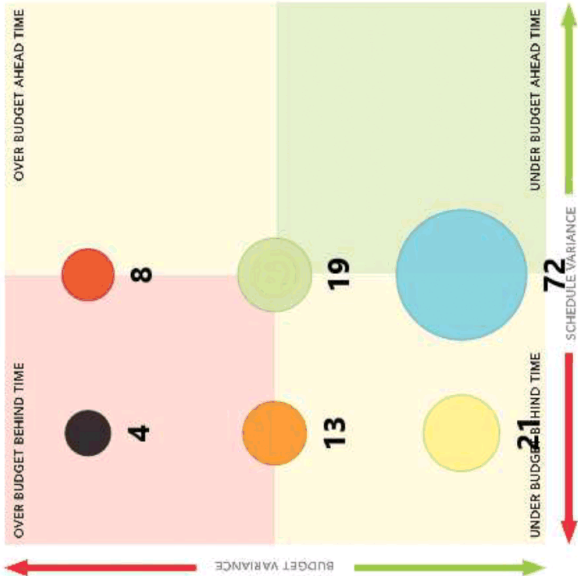
- 26.5M completed in 2019/20 compared to a revised budget of 57.7M and 35.0M in previous year.
- 46% of the capital new budget was completed, compared to 64% completed in previous year.
- Previous year comparisons are skewed by major projects including He Ara Kotahi in previous year, and the effect of Covid19 lockdown on 2019/20 completion. This is reflected in the level of carry forward programmes requested.
- The largest contributors that were scheduled to be further advanced by June 2020 that contribute to the underspend include the Streets for People (2.8M), Papaioea Place Social Housing (2.8M) and CET Arena upgrade (5.6M) programmes.



Capital New Work Summary for JUNE 2019/20

Capital Work Progress and Budget Summary

Description	Programme Count	Budget Health	Schedule Health	YTD Actuals	YTD Budget	Variance	Total Budget
On Budget Behind Schedule	13	●	●	\$5,483,099	\$5,654,099	\$171,000	\$5,654,099
On Track	19	●	●	\$5,592,086	\$5,905,257	\$313,171	\$5,905,257
Over Budget Behind Schedule	4	●	●	\$890,528	\$619,247	(\$271,281)	\$619,247
Over Budget On Schedule	7	●	●	\$1,387,457	\$604,690	(\$782,767)	\$604,690
Under Budget Behind Schedule	21	●	●	\$7,618,231	\$16,150,076	\$8,531,845	\$16,150,076
Under Budget On Schedule	71	●	●	\$5,577,925	\$28,741,239	\$23,163,314	\$28,741,239
Total	135			\$26,549,325	\$57,674,608	\$31,125,283	\$57,674,608

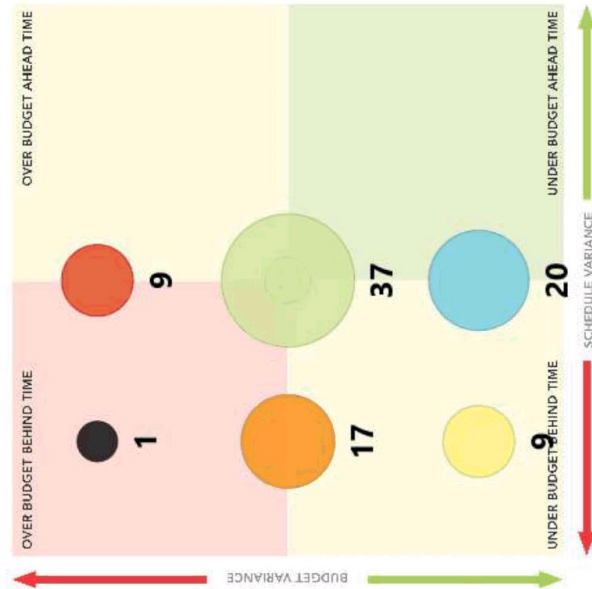


Description	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY
Not Started	50	38	25	19	17	18	16	14	11	9	9
On Budget Ahead of Schedule	3	2	2	2	1	1	1	1	1	1	1
On Budget Behind Schedule	4	4	8	12	11	14	14	9	16	7	12
On Track	54	39	54	26	20	10	13	14	14	13	14
Over Budget Ahead of Schedule	1	1	1	1	3	4	3	4	2	1	1
Over Budget Behind Schedule	2	2	2	5	7	12	10	7	4	3	4
Over Budget On Schedule	17	22	14	14	12	11	9	12	11	10	10
Under Budget Behind Schedule	1	1	2	17	36	50	47	44	50	48	33
Under Budget On Schedule	3	27	28	39	28	17	24	32	29	43	52
Total	134	134	134	135	135	137	137	137	137	135	135

Capital Renewal Work Summary for JUNE 2019/20

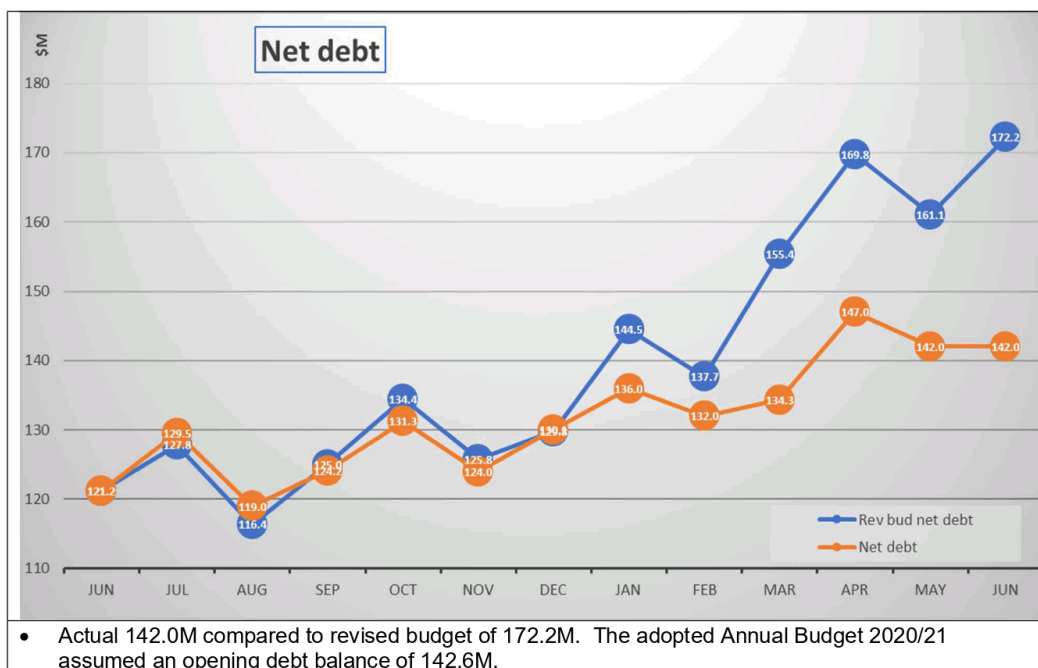
Financial Period
JUNE 2019/20

Capital Work Progress and Budget Summary



Description	Programme Count	Budget Health	Schedule Health	YTD Actuals	YTD Budget	Variance	Total Budget
On Budget Behind Schedule	17	●	●	\$9,562,174	\$9,258,642	(\$303,532)	\$9,258,642
On Track	37	●	●	\$12,358,683	\$13,125,363	\$766,680	\$13,125,363
Over Budget Behind Schedule	1	●	●	\$40,088	\$30,630	(\$9,458)	\$30,630
Over Budget On Schedule	9	●	●	\$1,768,510	\$1,146,762	(\$621,748)	\$1,146,762
Under Budget Behind Schedule	9	●	●	\$1,513,840	\$2,749,277	\$1,235,437	\$2,749,277
Under Budget On Schedule	20	●	●	\$1,441,137	\$3,343,795	\$1,902,658	\$3,343,795
Total	93			\$26,684,432	\$29,654,469	\$2,970,037	\$29,654,469

Description	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Not Started	31	19	14	9	7	7	4	1	1		
On Budget Ahead of Schedule	3	4	5	2	1	1	1				
On Budget Behind Schedule	2	5	2	6	10	8	4	8	4	10	17
On Track	21	39	22	24	13	11	19	21	24	23	37
Over Budget Ahead of Schedule	1	1	1	4	7	4	6	2			
Over Budget Behind Schedule		1	1	4	7	12	6	6	3	3	1
Under Budget On Schedule	15	13	17	15	17	19	18	16	17	17	9
Under Budget Ahead of Schedule											
Under Budget Behind Schedule		2	11	12	22	18	18	22	25	20	9
Under Budget On Schedule	21	11	20	19	10	14	20	18	20	21	20
Total	94	94	94	95	95	95	95	95	94	94	93



Borrowing	2019/20 \$000's					
	Year to Date		Variance		Full Year	Full Year
For the period to 30 June 2020	Actual	Budget	\$000's	%	Revised Budget	Annual Budget
Gross debt	142.0	172.2	30.2	17.5%	172.2	166.8
Cash investments	-	-	-	-	-	-
Net Debt	142.0	172.2	30.2	17.5%	172.2	166.8

- Weighted average cost of borrowing estimated at 4.2% (budget cost of borrowing 5.2%).

10 Year Plan Catalyst Projects Quarterly Update (as at 30 June 2020)

City Centre Transformation Catalyst Projects			
	What happened in the past quarter	Alerts (if any)	What's Next
'Streets for People' (City Centre Streetscape Plan and Redesign)	The project team has been working through the Covid19 extension of time claim from the Contractor. Progress on site has moved at pace, with the main feature being the footpath "opened" for use by the public. The 'town hall' meetings with the local businesses have restarted and have provided a forum for issues to be raised that sit outside of the Project. These issues include re-routing of the buses, skateboarding, beggars and smoking. The Request for Interest for the Design Services for all the remaining stages of the Streets for People Programme is currently out to market.	The Streets for People Programme has put forward as one of the 'Shovel Ready' Projects for Central Government consideration.	The project will be completed in the first week of August. The final details that are to be completed include the installation of the furniture, bins, tree and shrub planting. Planning is currently underway to organise a street party. A workshop with the retailers is planned to look at opportunities for the retailers to make the most of the development that has occurred. This will also set the scene for the programme moving forward.
Te Manawa 2025 Redevelopment/ Central Library	Draft brief completed for Te Manawa and Library development as part of the Civic/ Cultural Precinct.		Finalise brief and update Elected Members.
Central Energy Trust Arena Masterplan and projects	<p>Entrance Plaza, Pits Relocation, and Southern & Western Embankment: Humphries Construction are well underway with these projects and currently running to programme schedule. Ground works are well advanced with in ground services being installed. The phoenix palms have been relocated to their new positions in the Entrance Plaza. The embankment has been carved away and the foundations for the new ablution and service area have been poured.</p> <p>The speedway pits area will be operational for the start of the 2020 season on 24 October, the new ablution block operational in late November and the Entrance Plaza to be fully completed in March 2021.</p> <p>Grandstand: The concept design of the grandstand is still at design freeze stage.</p>	<p>Resource Consent for Embankment: (Minor Risk) Change to resource consent required but changes are very minor.</p> <p>Grandstand Funding: Potential future grandstand trust funding sources continue to be explored. The grandstand was put forward for consideration as part of the Provincial Growth Fund in relation to "shovel ready projects". This project is reliant on external funding.</p>	<p>Entrance Plaza, Pits Relocation, and Southern & Western Embankment: Continuation of construction works in line with programme identified. Monitoring and working through variations to ensure alignment with approved budget.</p> <p>Culture and Heritage input: Further work will continue to finalise Story telling aspects of the design.</p> <p>Embankment Resource Consent: Continue to work through Resource Consent items.</p> <p>Fly Palmy Arena (Arena 2): Works will continue in line with construction programme timelines.</p>

	<p>Administration/ Commercial Building: This project is no longer for consideration in the LTP.</p> <p>Culture and Heritage input: Further defining of items and design have continued in partnership with Rangitāne. This is essentially finalised and was presented to Council in June. Story telling detail is now being done for key messaging and detail of the design. Potential additional funding sources are being investigated and followed up to support items outside of allocated budget. Mercury and PNCC have entered into an agreement where Mercury are sponsoring the install of the Bridge LED project.</p> <p>Resource Consent for Embankment: Consent alterations are still being worked through in relation to the embankment project and urban planning design considerations. There are no concerns in this area.</p> <p>Fly Palmy Arena (Arena 2): Work on the two projects associated with Fly Palmy Arena, the installation of new ceiling, LED lighting and enhanced sprinkler protection system as well as the replacement of cladding on the front and back of the venue, has continued over the past quarter. Most works will be completed by 29 August when the venue is required for a heavy season of major events. Some finishing of the projects will be undertaken during windows available between events.</p>		
Heritage Protection Package	Continue to assess applications for grants. There has been an increase in the number of inquiries regarding the fund.	Many grant applicants could not complete their works due to Covid19. This unused funding was not rolled over and will need to be reallocated in 2020/21.	Continue to promote the fund.

Manawatu River Network Catalyst Projects			
	What happened in the past quarter	Alerts (if any)	What's Next
Victoria Esplanade Masterplan and projects	<p>Park Road entrance: Workshop with Elected Members completed, options developed, costs revised, stakeholders consulted (including User Group), Council approved option to proceed into detailed design.</p> <p>Bonsai/lath House: Detailed design completed. Resource consent approved. Tender documentation prepared. Funding application made. Building consent prepared.</p> <p>Rose Garden/Camellia signage: Design and costing completed. Fabrication started.</p> <p>Wayfinding strategy: First draft report received from consultants.</p> <p>Exotic aviary replacement design: Concept options received and reviewed with operational staff and Massey University Wildbase team.</p> <p>Exotic aviary temporary improvements: Food prep benches installed and plumbed. No progress on aviary steelwork and mesh remediation due to Covid19 and contractor workload.</p>	<p>Park Road entrance: As per Council report some risk of cost overrun vs budget. Tender stage will confirm cost.</p> <p>Bonsai/lath: Progress will depend on achieving 3rd party funding.</p>	<p>Park Road entrance: detailed design and tendering. Report to Council for tender approval.</p> <p>Bonsai/lath House: Await funding application decision. Complete tender documents and tender with proviso of 3rd party funding achieved.</p> <p>Rose Garden/Camellia signage: Complete install.</p> <p>Wayfinding strategy: Review draft strategy.</p> <p>Exotic aviary replacement design: Complete concept design and rough order costing.</p> <p>Exotic aviary temporary improvements: Complete scoped work on shelter and netting repairs.</p> <p>User Forum: Next quarterly meeting.</p>
Manawatū River Shared Pathway (Ashhurst to City)	<p>Engineering designs are in development to determine section by section costs and requirements.</p> <p>The two landowners between Te Matai Road and the Higgins Family land have easement agreements that they are reviewing.</p> <p>PNCC officers have met with Horizons to discuss the requirements for a resource consent. When the necessary designs are produced this application will be submitted.</p>	<p>Negotiations with the landowner adjacent to Raukawa Road have not progressed as hoped. Proposals have been made to place an easement along the boundary of their land, but they have not been accepted.</p>	<p>Designs will be developed into 'For construction' drawings.</p> <p>The resource consent application will be submitted to Horizons.</p> <p>The tender documents will be produced and PNCC will go to market to select a contractor for the project.</p>
Te Apiti Biodiversity and Recreation	<p>Te Apiti Gorge Governance Meeting held in early May. In order to move planning work along faster to keep up with NZTA Te Ahu a Turanga processes an officer level working group was established and first meeting held in June.</p>		<p>Next full governance meeting to be held in August 2020. This will propose that the Masterplan is finalised by March 2021 and that a working group be established on using the old Gorge Rd.</p>

<p>Manawatu River Framework (incl Ahimate Park)</p>	<p>Cultural: The pou were installed and opened. This project has been completed.</p> <p>Riverside Cycle activities: Planning for this year underway.</p> <p>Exercise Equipment: Exercise equipment is still being adjusted after the trial period to improve it. Staff are currently doing design for the coming year's equipment.</p> <p>New exercise equipment is being developed.</p> <p>Lighting Loop (He Ara Kotahi – Fitzherbert Bridge): new design is complete and currently being priced.</p> <p>Urban Eels: The work is complete and the site will be officially opened on 31 July.</p> <p>Albert Street pattern and events hard stand: Albert Street pattern is now complete.</p> <p>Manawatu Golf Club land purchase: Sale and purchase agreement is complete. Will begin accretion application. (Currently much of the land is not technically "owned" by anyone because the river has moved over time and the boundaries shifted. This is called "accretion". Council will now apply for the accretion which will result in the boundaries shifting to the current location of the river.)</p> <p>Victoria Esplanade River Entranceway: Detailed plans are developed and the resource consent application has been accepted.</p> <p>Turitea Pa site: results of testing is back, and adjustments are being made to the design.</p>	<p>Lighting Loop (He Ara Kotahi – Fitzherbert Bridge): Cost of lighting Fitzherbert Bridge has increased due to new design.</p>	<p>Riverside Cycle activities: Will work with track builders to ensure a good surface is laid.</p> <p>Exercise Equipment: Install the equipment at the river.</p> <p>Lighting Loop (He Ara Kotahi – Fitzherbert Bridge): put costs to AMP and 10YP for consideration of additional amount.</p> <p>Manawatu Golf Club land purchase: Apply for accretion.</p> <p>Victoria Esplanade River Entranceway: Build entranceway in September</p> <p>Turitea Pa site: Adjust design and develop detailed construction plans. Begin fabrication of steel in October and construct site February – April.</p>
<p>Te Motu o Poutoa</p>	<p>Meeting date set for the new Co-management Committee.</p>		<p>Report written and to go to Committee in July.</p>

Sustainable Growth Projects Catalyst Projects			
	What happened in the past quarter	Alerts (if any)	What's Next
Wastewater Treatment Plant Upgrade	<p>Project Steering Group (PSG) meetings occurred.</p> <p>Work has continued on technical assessment for the short-list options. Deliverables includes:</p> <ul style="list-style-type: none"> - Finance options - Treatment options - Tradewaste modelling - River modelling <p>Public consultation and stakeholder meetings occurred throughout 2 June to 10 July.</p> <p>Plan Change 2 Submission process re-commenced post-Covid lockdown.</p> <p>Peer Review comments received on all deliverables.</p>	<p>Due to the feedback received from the consultation process, post-Covid as well as outcomes of treatment solutions, the options require further review and assumptions challenged. Programme requires review and extension of decision to early 2021.</p>	<p>Complete land ownership and acquisition options report.</p> <p>Peer Review comments to be responded to and incorporated into options review.</p> <p>Treatment solutions requires review and key assumptions in aspects of growth, network management and treatment technology to be challenged.</p> <p>PC2 Expert conferencing in August with hearings in October.</p> <p>Project Team technical meeting.</p> <p>Submit revised Project Programme to PSG.</p> <p>Multi-Criteria Analysis Workshops to occur in late September and early October.</p>
Regional Ringroad, Rail, Airport and multi-modal infrastructure to enable Longburn and NEIZ industrial growth	<p>NZTA has shared with Council a draft network options report detailing the preferred package of works for the ring road. If the NZTA Board approve this the next stage is a detailed business case. We are also working on coordinated advocacy to the Government to fast track the funding outside of the business case process.</p> <p>KiwiRail has announced the preferred site for the Freight Hub and is undertaking general consultation. The Notice of Requirement is expected to be lodged in the third quarter of 2020.</p> <p>Resource consent application approved for large distribution warehouse at the NEIZ (Progressives).</p>	<p>Some landowners concerned about the impact of the Freight Hub.</p>	<p>Continue to work with NZTA and KiwiRail. Prepare to advocate for the ring road outside of the business case process.</p>
Infrastructure for Residential Growth: Whakarongo, Aokautere, City West Urban Intensification, Ashhurst	<p>Whakarongo: Resource consent was submitted, and Officers continued to work through this process with Horizons.</p> <p>In conjunction with this, the creation of detailed designs started ahead of being able to go out to tender for the contractor works as well as being able to undertake pre-sales.</p>	<p>Whakarongo: Council's Stormwater team is working with Horizons to obtain a global consent for stormwater for the entire Whakarongo growth area.</p> <p>Aokautere: High Court injunction lodged to try and stop Abbey Road</p>	<p>Whakarongo: Continue with finalising detailed design.</p> <p>Kikiwhenua: Plan Change mediation.</p> <p>Aokautere: Finalise Plan Change and report to Council.</p>

	<p>Kikiwhenua: Two appeals lodged on Plan Change C decision and a number of submitters have joined the appeal. Process is now with the Environment Court.</p> <p>Aokautere: Finalising structure plan and preparing for hearing on designation to secure Abbey Road connection to Johnstone Drive.</p> <p>Kakatangiata: Technical analysis to inform District Plan Change.</p> <p>Ashhurst: Technical analysis to inform District Plan Change.</p> <p>Roxburgh Crescent: Technical analysis to inform District Plan Change.</p> <p>Napier Road: Preparing for hearing.</p>	<p>designation was declined.</p>	<p>Kakatangiata: Technical analysis to inform District Plan Change.</p> <p>Ashhurst: Technical analysis to inform District Plan Change.</p> <p>Roxburgh Crescent: Finalise Plan Change and report to Council.</p> <p>Napier Road: Schedule hearing and appoint commissioners.</p>
<p>City-wide Stormwater Management</p>	<p>Aokautere: A revisit to the concept design was undertaken in June to suit the changes in layout (Structure Plan)</p> <p>Hai Manga Oranga Towards Healthy Waterways (HMO): A draft programme and report to be submitted before end of July 2020.</p> <p>Whakarongo: Lodgement report is being prepared, an application to be lodged by end of July. Pre-lodgement with meeting with Horizons and Iwi consultation is in progress.</p> <p>Stormwater Management Framework: GHD (engineering consultants) completed the Final Draft of the Framework early May, pending internal review and final Consultation Workshop.</p> <p>Kakatangiata: Flood Hazard model is completed; next phase of detailed modelling will await progress on the development layout.</p> <p>Stormwater Capital and Renewal: The 2019/2020 budget is programmed, with Hospital Line and Churchill Ave being critical projects for the year.</p>	<p>Whakarongo: Delay of 2 months in the overall programme and date for submission and lodgement of consent as the concept design was delayed.</p>	<p>Aokautere stormwater: Meet with Horizons to discuss the proposed stormwater management and erosion control plan.</p> <p>HMO: Decide on suitable monitoring programme based on the study and plan forward implementation.</p> <p>Whakarongo: Progress with detailed design of the pond, commissioning supporting investigations i.e. geotechnical, formal survey and treatment design.</p> <p>Stormwater Management Framework: Conclude on final draft and progress with Stakeholder Consultation.</p> <p>Stormwater Capital and Renewal: Continue with this year's programmed works and initiate design works for next year's physical works.</p>

City-wide Water Supply, Source and Storage Development	<p>Turitea Duplicate Water Main project: Continuation of the laying of pipe from Water Treatment Plant (WTP) towards Ngahere Park reservoirs. 2 bridge crossing completed and 10% of the pipe installed.</p> <p>Papaioea Park bore: Final physical works are being completed ahead of commissioning and bringing the bore into service. Installation of UV treatment will future proof this site for expected changes to the Drinking Water Standards.</p> <p>Keith Street bore reservoir: Construction of a reservoir at this site is dependent on the adjacent landowner being willing to sell at a reasonable price. Work is on hold until options for addressing the issue of excessive sand production by the new bore.</p> <p>Ashhurst mains: Stage 2 of the Ashhurst rising main renewal which comprises the pipe section of the Hackett's Road bore to Custom Street is approximately 75% complete. Work will continue into 2020/21.</p> <p>Railway Road bore: The final stage comprising construction of the chemical treatment works including the building has been tendered. KiwiRail have been advised about the work undertaken to construct a bore on the corner of Railway Rd and Roberts Line as well as a reservoir, and the associated work that is out to tender. Further discussions will be had about the future of this site.</p>	<p>The Railway Rd bore site is strategic, and key to providing water supply to the North East Industrial Zone and the proposed KiwiRail Freight Hub. The proposed footprint of the KiwiRail Hub has the potential to impact on the Railway bore site and may require relocation of the bore in the longer term.</p>	<p>Turitea Duplicate Water Main project: Continue with the laying of pipe towards Ngahere Park reservoirs with 50-60% of the scope complete.</p> <p>Papaioea Park bore: Commission and connect to the network.</p> <p>Keith Street bore reservoir: Identify alternative bore site for advancing reservoir upgrade ahead of Keith Street.</p> <p>Ashhurst mains: Complete the remainder of the Ashhurst rising main Stage 2 renewal early 2020/21.</p> <p>Railway Road bore: Award tender. Continue discussions with KiwiRail about this site, including what offsets may be made if they require some or all of this land.</p>
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Major Internal Projects			
	What happened in the past quarter	Alerts (if any)	What's Next
Digital Transformation	<p>The Customer Experience (CX) Improvement for Digital Channels project continued to make improvements to Council's digital services. Eg introducing surveys to get quick customer feedback.</p> <p>The Raising the Bar on Data project carried out a stocktake of</p>		<p>The CX Team will run stakeholder and customer workshops in August 2020 in order to describe the ideal customer experience of 'My Council' – a single online place where customers can view their payments and interactions with Council.</p>

	<p>how the organisation collects, manages and uses data to provide its services.</p> <p>The Transformation Team presented a briefing on Smart Cities to Elected Members on 6 June. Smart cities focus on using technology and data to improve traffic flows, conserve energy, gather community views, etc.</p>		<p>Implement improvements prioritised through the Raising the Bar on Data project.</p> <p>Continue to build a common understanding of what Council needs to do to better use and look after data in order to be a smarter city.</p>
Three Waters Model	<p>Co-funding with government on the Manawatu region three waters service delivery review work was confirmed by DIA on 4th May. Manawatu was one of only a few regions to receive co-funding with government.</p> <p>Whanganui stepped back from this next phase of work to take a watching brief. Taranaki who are undertaking a similar study, will join the Manawatu region on the next phase of work (phase 3), with a potential to continue to implement a combined regional approach.</p> <p>The work commenced in May 2020, with a briefing session (15th May) held with 3Waters Managers from across the Manawatu region to advise on the work completed to date and the next phase of work, followed by a series of workshops (commencing on 4th June) to develop a business case for a collaborative service delivery model.</p> <p>During June 2020, a joint steering committee between central and local government was established to work collaboratively on a Three Waters Reform Programme. The government has indicated a starting intention for publicly owned multi-regional models for water service delivery.</p>		<p>A series of workshops are being co-ordinated during July/August 2020 by the central/local government joint steering committee across the country to discuss the first tranche in the reform programme. This includes an offer to sign up to an MOU to investigate multi-regional models, alongside a funding agreement and delivery plan to enable councils to construct 3 water infrastructure improvements during 2020/21.</p> <p>Subject to signing of MOUs across the region, the scope of our Manawatu regional business case work will need to be reviewed and adjusted accordingly to align to the intention for investigation of publicly owned multi-regional models for water service delivery.</p> <p>Business Case development work (Phase 3) that has commenced could be re-scoped with delivery in a similar timeframe (previously anticipated for completion by October 2020).</p>

Quarterly Performance and Financial Report - June 2020

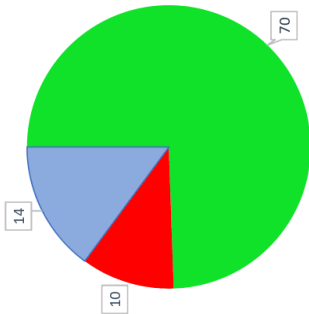
10 Year Plan KPIs

This part of the report looks at how well the Council is delivering on the performance measures, and whether services and projects are being provided within budget

The report is organised by Activities. Each Activity page has "traffic lights" to show progress towards the 10 Year Plan:

	W	G	Y	R	B
Not measured yet					
Achieved					
Not on track, can get back on track					
Did not achieve					
Not achieved for reasons outside of Council's control					

Annual Budget Performance Measure Summary



■ Achieved ■ Did not achieve ■ Not achieved for reasons outside of Council's control ■ Not achieved for reasons outside of Council's control

Performance Measure Summary by Activity					
	G	R	B	Total	
Goal 1 - An Innovative & Growing City					
City Development	6	1	1	8	
Strategic Transport (Roading)	3	4	1	8	
Economic Development	1	-	1	2	
Goal 2 - Creative & Exciting City					
Active Public Space	2	-	4	6	
Arts, Culture and Heritage	4	1	-	5	
Active Community	3	-	2	5	
Goal 3 - Connected & Safe Community					
Connected Communities	15	-	2	17	
Safe Communities	5	-	2	7	
Goal 4 - Eco-City					
Rubbish and Recycling	4	-	-	4	
Biodiversity and Sustainable Practices	3	1	-	4	
Stormwater	6	1	-	7	
Wastewater	6	1	-	7	
Water Supply	9	1	1	11	
Goal 5 - Driven & Enabling Council					
Leadership	3	-	-	3	
Total Measures					
	70	10	14	94	
% of measures able to be measured					
	74.5%	10.6%	14.9%		

Goal 1: An Innovative and Growing City

City Development Activity

Performance Measures (Page 44 of the 10 Year Plan)		Comments	Sept	Dec	Mar	June
01. There is a continual supply of land for at least 1,900 greenfield residential sections.		Good progress in rezoning of land at Kikiwhenua, Kakatangiata, Aokautere, Ashhurst, Napier Road, Flyers Line and Roxburgh Crescent to ensure target is met.	G	G	W	G
02. Ratio of lower quartile home price to median household income. (This measures whether a household that is renting can afford to buy a home. It is part of the MBIE set of indicators and will allow comparisons with other Councils. It is a new measure so Council has no target set yet.)		The December 2018 Housing Affordability Buy measures shows that 74% of Palmerston North renting households fell below the 2013 National Affordability Benchmark	W	W	W	B
03. At least 95% of resource consent applications are processed within statutory timeframes.		In the 19/20 year 65% of planning consents were processed within statutory time frames (320 of 491). The Planning Services team has continued to manage high workloads while being understaffed. Efforts have been made to employ additional staff however there is a nationwide shortage of experienced planners in the regions. Processing delays have also resulted due to delays in receiving urban design and infrastructure feedback from officers and external consultants. We continue our recruitment drive and have one additional planner joining us in August 2020. We still have a senior planner vacancy that we are currently recruiting for. A Communications plan with the development community regarding delays is being developed.	Y	R	W	R
04. At least 95% of building consent applications are processed within statutory timeframes.		Of the 274 building consent applications processed for the quarter, 261 (95%) were processed within the statutory timeframe. Year End: Of 1,214 building consents processed, 1,149 (95%) were within the statutory timeframe.	G	G	W	G
05. Council keeps its status as an accredited building consent authority.		PNCC was reconfirmed for attaining accreditation as a Building Consent Authority on 28 August 2019. The next reassessment will be undertaken in approximately April 2021.	G	G	W	G

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06. At least three years of housing and business land with services is immediately available.	Residential land available via infill, Napier Road, Whakarongo, Milson, Aokautere, Tremaine Ave, Kelvin Grove and Hokowhitu. National Policy Statement (NPS) monitoring demonstrated there is sufficient supply of business land. Early work underway on identifying additional land for small scale industrial. KiwiRail project will provide additional land for large format freight and distribution activities.	G	G	W	G
07. Council development projects reflect principles of good urban design. (Narrative measure)	Master plans directing key catalyst projects at the Manawatu River, city centre, Arena and Esplanade.	G	G	W	G
08. Major services and projects are provided within budget.	Major services and projects have been provided within budget.	G	G	W	G

Strategic Transport (Roading) Activity

Performance Measures (Page 48 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Percentage of requests for service relating to roads and footpaths responded to (with at least an initial formal response) within three working days. (greater than 95%)	4663 of the 5641 requests for service received during the year (82.7%) were responded to within the 3 working days time frame. Achievement of this target is not considered achievable given the majority of RFSs relate to non-urgent work requests. Activity Managers will identify the subset of all RFSs which should be responded to in three days based on urgency and criticality and seek an amendment to the KPI to reflect this.	Y	R	W	R
02. The average quality of ride on the sealed local road network, measured by smooth travel exposure. (STE greater than 80%)	Smooth travel exposure is currently calculated to be 82% and above the target.	G	G	W	G
03. The change in the number of fatal and serious injury crashes from the previous financial year on the city's local road network. (Decline)	The number of fatal and serious injuries has increased from 24 crashes in 18/19 to 43 in 19/20. This is an increase of 19 crashes that are serious or fatal in nature from the previous financial year. It should be noted that common contributing factors are outside of Council's control such as excessive speed, failure to give way/stop and alcohol related crashes. Not necessarily related to Council's local road network standard.	W	B	W	R
04. A decline in the five-year rolling average number of fatal and serious injury accidents.	The five yearly average of fatal and serious crashes has increased from 30.8 to 32.6 (five years ending June 2020 and June 2019). As with the previous performance measure, it should be noted that common contributing factors are outside of Council's control such as excessive speed, failure to give way/stop and alcohol related crashes. Not necessarily related to Council's local road network standard.	G	B	W	R
05. Percentage of sealed roads that are resurfaced each year. (Greater than 3.5%)	In the 2019/20 financial year a total of 3% (16 km) of the sealed road network of 530km was resurfaced. The current level of Council funding for re-sealing is inadequate to achieve the target.	W	B	W	R

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06. The percentage of footpaths that meet Council standard. (Note: Council is developing an improved system for monitoring footpath standards. It is based on IPWEA (Institute of Public Works Engineering Australasia). Footpath Condition Rating Standard, and will be a much more robust way of measuring and prioritizing footpath maintenance and renewals. The results in the first year of its use will be used to set new targets for subsequent years.)	The footpath condition survey will be repeated in the 2022/2023 financial year being year 2 of the next LTP in order to inform the following LTP period. In the intervening period, work will focus on addressing the faults and defects identified during the survey and highlighted to Council from footpath users. The 2018/2019 survey reported 90.7% of footpaths met the minimum standard (Condition Grade 1 to 3) while 2% of the footpaths were graded as very poor (Grade 5) and 7.3% as poor (Grade 4). A total of 2273 grade 4 and 5 faults were identified within the network. During the 2019/20 financial year a total of 694 Grade 4 and 5 faults were addressed or 30% of the total identified in 2018/19. As a result approximately 93% of footpaths in the city are now considered to meet the required standard.	W	W	W	G
07. A 30-year Asset Management Plan is in place for strategic transport and roading, and major AMP projects approved in the 10 Year Plan are achieved. [Specific projects will be listed in the Plan] (Renewals as a group: see note in 10 Year Plan pg. 48)	The Roading Asset Management Plan was completed and adopted by Council prior to adoption of the current 2018-28 LTP. The 2020 AMP is expected to be finalised in August 2020.	G	G	W	G
08. Strategic Transport (Roading) and Active and Public Transport: Major services and projects provided within budget.	Planned network maintenance and renewal programmes of work have been largely delivered as planned despite the Covid19 restrictions. This was in part due to a significant volume of work being undertaken in May and June. Capital new projects which have not been completed due to the Covid19 lockdown, third party issues and delays within Council include Streets for People Square East, College Street Urban Cycleway, Stoney Creek Road, Monrad Pencarrow roundabout as well as a range of footpath extension and minor Road Safety projects.	G	G	W	B

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Economic Development Activity

Performance Measures (Page 58 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Funding is distributed and the contract deliverables achieved with the funding will be described. (Narrative measure)	Primary focus in this quarter has been on response and recovery as a result of Covid19. Additional support was provided by NZTE specifically to assist businesses affected by Covid19.	G	G	B	G
02. Major services and projects are provided within budget.	Operating budget was unfavourable due to Covid19 lockdown affecting Council's ability to generate revenue in the Conference and Function Centre. These weren't able to be completely offset by reductions in operating costs during that period.	G	G	B	B

Goal 2: Creative and Exciting City

Active Public Space Activity

Performance Measures (Pages 65-66 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Projects from the City Centre Streetscape Plan are implemented on time and budget. (Narrative measure)	The Square East Stage 2 project was substantially complete (80%) at the end of the financial year, however final completion has been delayed until early August 2020 due to the Covid19 lockdown.	Y	R	W	B
02. Projects from the Manawatu River Framework are implemented on time and budget. (Narrative measure)	Projects undertaken in this quarter have been implemented and achieved on time and within budget in most cases and are as follows: Urban Eels Project completed at the end of June 2020 on time and within budget. Next stage is preparation for planting. Albert Street Hardstand completed at the end of June 2020 on time and on budget. Preparation work for the Victoria Esplanade Entrance has commenced and is on track. Pou has been installed at Ahimate Reserve with the blessings of Iwi. Turitea Pa project has commenced and is on track. Preparation is proceeding for the AMP for the 10 Year Plan.	G	G	W	G

03. Description of the range of public space projects and their outcomes. (Narrative measure)	<p>Robert Harris Parklet installation – prioritising a carpark to a higher use along a city centre Place Street and reinforcing the character that this longstanding business provides to Square North.Launch of trial parklet kits to lower barriers to entry for businesses wanting to maximise their engagement with the street.Block Party supported by Palmy Unleashed to grow a locally-led food truck event as a staple activation to look forward to in the city centre.Six projects successfully funded by NZTA’s Innovating Streets for People Programme to change behaviours around the role of streets and the way that capital projects can be delivered in a lighter, quicker, cheaper way.Soft launch of a berm garden manual to promote outcomes in the Vegetation FrameworkDevelopment of a cul-de-sac play streets guide to lower barriers to entry for people to use their streets to connect as neighbours and stay active.Community-initiated street tree pilot delivered in Balrickard Way to trial an improved approach towards empowering neighbourhoods to collectively select tree species that suit their values and to participated in the planting of these trees to build an emotional connection to the street.</p>	G	G	W	G	G
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Performance Measures (Pages 65-66 of the 10 Year Plan)		Comments	Sept	Dec	Mar	June
04. Description of the range of community events and initiatives. (Narrative measure)		Monday 16 March 2020, the Government imposed restrictions on public events and mass gatherings. These included activities such as festivals, fairs, sporting, religious and cultural events and subsequently impacted all community events and initiatives programmed through to midnight 8 June 2020. The lock down period enabled preparation and planning for re-imagined, reframed or reinvented events with smaller operational budgets for FY20/21. An event funding framework for FY20/21 has been developed in preparation for July 2020.	G	G	W	B
05. Funding for economic events is distributed and the contract deliverables achieved with the funding are described. (Narrative measure)		Monday 16 March 2020, the Government imposed restrictions on public events and mass gatherings. These included activities such as festivals, fairs, sporting, religious and cultural events and subsequently impacted on all Major Events programmed through to midnight 8 June 2020. The Ford Ranger Rural Games was the last of the large scale events permitted to be delivered under New Zealand's Covid19 Alert level system and we are awaiting a final event report and confirmed attendance numbers from event organisers, a requirement of the contract. The contestable process for FY20/21 has been reviewed and revised in preparation for July 2020.	G	G	W	B
06. Major services and projects are provided within budget.		The cancellation of the Military Tattoo due to Covid19 and refunding of ticket sales is the main cause of this activity being over budget.	Y	Y	W	B

Arts, Culture & Heritage Activity

Performance Measures (Page 71 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Funding is distributed and the key objectives achieved with the funding are described. (Narrative measure)	The Creative Communities Scheme ran its 2nd round of the year in March 2020. 11 applications were received and 10 applications were approved. These numbers were down compared to previous rounds, however, due to Covid19, there was uncertainty how this funding round would occur. \$41,428.06 was allocated to the successful applicants.	G	G	W	G
02. Sites of significance to Rangitāne are identified, protected or acknowledged. (Narrative measure)	Occurring via individual District Plan Changes, .e.g. Plan Change C. A broader District Plan Change is also scheduled for 2021.	G	G	W	G
03. Increase in the number of scheduled heritage features contained in the District Plan. (Current numbers are 7 Sites of Significance to Tangata Whenua, 89 Buildings & Objects, 2 Heritage Areas, 117 Notable Tree and Groups of Tree, and 15 Habitats of Local Significance).	There were no plan changes for this year and the next heritage update is scheduled for 2021.	W	G	W	R
04. Increase in investment in earthquake-prone heritage buildings. (Narrative measure)	Working with a variety of landowners on strengthening of earthquake-prone heritage buildings via the enhanced heritage fund, e.g. Old Post Office.	G	G	W	G
05. Major services and projects are provided within budget.	Major services and projects are provided within budget. There has been delays in Seismic Strengthening work for CAB and Square Edge.	G	G	W	G

Active Community Activity

Performance Measures (Page 76 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. A 30-year Asset Management Plan is in place for sports facilities and major AMP projects approved in the 10 Year Plan are achieved. [Specific projects will be listed in the Plan.] (Renewals as a group and Central Energy Trust Arena projects.)	The Asset Management Plans were adopted by Council in June 2018 and being implemented as per 2018-2028 10 Year Plan. All programmes are on track and going well.	G	G	W	G
02. Sports fields are available for weekend organised use. (At least 85%)	All sports fields were reopened in May 2020 following the seven week lockdown period in which no sports fields were permitted to be open for organised use. Prior to this there had been no sport field closures, so the only closures factored in are the ones during the lockdown period. For the financial year a total of 86.5% availability.	G	G	W	G
03. Swimming pool annual usage:Lido - more than 330,000 peopleFreyberg - more than 110,000 people.Include figures on under 5s, plus comparative to when free swimming under 5s was implemented (last financial year)	During the Covid19 lockdown period there was a decrease in pool usage this quarter. Overall recorded attendance are as follows: Splashhurst - recorded a total of 2,589 and 32 under 5s this quarter. 12 months to June 2020 recorded a total attendance of 18,650.Lido had 24,962 through the facility in the fourth quarter with 597 under 5s. Total attendance 286,065, 25% decrease from 2018/2019. Freyberg achieved a total attendance figure of 13,518 with 282 under 5s. Total attendance 154,604, 13% decrease from last year.	G	G	W	B

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ITEM 10 - ATTACHMENT 2

04. Funding is distributed (for external recreation organisations to help increase levels of participation in sport and active recreation) and the key objectives achieved with the funding are described. (Narrative measure)	Sport Manawatu receives Council funds to assist the community's participation in play, active recreation and sport through various activities, programmes and by allocating funds on Council's behalf (the Active Community Fund that targets people on low incomes). A new funding agreement and strategic partnership plan with Sport Manawatu started on 1 July 2019 and aligns to Council's strategic direction. Sport Manawatu's twelve-month report will be presented to the Play, Recreation and Sport Committee in October 2020 along with officer comments. Officers meet regularly with Sport Manawatu staff to discuss strategic and operational activities that are contributing towards these outcomes.	G	G	W	G
05. Major services and projects are provided within budget.	Arena, Citywide Reserves and Sportsfields are the main reasons why this activity is over budget in OPEX, due to the introduction of new assets. Arena had a major impact by Covid19, revenue was down. There has been more ground maintenance work carried out in the Citywide Reserves and Sportsfields area compared to the previous year, however the budget might not be adequate. With the capital programmes, the major variances came from three Arena related programmes. The lack of progress was due to Covid19.	G	Y	W	B

Goal 3: Connected & Safe Community

Connected Communities Activity

Performance Measures (Pages 93-94 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Library visitor numbers. (More than 800,000 connections a year)	Visits to the City Library (all sites) continued to increase this year with 707,000 visits to 21 March (an increase of 3% over the same period last year). Due to Covid19, the City Library closed on 21 March 2020 and after a staged reopening, as staff returned from redeployments and all requirements under Level 2 were met, all sites were fully reopen for the week commencing 2 June 2020. The digital library remained open during lockdown and during the 9 weeks of Covid19 Alert Levels 4 and 3, library users checked out more than 11,000 eBooks and eAudio, 1400 magazines through RB Digital, read over 600 titles available on Press Reader and made great use of the Storybox and Tumblebooks databases. This year the Manawatu Heritage website hosted 67,734 sessions (an increase of 27% on the previous year) with 303,715 page views, 5,401 downloads and the Manawatu Heritage Tour App hosted 397 sessions with 230 new users. Wi-Fi sessions increased by 3% (209,000 sessions vs 203,000 sessions last year) even with the library being closed for 65 days under Alert Levels 4 and 3, and only partially open for another 27 days under Alert Level 2. The Library App (launched in December 2019 to replace Bookmyne) saw 12,530 sessions.	G	G	W	B
02. Use of physical collections. (Average use per item per year is at least 4)	The closure of The City Library (all sites) due to Covid19 under Alert Levels 4 and 3 for a total of 65 days and limited hours open for a further 27 days under Level 2, impacted the use of physical collections. No physical materials were allowed to circulate until restrictions were lifted and the library was allowed to reopen under Alert Level 2. Items were used an average of 4.12 times a year compared to 4.85 times last year. This usage was still above the national average of 3.42 times per year.	G	G	W	G

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03. Use of digital collections. (Narrative measure)	<p>In response to Covid19, and particularly across Alert Levels 4 and 3, the library continued to be innovative in the way it responded to community needs by providing a range of digital content, services, programmes, connections and experiences. Users had access to more than 35,000 eBook and eAudio titles, a large range of eMagazines, streaming services and a wide range of on-line databases. The breadth of digital content allowed people to learn a language (Mango languages), take a course to learn a new skill (Lynda.com) or have an author read their book to a child (Storybox library). eBook and eAudiobook usage increased by 32% this year (90,799 vs 68,894). Two streaming platforms were added to the digital collection, Beamafilm and Kanopy. Beamafilm is an Australasian video streaming service, featuring a large collection of documentaries, award winning movies, kids' movies, festival favourites, and foreign films. The second platform Kanopy, which also includes Kanopy Kids, provides access to more than 30,000 of the world's best films, including award winning documentaries, rare and hard-to-find titles, film festival, indie, classic and world cinema. Usage of these streaming platforms continues to rise as more people become aware of the huge range on offer.</p>	G	G	W	G
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04. Description of the range of programmes and events. (Narrative measure)	2,350 activities, programmes, events, celebrations and commemorations were delivered prior to the Covid19 lockdown on the 21 March, all with the intention of fostering and supporting the goals of literacy, lifelong learning, creative expression, celebrating heritage and enhancing social connection and wellbeing. Successful examples included literacy programmes across ages and stages, book launches, film festivals and poetry readings, robotics sessions, projection mapping and many informative talks encompassing a wide range of topics and in a number of languages. Now in its 23rd year, the Summer Reading programme was highly successful with over 570 children participating in the programme. The Te Reo and multi-language summer reading streams continued to go from strength to strength and for the second year the programme was offered in fourteen languages. There has been a continued focus on youth development through daily activities and regular events and programmes that utilise Youth Space as a base. The focus this year continued to be on employment and preparing for work with development opportunities offered on CV writing, personal branding, being work ready and youth leadership. These courses have been run in conjunction with local organisations including Careers NZ, Youth Chamber of Commerce and tertiary education providers. All event planning was put on hold at the end of the 3rd quarter due to Covid19. This meant no community events were delivered during the 4th quarter. This also affected Welcoming Communities. A small communications campaign was run to mark World Refugee Day in June. This was built around #PalmyLegends and celebrated 3 locals of refugee background who worked as essential workers throughout lockdown. (This was inspired by the NZ Red Cross' Essential #Kiwilegends campaign.)	G	G	W	G
05. Public toilets are accessible, appropriately located and gender neutral. (Narrative measure)	There is an on-going Annual Programme in place to refurbish and renovate all existing public toilets to be accessible and gender neutral and this is underway. All new toilet blocks are always being installed with this in mind.	G	G	W	G
06. A 30-year Asset Management Plan is in place for community centres and hubs and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	Asset Management Plans are in place, but currently being reviewed by the new Assets and Planning Division in the Infrastructure Unit. There is an on-going Annual Programme in place for renewals for Council's community centres and hubs.	G	G	W	G

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07. Levels of community centre use. (Narrative measure, including use of at least 1400 hours per centre per year)	Covid19 had a significant impact on community centres with all closed during the lock down and return to Level 2. Milson was closed prior to Covid19 closures due to a refurbishment, and Ashhurst also had a repaint. In general, most centres were close to the 1,400 hour target. Usage hours for the complete year are: Ashhurst 1,372, Awapuni 3,581, Highbury Whanau Centre 1,896, Kelvin Grove 1,583, PN Community Leisure Centre 2,267, Milson 1,164, Pasifika 885 and Rangiora 1,329.	G	G	W	B
08. A 30-year Asset Management Plan is in place for the cemeteries and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	Asset Management Plans were adopted by Council in June 2018 and are being implemented as per 2018-2028 10 Year Plan.	G	G	W	G
09. Cemetery provision meets legislative requirements.	The operation of Palmerston North Cemeteries meets all requirements of the Burial and Cremation Act. During 2019/20 Council consulted on minor alterations to the wording of the Palmerston North Cemeteries and Crematorium Bylaw 2018. This work will be finalised in 2020/21 following determination by Council resolution.	G	G	W	G
10. Council housing is tenanted. (At least 95%, excluding units not available due to renovations)	An average of 98% occupancy.	G	G	W	G
11. Council tenants are satisfied with the standard of housing (two-yearly survey). (At least 90%)	Tenant satisfaction survey results show 96% of our tenants are satisfied with the standard of Council housing.	G	G	W	G
12. Units meet the Otago Medical School He Kainga Oranga Rental Warrant of Fitness Standard.	On track and meeting requirements of the WOF standards.	G	G	W	G
13. A 30-year Asset Management Plan is in place for community housing and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group, see note in 10 Year Plan, pg 94)	Asset Management Plans are in place, but currently being reviewed by the new Assets and Planning Division in the Infrastructure Unit. There is an on-going Annual Programme in place to refurbish and renovate existing housing complexes. In addition to this Council is also on track to deliver the Papaioea Place Redevelopment.	G	G	W	G
14. Funding is distributed according to Council's Community Funding Policy and the key objectives achieved with the funding are described. (Narrative measure)	The Community Funding policy has been implemented to delivery the Celebrating Communities Fund and the Local Initiatives fund. The Celebrating Communities Fund had 26 successful applications.	G	G	W	G

15. Positive feedback from residents on Council's community engagement. (Narrative measure)	The 2020 Residents Survey (of 500 randomly selected residents) shows that 44% are satisfied with the opportunity for them to have a say in Council decisions, 42% are neutral and 13% are dissatisfied. The corresponding figures for the ease of having a say are 34%, 46% and 19%. These levels are similar to the 2019 Survey. Council is aiming to increase satisfaction, including by getting people in the neutral grouping more actively involved in Council decisions.	G	G	W	G
16. Description of the range of engagement techniques used by Council. (Narrative measure)	Council's main focus is on online engagement, as this is how most people say they would like to be involved in Council decision making. Hence we use methods like Social Pinpoint and online submissions. These are all coordinated through the "Have Your Say" Engagement Hub on our website. Covid19 reinforced this online approach. Council also uses more traditional methods, such as community meetings and Elected Member drop-in sessions for those who prefer.	G	G	W	G
17. Major services and projects are provided within budget.	Overall services (including Social Housing and Community Centres with higher maintenance) and most projects are provided within budget, with some delays post Covid19 lockdown in major projects such as Papaioea Stage 2. The affordability of the Bunnythorpe Community Centre will be reviewed after the competitive tender process.	G	G	W	G

Safe Communities Activity

Performance Measures (Page 101 of the 10 Year Plan)		Comments					Sept	Dec	Mar	June
01. The range of SAB initiatives and the outcomes they achieve. (Narrative measure)		The Board has met remotely during the Covid19 pandemic to further the work on crafting a strategic plan using the Results Based Accountability framework. A database recording all the initiatives across the City has been established.					G	G	W	G
02. Palmerston North retains its accreditation as a Safe City.		Safe City accreditation retained.					G	G	W	G
03. Council works with local communities to get people prepared for emergencies. (Narrative measure)		Council has worked with community groups and government agencies throughout the Covid19 response providing excellent welfare support to our community. Council will continue to work with local communities to develop community response plans in response to an emergency.					G	G	W	G
04. Three dog education campaigns and / or community events attended.		Linton Family Day, Esplanade Open Day and Rural Day.					G	G	W	G
05. Council is an accredited Food Act verifier. (99% of verifications are conducted within statutory timeframes)		Council is currently an accredited Food Act verifier. Due to Covid19 restrictions, verifications haven't been conducted within statutory timeframes. MPI has introduced Food (Exemption from Compliance with Verification Requirements) Regulations 2020 which give Territorial Authorities 6 months to complete outstanding audits, a catch up plan is being prepared.					G	G	W	B
06. Description of healthy lifestyle initiatives. (Narrative measure)		Sun Protection Policy - Tree planting and shade development has been implemented during this quarter as per 2018-2028 10 Year Plan. Smokefree Outdoors Policy - Smokefree signage are installed in all playgrounds.					G	G	W	G

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07. Major services and projects are provided within budget.	Major services and projects not provided within budget. Covid19 led to an increased level of service within Emergency Management. There was increased expenditure mainly relating to the welfare function. Most of this expenditure has been reimbursed by the government apart from around \$300K of expenditure which does not meet the criteria to be claimed for reimbursement.	G	G	W	B
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Goal 4: Eco-City

Rubbish & Recycling Activity

Performance Measures (Page 108 of the 10 Year Plan)		Comments	Sept	Dec	Mar	June
01. Rubbish and recycling placed in Council's official bags or bins are collected on the stated day. (At least 98%)		99.99% rubbish and recycling placed in Council's official bags and bins were collected on the stated day. There were a total of 34 missed recycling bins and crates, and 21 total missed rubbish bags.	G	G	W	G
02. Compliance with resource consents for the Rubbish and Recycling Activity measures by the number of:- Abatement notices (zero)- Infringement notices (zero)- Enforcement orders (zero)- Convictions (zero)		Complete compliance with resource consent conditions during the period.	G	G	W	G
03. A 30-year Asset Management Plan is in place for rubbish and recycling and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)		AMP in place for Rubbish and Recycling service and major AMP projects approved in the 10 Year Plan are on schedule.	G	G	W	G
04. Major services and projects are provided within budget.		Operational spending is under budget mainly due to revenue earned in recycling area exceeded the expectation. Two of the capital programmes: 1373-City Wide Public Recycling Facility and 1371-Closed Landfills are behind the schedule due to issues with design, contractor availability and Covid19.	G	Y	W	G

Biodiversity and Sustainable Practices Activity

Performance Measures (Page 113 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. 15,000 green corridors trees planted per year. (at least 15,000 on average over three years)	Target met for this year as 15,000 planted. However, not met overall as the average over the last three years was 11,000. It is anticipated that the lower planting numbers from previous years will be off-set by more consistent numbers in the future. The more trees planted have also increased maintenance costs required which effects the budget allowed for new plantings. The 15,000 planted have utilised the entire budget for this project. Planning to plant 20,000 for next year.	G	G	W	R
02. Number and description of sustainable practices campaigns. (Narrative measure)	Major initiatives include PNCC submission to MfE supporting establishment of mandatory product stewardship scheme and signatory to the Digital Wings Programme which donates refurbished high-end quality IT equipment to local community groups. PNCC also supported community and Rangitane led planting and restoration of open drains and streams. Sustainability promotion activities included plastic free July, on-going presentations and workshops to businesses, schools and community groups; increased battery recycling drop-off locations; released five educational videos on Council's recycling, water supply, wastewater and stormwater services; development of collateral for water conservation; Aotearoa Bike Challenge 2020; and involvement in recycling week to promote PNCC services. Due to Covid19 lock-down period, the hazardous household waste collection day has been rescheduled to August 2020. PNCC's organisation-wide sustainability efforts included investments in electric equipment alternatives (ride-on mower and hand held leaf blowers); and supporting re-purposing surplus PNCC furniture.	G	Y	W	G

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03. Number and description of Eco Design home consultations. (Narrative measure)	This fourth quarter has seen 25 in-home consultations taking place. In addition, there were six community/service provider workshop/meetings. There were also 15 media activities undertaken this quarter. For the 12 months to 30 June 2020 totals were: 137 in-home consultations, 32 community/service provider workshop/meetings and 28 engagements with media.	G	G	W	G
04. Major services and projects provided within budget.	Operational expenditure is on budget. Capital expenditure is 13% budget due to Council LED lighting project.	G	G	W	G

Stormwater Activity

Performance Measures (Page 117 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. The number of flood events per year resulting in stormwater from Council's stormwater system entering a habitable floor in an urban area. (No more than 5)	There have been no recorded flood events resulting in stormwater entering a habitable floor during the 2019/20 financial year.	G	G	W	G
02. The number of habitable floors per 1,000 properties within urban stormwater service areas affected by a flood event. (No more than 2)	There have been no recorded flood events resulting in stormwater entering a habitable floor during the 2019/20 financial year.	G	G	W	G
03. Median time to attend a flooding event. (Less than 2 hours) (Note: A flooding event is one resulting in stormwater entering a habitable building.)	There have been no recorded events with the potential for stormwater entry to habitable floor during this 2019/20 financial year.	G	G	W	G
04. The number of complaints received about the performance of Council's stormwater system per 1,000 properties connected. (No more than 15)	To date a total of 320 complaints have been received for the year or 9.6 complaints per 1000 properties connected. The complaints to date include 46 related to sump/grate problems, 79 associated with pipe/underground services damage, 29 cases of property flooding or drainage problems; 145 cases related to roadside ponding and 20 complaints related to waterway or open drain problems.	G	G	W	G
05. Compliance with resource consents for discharge from Council's stormwater system measured by the number of:- Abatement notices (zero)- Infringement notices (zero)- Enforcement orders (zero)- Convictions (zero)in relation to stormwater resource consents	All stormwater consent conditions have been fully complied with, such that no convictions, abatement, infringement or enforcement orders have been received.	G	G	W	G

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ITEM 10 - ATTACHMENT 2

Performance Measures (Page 117 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
06. A 30-year Asset Management Plan is in place for stormwater and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group. City-wide Stormwater Improvement Works (programme 1060))	An Asset Management Plan was adopted by Council in June 2018 following approval of the 2018-28 LTP. The 2020 AMP is currently being developed and the first draft will be available in August 2020.	G	G	W	G
07. Major services and projects are provided within budget.	Stormwater planning and investigation services were provided to expectation but exceeded budget due to the additional costs of consultancy to prepare assessments for plan changes, structure plans and for the drafting of asset management plans. Capital new and renewal projects were all completed within available budgets.	G	G	W	R

Wastewater Activity

Performance Measures (Page 123 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Number of dry weather wastewater overflows from Council's wastewater system per 1,000 connections per year. (No more than 1)	There were 20 recorded incidents of a dry weather wastewater overflow during the 2019/20 financial year, which is equivalent to 0.605 overflows per 1000 connections.	G	G	W	G
02. Complaints per 1,000 connections about:- Wastewater odour (No more than 1)- Wastewater system faults (No more than 3)- Wastewater system blockages (No more than 10)- Council's response to issues with the wastewater system. (No more than 1). (total target: no more than 15)	411 complaints or RFS were received during the 2019/20 year to date, or an average of 12.43 complaints per 1000 connections. Of these 244 complaints, 222 (54%) were attributable to service issues and resulted in a work order being issued and work being undertaken. Complaints included 21 for wastewater odour (0.6 per 1000 connections), 88 manhole faults (2.7 per 1000 connections) and 302 relating to network blockages or wastewater leaks (9.13 per 1000 connections). Complaints attributable to the performance of Council assets and systems are tracking at around 54% of total complaints and well below the target.	G	G	W	G
03. Median time for attending to overflows resulting from blockages or other faults. (Less than 1.5 hours)	Median time for attending to an overflow resulting from a blockage is 0.56 hours. Maximum time for attending to an overflow resulting from a blockage is 207 hours.	G	G	W	G
04. Median time for resolution of overflows resulting from blockages or other faults. (Less than 8 hours) (Attendance and resolution is less than 9.5 in total)	The median time for resolution of an overflow resulting from blockages or other faults is 4.27 hours. The maximum time for resolution of overflows resulting from blockages or other faults 517 hours.	G	G	W	G
05. Compliance with resource consents for discharge from Council's wastewater system as measured by the number of:- Abatement notices (zero)- Infringement notices (zero)- Enforcement notices (zero)- Convictions received by Council in relation to resource consents (zero)	All wastewater consents have been fully complied with such that no convictions, abatement, infringement or enforcement orders have been received during the year.	G	G	W	G
06. A 30-year Asset Management Plan is in place for wastewater and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	A 30 year Asset Management Plan was adopted by Council in June 2018 ahead of approval of the 2018-28 LTP. The 2020 AMP is currently being prepared and the first draft will be available by August 2020.	G	G	W	G

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07. Major services and projects are provided within budget.	Wastewater services were provided however operational costs exceeded budget due to additional costs for consultancy for investigation and planning of upgrades at the WWTP and the drafting of the asset management plan. Covid19 lockdown has resulted in progress delays for a number of projects including Seismic Strengthening of Totara Rd Treatment Plant, Replacement of the Inlet Screens, Renewal of the Lift Pumps and Renewal of the Grit Removal Systems.	G	Y	W	R
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Water Supply Activity

Performance Measures (Pages 130-131 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
01. Compliance with Part 4 (bacteria compliance criteria) of the Public Health Act 1956 (as amended by the Health (Drinking Water) Amendment Act 2007). (100%)	All monitoring data received to date indicates full compliance with bacterial compliance criteria included in the New Zealand Drinking Water Standards. The compliance assessment report is not due until Q2 of the 2020/21 year.	G	G	W	G
02. Compliance with Part 5 (protozoal compliance criteria) of the Public Health Act 1956 (as amended by the Health (Drinking Water) Amendment Act 2007). (100%)	All monitoring data received to date indicates full compliance with bacterial compliance criteria included in the New Zealand Drinking Water Standards. The compliance assessment report is not due until Q2 of the 2020/21.	G	G	W	G
03. The number of complaints per 1,000 connections relating to clarity, taste, odour, continuity of water supply, drinking water pressure or flow, and Council's response to any of these issues (no more than 40).	Total of 1406 complaints received for the year or 43.65 complaints per 1000 connections. The 1406 complaints included 70 mains bursts, 40 low pressure issues, 78 issues associated with continuity of supply, 61 for meter faults, 630 toby faults, 7 for bad smell, 146 for discoloured water, 9 water taste issues. The target will not be met without significant additional funding for renewal of network assets such as meters, tobies, hydrants and valves.	G	Y	W	R
04. Average consumption of drinking water per day per resident. (no more than 360 litres per person per day)	Average consumption of drinking water per day per resident is estimated at 197L, well below the 360 litre target.	G	G	W	G
05. Median response time for urgent call-out attendance. (2 hours or less)	The median response time for the 28 of the 78 urgent call-outs for which response time is recorded is 0.225 hours. The maximum response time is 10.25 hours.	G	G	W	G

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ITEM 10 - ATTACHMENT 2

Performance Measures (Pages 130-131 of the 10 Year Plan)	Comments	Sept	Dec	Mar	June
06. Median response time for resolution of urgent call-outs. (7 hours or less)	The median resolution time for the 61 of the 78 urgent call-outs for which resolution is recorded is 0.73 hours. The maximum resolution time for the call outs is 68.85 hours.	G	G	W	G
07. Median response time for non-urgent call-out attendance. (10 hours or less)	The median response time for the 717 of the 1446 non-urgent call-outs for which response is recorded is at 2.03 hours. The maximum response time is 283.17 hours.	G	G	W	G
08. Median response time for resolution of non-urgent call-outs. (75 hours or less)	The median resolution time for the 1228 of the 1446 non-urgent call-outs for which resolution time is recorded is 4.8 hours. The maximum resolution time is 2044.95 hours.	G	G	W	G
09. Percentage of real water loss from the water reticulation network. (Less than 20%)	Real water loss from the water reticulation network is calculated at 18.2%, less than the targeted 20% but slightly higher than last year's calculated real loss of 18%.	W	W	W	G
10. A 30-year Asset Management Plan is in place for water and major AMP projects approved in the 10 Year Plan are achieved. (Renewals as a group)	An Asset Management Plan was adopted by Council in June 2018 following approval of the 2018-28 LTP. The 2020 AMP is currently being developed, the first draft will be available in August.	G	G	W	G
11. Major services and projects are provided within budget.	Water services were provided within the allocated operational budgets. The Covid-19 lockdown has contributed to progress delays for some major projects including the Duplicate Water Pipeline, Seismic Strengthening of Water Structures, Water Conservation Management, Ashurst Water Supply Upgrade and the Ashurst Rising Main Renewal.	G	G	W	B

Goal 5: Driven & Enabling Council

Leadership Activity

Performance Measures (Page 138 of the 10 Year Plan)		Comments	Sept	Dec	Mar	June
01. Positive feedback from residents on Council's community engagement. (Narrative measure)		The 2020 Residents Survey (of 500 randomly selected residents) shows that 44% are satisfied with the opportunity for them to have a say in Council decisions, 42% are neutral and 13% are dissatisfied. The corresponding figures for the ease of having a say are 34%, 46% and 19%. These levels are similar to the 2019 Survey. Council is aiming to increase satisfaction, including by getting people in the neutral grouping more actively involved in Council decisions.	G	G	W	G
02. Description of the range of engagement techniques used by Council. (Narrative measure)		Council's main focus is on online engagement, as this is how most people say they would like to be involved in Council decision making. Hence we use methods like Social Pinpoint and online submissions. These are all coordinated through the "Have Your Say" Engagement Hub on our website. Covid19 reinforced this online approach. Council also uses more traditional methods, such as community meetings and Elected Member drop-in sessions for those who prefer.	G	G	W	G
03. Strategies, Plans and Policies are in place, monitored and reviewed. (Narrative measure)		The strategic direction is now measured and monitored as part of the overall 10-Year Plan development process. All plans and policies within the strategic framework are in place or being reviewed as planned. Part of the 10-Year Plan process is to consider how each of the Council-adopted policies (including bylaws) contribute to the overall achievement of Council's strategic direction.	G	G	W	G

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Supplementary Material for June 2020 Quarterly Report

1. Groups of activities net result statement
2. Capital expenditure by funding source and Group of Activities
3. Capital expenditure by Programme (Programmes over \$200,000)
4. Capital expenditure by Programme (Programmes under \$200,000)
5. Financial Statements
 - a. Summary of financial performance
 - b. Statement of financial position
 - c. Statement of cash flows
6. Approved variations to Annual Budget
7. Personnel

Attachment 1 – Groups of Activities Net Result Statement

Group of Activities Net Result Statement	2019/20 \$000's					Full Year Annual Budget
	Year to Date		Bud. Var.		Full Year	
For the period to 30 June 2020	Actual	Budget	\$000's	%	Revised Budget	
Operating Result by Group of Activities						
<i>Innovative & Growing City</i>	(6,221)	(6,087)	(135)	-2%	(6,087)	(6,086)
Revenue	6,353	5,378	975	18%	5,378	5,237
Expenses	12,574	11,465	(1,109)	-10%	11,465	11,324
<i>Creative & Exciting City</i>	(21,262)	(19,872)	(1,390)	-7%	(19,872)	(19,737)
Revenue	3,100	2,202	898	41%	2,202	2,202
Expenses	24,361	22,074	(2,287)	-10%	22,074	21,939
<i>Connected & Safe Community</i>	(12,889)	(12,280)	(609)	-5%	(12,280)	(12,303)
Revenue	6,472	5,169	1,303	25%	5,169	5,169
Expenses	19,361	17,449	(1,912)	-11%	17,449	17,473
<i>Eco-City</i>	(4,363)	(4,820)	456	9%	(4,820)	(4,820)
Revenue	3,254	2,748	506	18%	2,748	2,748
Expenses	7,617	7,567	(50)	-1%	7,567	7,567
<i>Transport</i>	(6,046)	(7,630)	1,584	21%	(7,630)	(7,630)
Revenue	7,533	7,583	(50)	-1%	7,583	7,583
Expenses	13,579	15,213	1,635	11%	15,213	15,213
<i>Water</i>	(4,270)	(4,367)	97	2%	(4,367)	(4,367)
Revenue	256	36	220	604%	36	36
Expenses	4,526	4,403	(123)	-3%	4,403	4,403
<i>Wastewater</i>	(6,230)	(5,508)	(722)	-13%	(5,508)	(5,038)
Revenue	1,208	1,298	(90)	-7%	1,298	1,298
Expenses	7,438	6,806	(632)	-9%	6,806	6,336
<i>Stormwater</i>	(2,751)	(2,119)	(632)	-30%	(2,119)	(2,119)
Revenue	9	2	6	292%	2	2
Expenses	2,760	2,121	(639)	-30%	2,121	2,121
<i>Driven & Enabling Council</i>	(6,195)	(5,573)	(621)	-11%	(5,573)	(5,398)
Revenue	5,154	4,702	452	10%	4,702	4,702
Expenses	11,349	10,275	(1,074)	-10%	10,275	10,100
Group of Activities Controllable Surplus/ (Deficit)	(70,227)	(68,255)	(1,971)	-3%	(68,255)	(67,497)
Rates	98,853	98,893	(40)	0%	98,893	98,855
Net Interest	(5,527)	(7,609)	2,083	27%	(7,609)	(7,599)
Operating Controllable Surplus / (Deficit)	23,100	23,028	72	0%	23,028	23,759
Depreciation	(37,292)	(35,619)	(1,673)	-5%	(35,619)	(35,619)
Non-operating revenue	12,735	15,293	(2,558)	-17%	15,293	15,293
Non-operating expenses	(2,456)	(1,998)	(458)	-100%	(1,998)	(1,998)
Net Result	(3,913)	704	(4,617)	-656%	704	1,435

Group of Activities Budget variance explanations (net \$500k or more)

- Creative and Exciting City is unfavourable due to net unfavourable revenues associated with CET arena and the cancellation of the military tattoo.
- Connected and Safe Community is unfavourable mainly due to additional Emergency Management costs associated with Covid19. Most of these costs were recoverable from central government, but pre-lockdown expenses and Council staff related costs were not.
- Transport is favourable due to targeting work on maintenance that was able to claim for revenue from NZTA operating subsidies, prioritisation of spending on capital renewals instead of minor maintenance, and unbudgeted revenues from Horizons Regional Council.
- Wastewater and Stormwater are unfavourable due to asset planning work completed in these areas in preparation for the Asset Management Plan and Long-Term Plan.
- Driven and Enabling Council is mainly unfavourable due to investment properties and the Civic Administration Building. This was driven from reduced rent revenue due to offering relief to tenants during lockdown, and increased expenses due to negotiation of building access at different alert levels of Covid19 and higher cleaning requirements.

Attachment 2 – Capital expenditure by funding source and Group of Activities

Capital Expenditure For the period to 30 June 2020	2019/20 YTD		Variance		\$000's	
	Actual	Budget	\$000's	%	Full Year Revised Budget	Full Year Annual Budget
Capital New	26,455	57,675	(31,220)	(54.1%)	57,675	53,516
Funded by:						
Borrowing	19,313	50,991	(31,678)	(62.1%)	50,991	46,833
External revenue	7,141	6,684	458	6.8%	6,684	6,684
Capital Renewal	26,688	29,654	(2,967)	(10.0%)	29,654	28,297
Funded by:						
Rates	18,964	22,104	(3,140)	(14.2%)	22,104	22,104
External revenue	2,659	2,614	45	1.7%	2,614	2,614
Three year averaging	3,579	3,579	-	-	3,579	3,579
Borrowing	1,487	1,357	129	9.5%	1,357	-
TOTAL CAPITAL	53,143	87,329	(34,187)		87,329	81,813

Group of Activities - Capital Expenditure For the period to 30 June 2020	2019/20 Year to Date		Variance		\$000's	
	Actual	Budget	\$000's	%	Full Year Revised Budget	Full Year Annual Budget
Capital New	26,455	57,675	(31,220)	(54.1%)	57,675	53,516
Innovative & Growing City	91	54	37	68.9%	54	54
Creative & Exciting City	7,030	14,803	(7,773)	(52.5%)	14,803	13,869
Connected & Safe Community	4,451	8,305	(3,855)	(46.4%)	8,305	8,329
Eco-City	464	593	(129)	(21.8%)	593	599
Transport	8,923	19,457	(10,535)	(54.1%)	19,457	17,163
Water	2,927	8,123	(5,196)	(64.0%)	8,123	7,277
Wastewater	914	4,281	(3,367)	(78.7%)	4,281	4,159
Stormwater	596	1,320	(724)	(54.8%)	1,320	1,371
Driven & Enabling Council	1,058	737	321	43.5%	737	696
Capital Renewal	26,688	29,654	(2,967)	(10.0%)	29,654	28,297
Innovative & Growing City	386	267	119	44.6%	267	262
Creative & Exciting City	6,991	7,420	(428)	(5.8%)	7,420	7,430
Connected & Safe Community	1,942	2,577	(635)	(24.6%)	2,577	2,206
Eco-City	513	509	4	0.7%	509	498
Transport	5,786	5,926	(140)	(2.4%)	5,926	5,751
Water	3,794	4,541	(747)	(16.4%)	4,541	4,406
Wastewater	2,631	3,639	(1,008)	(27.7%)	3,639	3,079
Stormwater	673	677	(3)	(0.5%)	677	677
Driven & Enabling Council	3,971	4,100	(129)	(3.1%)	4,100	3,990

- Capital new spending on Driven and Enabling Council was over budget due to spending on new equipment to support remote working during Covid19. Savings on this are reflected in the 2020/21 Annual Budget.

Attachment 3 –Capital expenditure by Programme (programmes over \$200,000)

The following table highlights the spending of the programmes with budgets in excess of \$200,000 with commentary.

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
CAPITAL NEW					
Active and Public Transport					
57-Manawatu River - Downstream Pedestrian/Cycle Bridge Construction (subject to part external funding)	\$267	\$220	(\$47)	\$220	Programme complete, slight overspend resulting from programme closure and balancing. No further expenditure planned.
235-Manawatu River (Ashhurst to Riverside Drive) - Cycle/Pedestrian Pathway(1225-C/fwd - Manawatu River (Ashhurst to)	\$41	\$456	\$415	\$456	Surveying of the quarry is underway. Easement agreements with the Te Matai Road property and the Te Matai Road quarry are progressing towards being signed. The tender documents will be prepared in July to go out for tendering in August. A carry forward has been requested to enable the tendering process.
636-Aokautere Drive Pedestrian Cycle Improvements(1631-C/fwd - Aokautere Drive Pedestrian)	\$73	\$331	\$257	\$331	Aokautere Village footpath currently in construction. Delay in completion due to Covid19, all works due to be completed in July.
732-Summerhill Drive - Pedestrian and Cycle Improvements(1657-C/fwd - Summerhill Drive - Pedestrian)	\$24	\$272	\$248	\$272	Consultation to commence once a "big picture" cycle strategy is in place so this will happen on the entire cycle way plan at once.
1349-Dittmer Drive Shared Path Permanent Surface - New Bridge to Buick Crescent	\$622	\$736	\$114	\$736	Scheduled work is complete
1358-Footpath extensions city wide(1605-C/fwd - Footpath extensions city wi) (1605-C/fwd - Footpath extensions city wi)	\$362	\$745	\$383	\$745	The original design for Pacific Drive is well above budget. Alternative proposed sections which will remove 2 sections of retaining wall have been sent to NZTA for approval. Discussion regarding the proposal with NZTA is on-going.
1444-Shared path resilience improvements - Limestone to concrete(1648-C/fwd - Shared path resilience impr)	\$43	\$203	\$160	\$203	Contractors have been contacted to provide quotes. Award of contract anticipated to commence end of July, for which a carry forward has been requested.
1559-Urban Cycle Network Development(1633-C/fwd - Urban Cycle Network Develo)	\$74	\$1,465	\$1,391	\$1,465	Albert Street to Fitzherbert Avenue road marking complete. Batt to Botanical is split into four stages. Stage 1 and 2, design complete and currently being priced by internal team. Stages 3 and 4 in design. Construction will require coordination with Wastewater Activity Manager to include upgrade of sewer laterals. Work scheduled to begin on Stage 1 and 2 mid to late July. We expect design to be completed by the end of August for Stages 3 and 4.
Active Community					
93-City Reserves - Memorial Park Reserve Development Plan Implementation(1583-C/fwd - City Reserves - Memorial Pa) (1583-C/fwd - City Reserves - Memorial Pa)	\$680	\$803	\$124	\$803	This programme was delayed by Covid19, however play equipment has been purchased and will be installed in the new year.

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
94-Walkways and Shared Path - Purchase of Land to Extend Network(1584-C/fwd - Walkways and Shared Path -)	\$115	\$515	\$400	\$515	Land purchase imminent but was unable to be completed by end of 19/20 as process was delayed by Covid19.
560-Cultural/Heritage Reserves - Te Motu o Poutoa / Anzac Park Reserve Development(925-C/fwd - Cultural/Heritage Reserves -)	-	\$332	\$332	\$332	This programme requires a development plan to guide its spend. This cannot occur until the new co-management committee of Council is established. Budget has been indicated to be put into the LTP, and a carry forward of \$60k has been requested for 2020/21.
587-Neighbourhood Reserves - Kelvin Grove - Linklater Reserve Development	\$325	\$281	(\$43)	\$281	Plane has been installed into the reserve, and planned work completed for 19/20.
708-Urban Growth - Aokautere - Reserves Land Purchase	\$261	\$294	\$34	\$294	Land has now been purchased for development.
752-City Reserves - Manawatu River - Framework Implementation	\$607	\$410	(\$197)	\$410	This programme is nearly completed. Due to an issue with the quantities required for the Albert Street stand and glow path, this has resulted in an overspend. Officers plan to make adjustments to the 20/21 budget so the cost stays within target.
1082-Central Energy Trust Arena Manawatu - Speedway Relocation & Artificial Pitch(1502-C/fwd - Central Energy Trust Arena)	\$867	\$4,003	\$3,137	\$4,003	Tender awarded and work underway. Was delayed a month due to Covid19.
1083-Central Energy Trust Arena Manawatu - Entrance Plaza(1599-C/fwd - Central Energy Trust Arena)	\$568	\$2,263	\$1,694	\$2,263	Tender awarded and work underway. Was delayed a month due to Covid19.
1357-Urban Growth - Ashhurst - Reserve Land Purchase(1636-C/fwd - Urban Growth - Ashhurst - R)	\$326	\$771	\$445	\$771	Dependant on plan change to be able to complete
1514-Central Energy Trust Arena Manawatu - Commercial Building	-	\$880	\$880	\$880	Programme has been cancelled
1534-Central Energy Trust Arena Manawatu - Embankment Redevelopment(1650-C/fwd - Central Energy Trust Arena)	\$1,835	\$1,694	(\$142)	\$1,694	Tender awarded and work underway. Was delayed a month due to Covid19.
Active Public Space					
1131-City Boundary Entrance Treatments	\$290	\$290	\$0	\$290	Work completed.
1473-City Centre Lighting and Projection Demonstration Project	\$3	\$204	\$201	\$204	Programme originally deferred to the LTP as dependant on external funding. The funding has since been secured and therefore a carry forward is requested for 2020/21.
Arts, Culture and Heritage					
902-Property - Seismic Strengthening of Council Owned Buildings(1016-C/fwd - Seismic Strengthening of Co)	\$156	\$595	\$439	\$595	Draft report received for the CAB which suggests central core and council chambers will require some remediation. Options development and costing to be complete by end of August.
Commercial or Strategic Investments					
99-Council's Service Development - New Technology and Programmes	\$315	\$295	(\$20)	\$295	Completed

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
Connected Communities					
161-Public Toilets - Citywide programme(1585-C/fwd - Public Toilets - Citywide p)	\$453	\$431	(\$21)	\$431	All planned installations have been completed with the final toilet block at the Linton end of the shared pathway complete.
357-Social Housing - Papaioea Place Redevelopment	\$2,305	\$3,386	\$1,081	\$3,386	Programme completed. Large underspend due to majority of contingency budget not required. Programme was overspent last financial year due to work being ahead of schedule.
1219-Social Housing - Papaioea Stage 2(1639-C/fwd - Social Housing - Papaioea S)	\$851	\$2,553	\$1,702	\$2,553	Delay due to Covid19. Contractors onsite at start of level 3, and work begun. Demo and ground works complete
1413-Bunnythorpe Community Facility(1581-C/fwd - Bunnythorpe Community Facil)	\$112	\$1,005	\$894	\$1,005	Detailed design complete. Tender documents released. Once tenders returned community to vote on build decision.
Corporate Support					
1185-Non-Financial Reporting System(1335-C/fwd - Non-Financial Reporting Sys)	-	\$205	\$205	\$205	Budget no longer required as outcome of programme was accomplished through subscription of software license.
Roading					
243-City Centre Streetscape Plan - Main Street East (Bus Terminal & Canopies)	\$3	\$759	\$756	\$759	Ongoing discussion and coordination being held with Horizons Regional Council so have deferred to the LTP
244-City Centre Streetscape Plan - Square East (Plaza to ANZ)(900-C/fwd - The Square East Side - Stree)	\$2,751	\$4,180	\$1,429	\$4,180	Works continuing well on site. Most of the paving is now installed. Carriageway base completed and asphalt is to be laid once topsoil has been placed in the garden beds and the heavy machinery has been removed from site. Works in July include the installation of the street furniture, topsoil placement and planting. Completion date is estimated to be beginning of August as it was delayed due to Covid19, however there have been a couple of wet weather days applied for in June. Due to this, a carry forward is required for the 2020/21 budget.
279-City-wide - Minor Road Safety Improvements(1656-C/fwd - City-wide - Minor Road Proj)	\$627	\$879	\$252	\$879	A number of projects have been completed, including the Walking/ Taonui intersection improvement, and the Kelvin Grove Road/ Henaghans Road corner improvements. Still working on land purchase for Te Awe Awe intersection, And design for Ruapehu Drive, Wood Street and Pioneer/ Lyndhurst/ West intersection. Physical works at James Line Rail crossing is almost complete. Deferred to the LTP.
1089-Industrial Growth - NEIZ - Richardsons Line Upgrade(1603-C/fwd - Industrial Growth - NEIZ -)	-	\$1,199	\$1,199	\$1,199	Deferred to the LTP.
1090-Industrial Growth - NEIZ - Roberts/Richardsons Line Intersection Upgrades(1604-C/fwd - Industrial Growth - NEIZ -)	-	\$456	\$456	\$456	Deferred to the LTP.

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
1121-Massey and Research Institutes Development (Food HQ) (subject to part external funding)(1596-C/fwd - Massey and Research Institu)	\$253	\$400	\$147	\$400	Further work delayed to the LTP.
1183-Stoney Creek Road (School) Safety Upgrade	\$1,570	\$1,694	\$124	\$1,694	Project complete minus some minor finishing work as part of the contact - eg the final planting. Will be finished late July, a small carry forward is requested for this.
1362-Roberts/Railway Road North Intersection Safety Realignment(1595-C/fwd - Roberts/Railway Road North)(1595-C/fwd - Roberts/Railway Road North)	\$36	\$329	\$293	\$329	Final report from consultant received regarding best option, is now being peer reviewed by PNCC engineer. A carry forward was budgeted for this.
1367-Street Light Infill Improvements	\$812	\$865	\$53	\$865	Final works in Havelock Ave to be completed in July which will see the completion of the 19/20 programme of works.
1440-Cuba Street urban streetscape improvements - Rangitikei to George Street(1643-C/fwd - Cuba Street urban streetsca)	\$31	\$650	\$620	\$650	Meetings with business owners affected by the proposed designs have begun. Data is being gathered from the previous stage of development to enable the project team to show the benefits of the end result of the work.
1488-Seal extension Rural Unsealed Road	\$422	\$443	\$21	\$443	All work completed except for Worcester Street in Ashhurst as the weather became to cold for sealing This will now fall into the 20/21 programme of works.
1578-Monrad Pencarrow Roundabout installation(1655-C/fwd - Monrad Pencarrow Roundabout)	\$102	\$936	\$834	\$936	The Land purchase for all 4 corners was completed in June. The power works is scheduled to be started in September. Tender for construction expected to commence end of July.
1623-College Street Upgrade Parking Mitigation(1644-C/fwd - College Street Upgrade Park)	\$127	\$480	\$353	\$480	Forms part of programme 1559
Safe Communities					
1513-New emergency operations centre (EOC) Fit Out(1580-C/fwd - New emergency operations ce)	\$671	\$814	\$143	\$814	Majority of work has been completed. Some minor delays as a result of Covid19, meaning a small carry forward of \$30k is requested.
Stormwater					
197-Urban Growth - North East Industrial Park Stormwater(1602-C/fwd - Urban Growth - North East I)	-	\$276	\$276	\$276	Programme of works was not required in 19/20 as is development dependant
1001-Urban Growth - Whakarongo - Installation of Stormwater Systems(1284-C/fwd - Urban Growth - Whakarongo -)	\$7	\$468	\$462	\$468	Consultant appointed to undertake concept and detailed design, delayed by a month from original programme
1060-City-wide - Stormwater Improvement Works	\$550	\$525	(\$25)	\$525	Scheduled works is complete
Wastewater					
210-Urban Growth - Installation of Wastewater Systems for New Industrial Areas - NEIZ Extension Area	\$5	\$231	\$226	\$231	Minor work happened early in year, but as it development dependant, there was no further call on budget.
1000-Urban Growth - Whakarongo - Installation of Wastewater Systems	\$373	\$524	\$151	\$524	James Line pump station is complete.

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
1043-Totara Road Wastewater Treatment Plant - Inlet Main Duplication(1624-C/fwd - Totara Road Wastewater Trea)	\$18	\$1,119	\$1,100	\$1,119	Project stalled until BPO requirements determine inlet duplicate is required
1048-Totara Road Wastewater Treatment Plant - Construction of New Food Waste Facilities(1660-C/fwd - Totara Road Wastewater Trea)	\$363	\$436	\$73	\$436	Construction of safety measures identified have begun and are due to be completed in July. Commissioning of the site is expected to be undertaken and completed in August.
1074-Totara Road Wastewater Treatment Plant - Earthquake Strengthening of Civil Structures(1626-C/fwd - Totara Road Wastewater Trea)	\$58	\$1,287	\$1,229	\$1,287	Desktop assessment completed in April that confirmed the need for strengthening work to be undertaken. Strengthening programme is broken into four packages with detailed design started on package 1. Fee proposals for design on remaining packages has been received and is waiting approval.
1412-Urban Growth - Ashhurst - Wastewater - North St Network Upgrade	-	\$267	\$267	\$267	Working with Council officers to investigate upgrade. Bar a small amount to be carried forward for design, intent is to defer the remaining to the LTP process.
1579-WWTP - Health and Safety Upgrades	\$86	\$265	\$179	\$265	Council officers have visited all 4 sites to look at structures. X ray scanning has been done to investigate options for lifting beam installation and modifications. A carry forward is requested to enable work to be carried out in 2020/21.
Water					
91-Turitea Water Treatment Plant - Construction of Duplicate Water Pipeline from Lower Dam to Harts Road Reservoirs(1544-C/fwd - Turitea Water Treatment Pla)(1544-C/fwd - Turitea Water Treatment Pla)	\$1,179	\$2,725	\$1,546	\$2,725	Upper and Lower bridge sections completed (includes pressure and disinfection testing). Butt welding machine is back up and working. A carry forward increase to 2020/21 budget is requested.
246-City-wide - Water Subdivision Contributions	\$20	\$205	\$185	\$205	Small contribution in June to a subdivision, no remaining budget was required.
651-City-wide - Seismic Strengthening of Water Structures(1289-C/fwd - City-wide - Seismic Strengt)(1289-C/fwd - City-wide - Seismic Strengt)	\$82	\$553	\$471	\$553	Engaged consultant for Fire Engineering work for project. Services agreement and PO issued. Design for architectural work proceeding.
985-Kelvin Grove Water Supply Zone - New Bore(1235-C/fwd - Kelvin Grove Water Supply Z)(1235-C/fwd - Kelvin Grove Water Supply Z)	\$303	\$605	\$302	\$605	19/20 portion of work is complete. Tender for construction expected to be awarded in August.
1004-Urban Growth - Whakarongo - Installation of Water Supply Systems(1285-C/fwd - Urban Growth - Whakarongo -)	-	\$437	\$437	\$437	No call for budget in 19/20
1005-Industrial Growth - Installation of Water Supply Systems to an Expanded North East Industrial Zone(1286-C/fwd - Urban Growth - Installation)	-	\$411	\$411	\$411	No call for budget in 19/20
1384-Citywide - New water supply reservoirs to replace an earthquake prone reservoir and enhance supply storage through out the city(1608-C/fwd - Citywide - New water supply)	\$115	\$613	\$497	\$613	Tender to close in July 2020. Construction anticipated to commence shortly after award of tender.
1385-Water Telemetry Disaster Resilience Additional Microwave Link(1662-C/fwd - Water Telemetry Disaster Re)	\$204	\$334	\$129	\$334	Stage 2 at North Range Road Telemetry to commence in 20/21.

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
1386-Ashurst water supply upgrade to address fire fighting shortfalls and cater for growth	\$679	\$687	\$8	\$687	Mulgrave Duplicate watermain is complete, Colyton Rd falling main to be completed by September 2020.
1389-City Wide - Second River Crossing and Emergency Supply(1517-C/fwd - City Wide - Second River Cr)	\$1	\$610	\$609	\$610	Programme on hold whilst Massey University determines progress on their water infrastructure upgrades
1570-UV Treatment for Papaioea Park Bore 3(1593-C/fwd - UV Treatment for Papaioea P)	\$289	\$315	\$26	\$315	Completed
CAPITAL RENEWAL					
Active and Public Transport					
64-City-wide - Footpath Renewals and Replacements	\$1,054	\$1,150	\$96	\$1,150	Scheduled work is complete
Active Community					
98-Citywide Reserves - Renewals (Victoria Esplanade, Memorial Park, Ashurst Domain and The Square)	\$168	\$245	\$76	\$245	Required renewal work complete as scheduled. Lath House design complete, applied for external funding and awaiting notification if this was accepted.
173-Citywide - Playground Renewals	\$353	\$347	(\$6)	\$347	Scheduled work is complete
234-Sportsfields and Outdoor Courts - Changing Room Refurbishments(1577-C/fwd - Sportsfields and Outdoor Co)(1577-C/fwd - Sportsfields and Outdoor Co)	\$1,448	\$1,707	\$259	\$1,707	Colqhoun Park works completed (over budget) Remainder carried forward for Bunynthorpe Community Centre changing rooms.
266-Sportsfields and Outdoor Courts - Fitzherbert Park - Hockey Turf Refurbishment	\$549	\$534	(\$15)	\$534	Works completed.
596-Aquatics - Lido Pool - Asset Renewals	\$247	\$245	(\$2)	\$245	Scheduled work is complete
1051-Central Energy Trust Arena Manawatu - Combined Asset Refurbishment	\$2,718	\$2,497	(\$220)	\$2,497	Overspend due to more work being able to be completed than what was budgeted and scheduled for 2020/21 due to events being cancelled at Arena due to COVID-19.
1108-Cultural/Heritage Reserve - Hokowhitu Lagoon - Bank Renewal(1531-C/fwd - Cultural/Heritage Reserve -)(1531-C/fwd - Cultural/Heritage Reserve -)	\$323	\$481	\$158	\$481	Design of stage 2 commenced in June, with construction in Summer 2020. However additional budget may be required for anything further than a basic remediation scope.
Arts, Culture and Heritage					
213-Cultural Facilities - Replacement of Structures, Internal Fit Out and Services(1645-C/fwd - Cultural Facilities - Repla)	\$132	\$331	\$200	\$331	Caccia Birch Carport required a redesign to fit with heritage of building. Updated fire report for Square Edge received, with only a small number of recommendations to be completed before seismic works. An increase to its budgeted carry forward is requested.
Commercial or Strategic Investments					
63-Council's Plant and Vehicles - Replacements	\$1,735	\$1,748	\$12	\$1,748	Purchases completed, however 2 rubbish trucks were delayed by Covid19 which required branding. This will now be completed in July/ August, with a small carry forward request.
Connected Communities					

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
178-Central Library Replacement of Shelving, Furniture and equipment(1671-C/fwd - Central Library Replacement)	\$60	\$260	\$200	\$260	Delayed due to Covid19. Balances carried forward to 2020/21 to enable completion of planned purchases.
188-City Library Replacement and Purchase of Library Materials	\$793	\$800	\$7	\$800	Programme completed for year.
202-Central Library Interior Design Renewals(1591-C/fwd - Central Library Interior De)	\$34	\$266	\$232	\$266	Delayed due to Covid19. Balances carried forward to 2020/21 to enable completion of planned purchases.
Corporate Support					
53-Computer Replacement - Rolling Replacements	\$640	\$485	(\$155)	\$485	Over budget due to increased number of desktops being replaced with laptops, with laptops being more expensive than desktops. This was partly in response to the need to work remotely as a result of Covid19.
281-Operational Property -Civic Administration Building - Refurbishments(1673-C/fwd - Operational Property -Civi)	\$612	\$1,023	\$411	\$1,023	Stage 3 fire upgrades are due to start in July and be completed by November. The upcoming work is broken into 5 phases. CAB Chiller is in place, with commissioning to take place in August. Remaining programme of work is completed.
Roading					
115-City-wide - Sealed Pavement Renewals	\$1,741	\$1,904	\$163	\$1,904	Scheduled work is complete
122-City-wide - Road Drainage Replacements	\$207	\$358	\$151	\$358	Work that was able to complete was. Some investigation is required in other areas such as Alfred Street.
139-City-wide - Sealed Road Resurfacing	\$2,096	\$1,805	(\$292)	\$1,805	The focus after Covid19 was to complete road resurfacing as opposed to another programme (Road Drainage renewals). Due to this, further work than anticipated was completed.
162-City-wide - Vehicle Crossing Replacements	\$370	\$341	(\$29)	\$341	Scheduled work is complete
Rubbish and Recycling					
649-Recycling - Materials Recovery Facility Renewals(1576-C/fwd - Recycling - Materials Recov)	\$345	\$346	\$1	\$346	Scheduled work is complete
Stormwater					
1062-City-wide - Stormwater Renewal Works	\$610	\$605	(\$5)	\$605	Scheduled work is complete
Wastewater					
54-City-wide - Wastewater Pipe Renewal	\$1,745	\$1,744	(\$1)	\$1,744	Scheduled work is complete
65-City-wide - Wastewater Pump Station Renewal	\$197	\$310	\$113	\$310	Scheduled work is complete. Roy Street waste water pump station is awaiting final installation
179-Totara Road Wastewater Treatment Plant - Minor Equipment Renewals(1589-C/fwd - Totara Road Wastewater Trea)	\$337	\$462	\$124	\$462	Programme review underway as potential risks around lack of finance for this programme of works.

Activity-Programme Name	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Total Budget (\$'000)	Comments
1059-Totara Road Wastewater Treatment Plant - Replacement of Grit Removal Systems(1630-C/fwd - Totara Road Wastewater Trea)(1588-C/fwd - Totara Road Wastewater Trea)	\$1	\$316	\$315	\$316	Awaiting final cost benefit report to determine best way to proceed.
1068-Totara Road Wastewater Treatment Plant - Replacement of Inlet Pumps(1665-C/fwd - Totara Road Wastewater Trea)	\$205	\$473	\$268	\$473	Portion 1 of initial contract being Electrical upgrade will be complete by mid July by Max Tarr. Re-configuration options are being investigated through hydraulic modelling and load assessment of screen/lift room wall. Pending results of investigation, RFX for best practicable pump configuration will be released August. Work will progress during low flow period from Jan 2021.
Water					
199-City-wide - Water Bore Headworks and stations Renewal	\$311	\$360	\$49	\$360	Scheduled works is complete
207-Turitea Water Treatment Plant - Equipment and Facility Renewals(1646-C/fwd - Turitea Water Treatment Pla)	\$191	\$270	\$78	\$270	All scheduled work complete except for the replacement actuators on filter valves which is going to tender in August.
214-City-wide - Water Toby and Meter Replacements	\$223	\$310	\$88	\$310	Scheduled work is complete
218-City-wide - Water Pipe Replacements	\$1,727	\$2,065	\$338	\$2,065	Design work complete due for construction in 20/21.
663-Ashhurst - Bore to Reservoir Pipe Replacement(1664-C/fwd - Ashhurst - Bore to Reservoir)	\$1,311	\$1,435	\$124	\$1,435	Work due to be completed in August.

Attachment 4 –Capital expenditure by Programme (programmes under \$200,000)

The following table highlights spend against budget of the programmes with budgets less than \$200,000.

Activity-Programme Name	YTD Actuals (\$000)	YTD Budget (\$000)	Variance (\$000)	Total Budget (\$000)
CAPITAL NEW				
Active and Public Transport				
114-City-wide - New Cycle Stands and Shelters	\$21	\$22	\$2	\$22
148-City-wide - Bus Stop Improvements	\$73	\$76	\$3	\$76
977-Manawatu River (Fitzherbert Bridge to Linton) - Cycle/Pedestrian Pathway (subject to part external funding)	(\$36)	-	\$36	\$0
1039-Shared Path Connection - Riverside Drive to Railway Road	\$6	\$39	\$33	\$39
1155-City-wide - Street Seats	\$16	\$11	(\$4)	\$11
1216-City-wide - Additional Cycle Lanes(1652-C/fwd - City-wide - Additional Cycl)	-	\$104	\$104	\$104
1257-City-wide - Cycle Phases at Intersections(1653-C/fwd - City-wide - Cycle Phases at)	-	\$42	\$42	\$42
1352-Napier Road - Roberts Line to BUPA - Footpath link	-	\$31	\$31	\$31
1354-Walkways and Shared Paths - City Loop Wayfinding	-	\$33	\$33	\$33
1361-Turitea Road - Pedestrian Path/Steps(1647-C/fwd - Turitea Road - Pedestrian P)	\$32	\$81	\$49	\$81
1492-Wayfinding signage CBD area for key public institutions(1654-C/fwd - Wayfinding signage CBD area)	-	\$36	\$36	\$36
Active Community				
95-Walkways and Shared Path - Construction	\$74	\$72	(\$1)	\$72
111-Neighbourhood Reserves - Roslyn - Edwards Pit Park Development	\$53	\$31	(\$22)	\$31
158-Citywide - Safety Improvements to Reserves	\$42	\$35	(\$7)	\$35
160-Citywide - Improved Access to Reserves for Persons with Disabilities	\$39	\$38	(\$1)	\$38
165-Outdoor Adventure Reserves - Arapuke Forest Park/Kahuterawa Development	\$43	\$39	(\$4)	\$39
196-Caccia Birch - Lagoon Embankment Upgrade(1649-C/fwd - Caccia Birch - Lagoon Emban)	\$2	\$90	\$88	\$90
368-Central Energy Trust Wildbase Recovery Centre (subject to part external funding)	\$53	-	(\$53)	\$0
558-Neighbourhood Reserves - Takaro - Oriana Reserve Development	-	\$15	\$15	\$15
697-Clearview Reserve Development(761-C/fwd - Clearview Reserve Developmen)(761-C/fwd - Clearview Reserve Developmen)	-	\$31	\$31	\$31
967-Citywide - Edibles Planting	\$3	\$5	\$2	\$5
1081-City Reserves -Victoria Esplanade - Park Road Entrance and Parking Reconfiguration	\$34	\$41	\$6	\$41
1097-Sportsfields - Drainage to Increased Capacity	\$3	\$16	\$12	\$16
1127-City Reserves - Victoria Esplanade - Bonsai House	\$30	\$110	\$80	\$110
1133-Sportsfields - Artificial Football Field (subject to part external funding)	-	\$82	\$82	\$82
1175-Citywide - Shade Trees	\$8	\$10	\$3	\$10
1182-Citywide - Recreation spaces - Improved Lighting	\$20	\$21	\$1	\$21
1282-Panieri Park - Purchase of Adjacent Land(1326-C/fwd - Panieri Park - Purchase of)	-	\$40	\$40	\$40
1342-Fitzherbert Park - Cricket Ground Enhancements (subject to part external funding)(1609-C/fwd - Fitzherbert Park - Cricket)	\$141	\$136	(\$5)	\$136
1391-Urban Growth - City West South of Pioneer Highway - Walkways Development(1598-C/fwd - Urban Growth - City West So)	-	\$74	\$74	\$74

Activity-Programme Name	YTD Actuals (\$000)	YTD Budget (\$000)	Variance (\$000)	Total Budget (\$000)
1408-City Reserves - CBD Reserves - Play Development	-	\$5	\$5	\$5
1411-Sportsfields - Skogland park Irrigation	\$93	\$61	(\$32)	\$61
1439-Culture/Heritage - Urban Eels Project Contribution	\$201	\$151	(\$50)	\$151
1454-City Reserves - Victoria Esplanade Development Plan	\$11	\$71	\$61	\$71
1523-Ashhurst Pool Enhancements	\$84	\$85	\$1	\$85
Active Public Space				
1330-Placemaking Co-created Project	\$24	\$22	(\$2)	\$22
1476-City Centre Laneways Programme	\$41	\$184	\$142	\$184
Biodiversity and Sustainable Practices				
1077-Citywide - Biodiversity Enhancement Through Native Planting	\$7	\$21	\$14	\$21
1451-Council Facilities LED Lighting Upgrades(1582-C/fwd - Council Facilities LED Ligh)	\$155	\$121	(\$34)	\$121
Commercial or Strategic Investments				
245-Gordon Kear Forest - Development of Internal Roothing	\$14	\$14	\$0	\$14
Connected Communities				
107-Cemeteries - Kelvin Grove - Ash Plot developments and Childrens area extension	\$16	\$46	\$30	\$46
133-Cemeteries - Kelvin Grove - New Burial Sections Footpaths and Roothing Extension	\$2	\$46	\$44	\$46
147-Cemeteries - Kelvin Grove, Ashhurst and Bunnythorpe - New Burial Berms	\$40	\$23	(\$17)	\$23
Corporate Support				
60-Information Management Strategic Plan Project - New Software Applications	\$712	\$106	(\$606)	\$106
1187-PNCC Website Customisation	\$16	\$42	\$25	\$42
Economic Development				
1535-City-Wide - Campervan Dump Stations	\$91	\$54	(\$37)	\$54
Leadership				
1188-Land Use Monitoring(1594-C/fwd - Land Use Monitoring(DRAFT P) (1594-C/fwd - Land Use Monitoring)	-	\$75	\$75	\$75
Roothing				
163-City-wide - New Street Tree Planting	\$88	\$90	\$2	\$90
167-Urban Growth - Whakarongo - James Line Upgrade - Stage 4(1651-C/fwd - Urban Growth - Whakarongo -)	\$156	\$175	\$19	\$175
201-City-wide - Roothing Subdivision Contributions	\$0	\$170	\$169	\$170
324-Park Road / Cook Street - Intersection Upgrade	\$3	\$41	\$38	\$41
684-Longburn Rongotea Road/No. 1 Line Intersection - Safety Upgrade	\$27	\$102	\$75	\$102
719-College Street - Implementation Plan for Transport Upgrade	\$15	\$92	\$77	\$92
829-City-wide - Undergrounding of Power and Telecom Cables(713-C/fwd - City-wide - Undergrounding o)	\$28	\$26	(\$2)	\$26
1007-Urban Growth - Whakarongo - Internal Roads	-	\$153	\$153	\$153
1086-City-wide - Street Lighting Upgrade to Current LEDs(1274-C/fwd - City Wide - Street Lighting)	\$112	\$160	\$48	\$160
1615-City Wide - Parking and Traffic Signs and Marking(1674-C/fwd - City Wide - Parking and Tra)	\$7	\$75	\$68	\$75
Rubbish and Recycling				
506-City Wide Public Space Rubbish & Recycling Bins	\$41	\$40	(\$1)	\$40
657-Recycling - City Wide Wheelie Bins and Crates to Additional Properties	\$60	\$57	(\$2)	\$57
721-Awapuni Landfill - Landscaping	\$9	\$17	\$8	\$17

Activity-Programme Name	YTD Actuals (\$000)	YTD Budget (\$000)	Variance (\$000)	Total Budget (\$000)
1371-Closed Landfills and Transfer Stations - Site Infrastructure(1600-C/fwd - Closed Landfills and Transf)	\$84	\$179	\$95	\$179
1373-City Wide Public Recycling Facilities(1601-C/fwd - City Wide Public Recycling)	\$88	\$123	\$35	\$123
1410-Recycling - Recycling Bins and Crates to Non Residential Properties	\$21	\$34	\$13	\$34
Stormwater				
51-City-wide - Stormwater Subdivision Contributions	\$40	\$51	\$12	\$51
Wastewater				
73-City-wide - Wastewater Subdivision Contributions	\$11	\$103	\$91	\$103
1055-Urban Growth - City West - Installation of Wastewater Systems(1597-C/fwd - Urban Growth - City West -)	-	\$50	\$50	\$50
Water				
592-Turitea Water Treatment Plant - Sludge Handling and Disposal Improvements	\$12	\$17	\$6	\$17
593-Water Safety and Security Mitigation	\$46	\$61	\$15	\$61
1054-Ashhurst Water Treatment to Address the Discoloured Water Issues	-	\$103	\$103	\$103
1057-Turitea Dams - Installation of Dewatering Systems on the Turitea Upper and Lower Dams	-	\$46	\$46	\$46
1170-Urban Growth - City West - Installation of Water Supply Systems	-	\$100	\$100	\$100
1388-Citywide Water Conservation Management - New pressure zone and District Meter Area Implementation(1663-C/fwd - Citywide Water Conservation)	\$28	\$163	\$134	\$163
1607-Water Safety and Security Mitigation	\$80	\$140	\$60	\$140
CAPITAL RENEWAL				
Active and Public Transport				
181-City-wide - Bus Shelter Upgrades and Replacements	\$32	\$35	\$3	\$35
648-City-wide - Replacement of Deteriorating Cycle Stands	\$12	\$11	(\$1)	\$11
Active Community				
174-Citywide - Replacement of Furniture on Reserves	\$120	\$126	\$6	\$126
177-Citywide - Replacement of Gardens on Reserves	\$25	\$32	\$7	\$32
184-Walkways and Shared Paths - Refurbishments and Replacements	\$59	\$47	(\$12)	\$47
190-Citywide - Replacement of Trees on Reserves	\$6	\$13	\$7	\$13
194-Citywide - Renewal of Bridges on Reserves	\$52	\$48	(\$5)	\$48
195-Citywide - Renewal of Hardsurface Areas on Reserves	\$145	\$142	(\$3)	\$142
254-City-wide - Sportsfield Carpark and Hardsurface Area Resurfacing	\$43	\$39	(\$3)	\$39
257-Sportsfields and Outdoor courts - Fitzherbert/Manawaroa/Ongley Parks - Cricket Block Replacements	\$16	\$48	\$32	\$48
258-Citywide - Refurbishment and Replacement of Boundary Fences on Reserves	\$45	\$47	\$1	\$47
264-Sportsfields and Outdoor Courts - Memorial Park - Sand Carpet Replacement	\$180	\$141	(\$39)	\$141
269-Sportsfields and Outdoor Courts - Vautier Park - Synthetic Court Refurbishments (Plexipave)	\$45	\$46	\$1	\$46
565-City Reserves -The Square - Events Quadrant Resurface and Drainage	\$14	\$16	\$2	\$16
598-Aquatics - Freyberg Community Pool - Asset Renewals	\$24	\$20	(\$3)	\$20
819-Central Energy Trust Arena - Replacement of Equipment	\$45	\$45	\$0	\$45
1406-City Reserves - The Square - Te Marae O Hine - Pouwhenua Replacement	\$201	\$190	(\$11)	\$190
Active Public Space				

Activity-Programme Name	YTD Actuals (\$000)	YTD Budget (\$000)	Variance (\$000)	Total Budget (\$000)
1496-Replacement of Street Flags	\$23	\$23	\$0	\$23
Arts, Culture and Heritage				
1144-Manawatu Heritage (Archives Digital Repository) Renewal	\$10	\$10	-	\$10
Commercial or Strategic Investments				
80-Council's Plant and Equipment - Replacement	\$169	\$170	\$0	\$170
85-Council's Depot Buildings and Structures	\$108	\$67	(\$40)	\$67
Connected Communities				
37-Cemeteries - Terrace End - Site Enhancements	-	\$9	\$9	\$9
180-Social Housing - Citywide - Community Housing Refurbishments	\$153	\$163	\$9	\$163
186-Public Toilets - Refurbishments and Replacements	\$69	\$80	\$10	\$80
203-Interior Design of Community Libraries, Youth Space, and Mobile Library(1670-C/fwd - Interior Design of Communit)	-	\$33	\$33	\$33
265-Citywide - Community Centre Refurbishments	\$136	\$155	\$20	\$155
278-Cemeteries - Kelvin Grove - Roding and Footpath Refurbishment	\$102	\$87	(\$16)	\$87
1120-Ashhurst and Te Patikitiki Community Library Renewals(1668-C/fwd - Ashhurst and Te Patikitiki)	\$45	\$73	\$28	\$73
1138-Digital Technology to Support 21st Century Citizens and Service (Renewal)	\$58	\$51	(\$7)	\$51
1139-Radio Frequency Identification (RFID) Materials Management(1669-C/fwd - Radio Frequency Identificat)	\$101	\$102	\$1	\$102
1151-City Libraries - Building Security System Renewal(1592-C/fwd - City Libraries - Building S)	\$113	\$50	(\$63)	\$50
1291-Library Roof and HVAC Replacement(594-C/fwd - Seismically brace the HVAC p)	\$168	\$168	(\$0)	\$168
Corporate Support				
58-Network Additions and Upgrades	\$56	\$42	(\$14)	\$42
68-Aerial Photography	-	\$85	\$85	\$85
86-Council Wide - Furniture Replacements	\$340	\$160	(\$179)	\$160
221-Print Synergy - Replacement of Print Synergy Machinery	-	\$11	\$11	\$11
272-Staff Cafeteria - Replacement of Equipment	\$6	\$6	\$0	\$6
318-Telecommunications Replacement - Council Buildings	\$121	\$102	(\$19)	\$102
755-Replacement of Parking Enforcement Hand Helds and iPhones(1590-C/fwd - Replacement of Parking Enfo)	\$28	\$55	\$27	\$55
784-Replacement of Council's Photocopiers/Printers(1672-C/fwd - Replacement of Council's Ph)	\$157	\$147	(\$10)	\$147
Economic Development				
251-Conference & Function Centre - Replacement of Equipment	\$36	\$36	(\$0)	\$36
270-Investment Properties - Holiday Park - Renewals	\$220	\$144	(\$76)	\$144
664-Conference & Function Centre - Renewals	\$53	\$10	(\$43)	\$10
1166-Conference & Function Centre - Equipment Purchases	\$77	\$77	(\$0)	\$77
Roading				
74-City-wide - Street Light Replacements	\$115	\$138	\$23	\$138
82-City-wide - Off Street Parking Resurfacing, Remarketing and Signage Replacement	\$9	\$10	\$2	\$10
155-City-wide - Street Tree Replacements	\$138	\$123	(\$15)	\$123
1443-City-wide - Road Drainage Replacements (Unsubsidised)	\$13	\$51	\$38	\$51
Rubbish and Recycling				
185-Closed Landfills and Transfer Stations - Site Infrastructure Renewals	\$85	\$89	\$5	\$89
612-Recycling - City Wide Wheelie Bin and Crate Renewals	\$60	\$50	(\$10)	\$50

Activity-Programme Name	YTD Actuals (\$000)	YTD Budget (\$000)	Variance (\$000)	Total Budget (\$000)
1368-City Wide Public Space Rubbish & Recycling Bins Renewals	\$15	\$15	(\$0)	\$15
1374-City Wide Public Recycling Facilities Renewals	\$8	\$8	-	\$8
Safe Communities				
40-Noise Measuring Equipment for Noise Complaints - Rolling Replacement	\$29	\$44	\$15	\$44
1269-Bylaw Signage - Replacement	\$2	\$6	\$4	\$6
1512-CCTV replacements	\$40	\$31	(\$9)	\$31
Stormwater				
20-City-wide - Stormwater Pump Station Renewals	\$63	\$72	\$9	\$72
Wastewater				
1056-Totara Road Wastewater Treatment Plant - Replacement of Inlet Screens (Renewal)(1555-C/fwd - Totara Road Wastewater Trea)	\$61	\$60	(\$1)	\$60
1067-Totara Road Wastewater Treatment Plant - Replacement of Security Fence and Gate(1587-C/fwd - Totara Road Wastewater Trea)	\$51	\$46	(\$5)	\$46
1351-Eastern Trunk Main - Hokowhitu Campus Renewal	-	\$142	\$142	\$142
1379-Maxwell's Line 825 Wastewater Trunk Main Renewal	-	-	-	\$0
1380-Totara Rd WWTP - Biogas Generator Major Overhauls(1586-C/fwd - Totara Rd WWTP - Biogas Gen)(1586-C/fwd - Totara Rd WWTP - Biogas Gen)	\$33	\$86	\$53	\$86
Water				
1063-Turitea Water Treatment Plant - Replacement of SCADA System Hardware and Software	\$30	\$101	\$71	\$101

The following programmes with budgets of under \$200k had expenditure in excess of \$200k. Below is the commentary relating to them:

- 1439-Culture/Heritage - Urban Eels Project Contribution:
- 60-Information Management Strategic Plan Project - New Software Applications:
- 1406-City Reserves - The Square - Te Marae O Hine - Pouwhenua Replacement
- 86-Council Wide - Furniture Replacements
- 270-Investment Properties - Holiday Park - Renewals

Attachment 5 – Financial Statements

Palmerston North City Council
Summary of Financial Performance
For the period to 30 June 2020

	Year to Date			Full Year	
	Actual	Budget	Actual	Revised	Annual
	\$'000	\$'000	Prior Year \$'000	Budget \$'000	Budget \$'000
OPERATING REVENUE					
Rates revenue	98,853	98,893	95,309	98,893	98,855
Interest and dividends	1,042	567	930	567	567
Other revenue	28,948	29,292	28,591	29,292	29,101
Operating subsidies and grants	3,589	3,272	3,740	3,272	3,322
TOTAL OPERATING REVENUE	132,433	132,024	128,570	132,024	131,844
CAPITAL REVENUE					
Capital subsidies and grants	6,808	7,822	11,007	7,822	7,822
Development contributions	2,992	1,476	1,776	1,476	1,476
Vested assets	2,841	2,000	1,714	2,000	2,000
TOTAL CAPITAL REVENUE	12,641	11,298	14,497	11,298	11,298
TOTAL REVENUE	145,073	143,322	143,068	143,322	143,142
EXPENSES					
Employee remuneration	47,462	45,785	43,725	45,785	45,505
Elected member remuneration	975	1,013	949	1,013	1,013
Depreciation and amortisation	37,292	35,619	33,183	35,619	35,619
Interest	5,535	7,626	6,019	7,626	7,616
Professional service costs	13,125	10,964	13,500	10,964	10,381
Other expenses	44,597	41,610	43,361	41,610	41,573
TOTAL EXPENSES	148,986	142,618	140,736	142,618	141,708
NET SURPLUS/(DEFICIT) BEFORE TAX	(3,913)	704	2,331	704	1,435

Palmerston North City Council
Statement of Financial Position
as at 30 June 2020

	2019/20			As at 30 June 2019
	as at 30 June 2020		Full Year	
	Actual \$000s	YTD Rev Budget \$000s	Rev Budget \$000s	
Current Assets				
Cash & Short Term Deposits	2,039	2,671	2,671	2,671
Trade and other receivables	12,845	9,817	9,817	9,845
Inventory	386	348	348	348
Total Current Assets	15,270	12,835	12,835	12,863
Non-Current Assets				
Property, plant and equipment	1,802,981	1,746,200	1,746,200	1,658,782
Inventory-Non-current	5,104	3,420	3,420	4,984
Intangible Assets	1,246	1,337	1,337	1,337
Biological Assets	1,419	897	897	1,300
Investment Properties	5,335	5,335	5,335	5,335
Investments & Advance	13,141	12,876	12,876	12,876
Total Non-Current Assets	1,829,227	1,770,066	1,770,066	1,684,614
Total Assets	1,844,496	1,782,901	1,782,901	1,697,477
Current Liabilities				
Trade and other payables	22,968	21,341	21,341	21,341
Provisions	755	1,258	1,258	1,258
Current Employee Entitlements	6,521	5,528	5,528	5,528
Current Portion - Term Liab	20,000	10,000	10,000	10,000
Derivative financial instruments	2,925	2,551	2,551	2,551
Total Current Liabilities	53,169	40,678	40,678	40,678
Non-Current Liabilities				
Provisions	631	665	665	665
Term Employee Entitlements	1,298	1,131	1,131	1,131
Term Liabilities	122,000	162,212	162,212	111,200
Derivative financial instruments	11,636	9,416	9,416	9,416
Total Non-Current Liabilities	135,565	173,424	173,424	122,412
Total Liabilities	188,734	214,102	214,102	163,090
Assets less Liabilities	1,655,762	1,568,800	1,568,800	1,534,387
Public Equity				
Retained earnings	1,018,471	1,050,119	1,050,119	1,049,414
Other reserves	637,291	518,681	518,681	484,973
Total Public Equity	1,655,762	1,568,800	1,568,800	1,534,387

Palmerston North City Council
Statement of Cash Flows
For the period to 30 June 2020

	Year to Date		Full Year	
	Actual	Revised Budget	Revised Budget	Annual Budget
Cash Flows From Operating Activities				
Receipts from rates revenues	97,994	98,893	98,893	98,855
Interest received	8	17	17	17
Dividends received	1,035	550	550	550
Operating subsidies and grants	3,419	3,272	3,272	3,322
Receipts from other revenue	27,143	25,297	25,297	25,106
Capital subsidies and grants	6,808	7,822	7,822	7,822
Development contributions	2,992	1,476	1,476	1,476
Receipts from tax losses	-	-	-	-
Interest paid	(5,535)	(7,626)	(7,626)	(7,616)
Payments to suppliers and employees	(103,281)	(95,782)	(95,782)	(94,911)
Goods and Services Tax (net)	374	-	-	-
Net Cash From Operating Activities	30,957	33,919	33,919	34,621
Cash Flows From Investing Activities				
Proceeds from sale of property	74	1,997	1,997	1,997
Proceeds from sale of biological assets	-	402	402	402
Purchase of property, plant and equipment - new	(25,665)	(60,333)	(60,333)	(55,221)
Purchase of property, plant and equipment - renewal	(26,798)	(26,996)	(26,996)	(26,592)
Net other advances repayment received/(made)	-	-	-	-
Net increase in investments	-	-	-	-
Net Cash From Investing Activities	(52,389)	(84,930)	(84,930)	(79,414)
Cash Flows From Financing Activities				
Investment fund reductions	-	-	-	-
Net borrowing proceeds/(repaid)	20,800	51,012	51,012	44,792
Repayment of borrowings	-	-	-	-
Repayment of leases	-	-	-	-
Net Cash From Financing Activities	20,800	51,012	51,012	44,792
Net Increase/(decrease)	(632)	1	1	(1)
Cash at beginning of year	2,671	2,671	2,671	1,279
Cash at Month End	2,039	2,672	2,672	1,278

Attachment 7 – Approved variations to Annual Budget

After the 2019/20 Annual Budget was approved, the following changes were authorised by Council. These also impacted the debt levels.

Operating	\$000
Annual Budget Net Surplus/(Deficit) Before Tax	1,435
Changes authorised by Council:	
Additional consultancy budget to deliver a District Plan Change to rezone the balance of the Kakatangiata area from Rural to Residential to assist with meeting increased housing demand within the City. This work will be undertaken in collaboration with key landowners, in particular Pioneer City West Limited.	(125)
Capital grant to Regent Theatre for sound system replacement	(135)
Proposed City Centre Business Improvement District (\$48,000 unbudgeted expenditure - note that the Chief Executive will seek to absorb within existing budgets)	0
Technical work and marketing and communications input scoping for the BPO Project	(471)
Revised Budget Net Surplus/(Deficit) Before Tax	704

Capital Expenditure	Programme	\$000
Annual Budget total capital expenditure		81,814
Changes authorised by Council:		
Adjust budget carry forwards to actual		4,064
719-College Street - Implementation plan for Transport Upgrade		92
1183-Stoney Creek Road (School) Safety Upgrade		400
1068-Totara Road Wastewater Treatment Plant - Replacement of Inlet Pumps		404
1615-City Wide - Parking and Traffic Signs and Marking		75
1623-College Street Upgrade Parking Mitigation		480
Movement of \$619,601 from 1514-CET Arena Manawatu Commercial Building to Arena Development Programme budgets		0
Annual Budget total capital expenditure		87,329

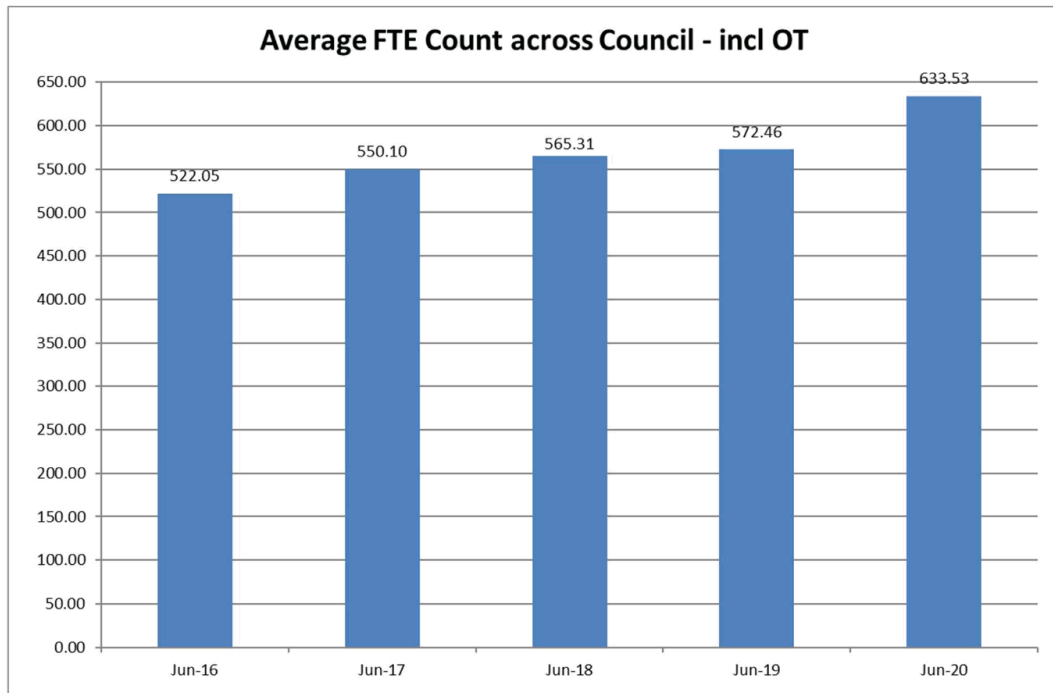
Variations to Annual Budgets approved by Chief Executive

The Delegations Manual provides that the Chief Executive may approve transfers of budgets where this will best achieve the outcome intended and savings can be made to offset the authorised increase. Where the amounts authorised cross activities, these are required to be reported quarterly to the Finance and Performance Committee.

Operating Activity	Budget change \$000
Staff budget transfer from Corporate Support to Leadership for speech writer	Corporate Support: 32 Leadership: (32)
Budget transfer from Connected Communities to Leadership for Maori Advisory	Connected Communities: 24 Leadership: (24)
Staff budget transfer from Commercial or Strategic Investments to Roding due to internal restructure	Commercial or Strategic Investments: 51 Roding (51)
Corporate Support offsetting increase in both revenue and expenses due to Warm up Palmy	Corporate Support: 38 Revenue Corporate Support: (28) Expense Net Interest (10) Expense
Economic Development offsetting increase in both revenue and expenses due to i-site being brought inhouse.	Economic Development: 141 Revenue Economic Development: (141) Expense
Budget Transfer from Roding to Leadership for strategy and policy functions of Transport and Infrastructure.	Roding: 50 Leadership: (50)

Capital Expenditure	Budget \$000	Variation \$000
Capital New		
57-Manawatu River - Downstream Pedestrian/Cycle Bridge Construction (subject to part external funding)	220	(181)
167-Urban Growth - Whakarongo - James Line Upgrade - Stage 4	175	(140)
235-Manawatu River (Ashhurst to Riverside Drive) - Cycle/Pedestrian Pathway	456	32
593-Water Safety and Security Mitigation	61	240
829-City-wide - Undergrounding of Power and Telecom Cables	26	40
1043-Totara Road Wastewater Treatment Plant - Inlet Main Duplication	1,119	200
1048-Totara Road Wastewater Treatment Plant - Construction of New Food Waste Facilities	436	30
1086-City-wide - Street Lighting Upgrade to Current LEDs	160	89
1358-Footpath extensions city wide	745	35
1361-Turitea Road - Pedestrian Path/Steps	81	(242)
1371-Closed Landfills and Transfer Stations - Site Infrastructure	179	(193)
1373-City Wide Public Recycling Facilities	123	(151)
1381-Totara Rd WWTP - Biogas Generator Exhaust Heat Recovery	0	170
1382-Totara Rd WWTP - Emergency Bypass Upgrades	0	60
1385-Water Telemetry Disaster Resilience Additional Microwave Link	334	(124)
1388-Citywide Water Conservation Management - New pressure zone and District Meter Area Implementation	163	50

1410-Recycling - Recycling Bins and Crates to Non Residential Properties	34	(68)
1444-Shared path resilience improvements - Limestone to concrete	203	286
1488-Seal extension Rural Unsealed Road	443	75
1578-Monrad Pencarrow Roundabout installation	936	130
57-Manawatu River - Downstream Pedestrian/Cycle Bridge Construction (subject to part external funding)	220	(200)
167-Urban Growth - Whakarongo - James Line Upgrade - Stage 4	175	20
235-Manawatu River (Ashhurst to Riverside Drive) - Cycle/Pedestrian Pathway	456	10
593-Water Safety and Security Mitigation	61	40
829-City-wide - Undergrounding of Power and Telecom Cables	26	(218)
1043-Totara Road Wastewater Treatment Plant - Inlet Main Duplication	1,119	(181)
1048-Totara Road Wastewater Treatment Plant - Construction of New Food Waste Facilities	436	(240)
1086-City-wide - Street Lighting Upgrade to Current LEDs	160	110
1358-Footpath extensions city wide	745	32
1361-Turitea Road - Pedestrian Path/Steps	81	240
1371-Closed Landfills and Transfer Stations - Site Infrastructure	179	40
1373-City Wide Public Recycling Facilities	123	200
1381-Totara Rd WWTP - Biogas Generator Exhaust Heat Recovery	0	30
1382-Totara Rd WWTP - Emergency Bypass Upgrades	0	89
1385-Water Telemetry Disaster Resilience Additional Microwave Link	334	35
1388-Citywide Water Conservation Management - New pressure zone and District Meter Area Implementation	163	(242)
1410-Recycling - Recycling Bins and Crates to Non Residential Properties	34	(193)
1444-Shared path resilience improvements - Limestone to concrete	203	(151)
1488-Seal extension Rural Unsealed Road	443	170
1578-Monrad Pencarrow Roundabout installation	936	60
Capital Renewal		
54-City-wide - Wastewater Pipe Renewal	1,744	(101)
64-City-wide - Footpath Renewals and Replacements	1,150	150
65-City-wide - Wastewater Pump Station Renewal	310	10
155-City-wide - Street Tree Replacements	123	62
162-City-wide - Vehicle Crossing Replacements	341	(150)
179-Totara Road Wastewater Treatment Plant - Minor Equipment Renewals	462	200
214-City-wide - Water Toby and Meter Replacements	310	135
743-Railway Road - Culvert Renewal	0	(55)
1067-Totara Road Wastewater Treatment Plant - Replacement of Security Fence and Gate	46	46
1068-Totara Road Wastewater Treatment Plant - Replacement of Inlet Pumps	473	32
1351-Eastern Trunk Main - Hokowhitu Campus Renewal	142	(130)
1379-Maxwell's Line 825 Wastewater Trunk Main Renewal	0	(272)
1380-Totara Rd WWTP - Biogas Generator Major Overhauls	86	73

Attachment 8 – Personnel**FTE Count Across Council – As at June 2020**

Over the last 2 years, we have embarked on a major transformation programme, positioning the organisation to realise Council's vision of "Small City Benefits, Big City Ambition".

We have introduced new talent and capability across all areas of our organisation to meet the Council's goal as a driven and enabling Council. Consequently, we are delivering more infrastructure projects to achieve our vision, important and significant events and new communication initiatives to enhance our reputation as a City, and meeting the increased demand in our regulatory and building services.

In addition to some new positions in line with this process, we have filled a number of vacancies over the period.

Revision to capital programme carry forward budgets requested

As part of the adoption of the Annual Budget 2020/21, estimates for budgets to be carried forward from 2019/20 were included, totalling \$17.6M. These were based on the anticipated works that were considered to be unable to be completed by year end that were considered still needing to progress in 2020/21, with Covid19 being a major factor in many of these.

With the 2019/20 financial year now complete, a more complete picture of carry forward requirements has now been analysed, and a revised carry forward budget of \$21.5M is requested, with an increase of \$384k of capital revenue also requested to be added to the budget.

The changes to carry forward requested have been broken down into 4 categories:

- Increases to existing carry forward (Table 1)
- Decreases to existing carry forward (Table 2)
- New carry forwards with existing commitments (Table 3) (eg. existing contracts). These were mostly expected to be completed before 30 June, and there is an expectation that the works on the carry forward portion will be completed inside the first quarter of the financial year.
- New carry forwards with no current commitment (Table 4), with work still required to be completed. The reasons for these being required are varied, and are outlined by programme

The breakdown of how this impacts the carry forward is outlined below, and the detail regarding these numbers is shown by programme in the tables following:

	New	Renewal	Total
	\$000	\$000	\$000
Carry forward capital included in 2020/21 Annual Budget	14,719	2,909	17,628
Adjustments to existing carry forwards for those programmes included in the 2020/21 Annual Budget:			
- Increases to budget	2,314	265	2,579
- Reductions to budget	-1,864	-736	-2,600
Additional carry forward required for programmes unable to be completed by 30 June 2020:			
- Works with existing commitments	2,084	387	2,471
- Works without existing commitments	1,231	142	1,373
Total change to carry forward budgets	3,765	57	3,822
Total to be carried forward to 2020/21	18,484	2,966	21,450

Contained within these are programmes that are applicable for NZTA subsidies, as well as other capital grants to totalling \$384k in capital revenue, made up of \$284k NZTA subsidies and \$100k capital grant from Mercury Energy.

Table 1. Increase to existing carry forwards

Programme	Annual Budget 2020/21 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital New			
Central Energy Trust Arena Manawatu Programmes (1082, 1083, 1534)	4,375	4,689	314
1219-Social Housing - Papaioea Stage 2	1,474	1,702	227
1358-Footpath extensions city wide	85	383	298
1361-Turitea Road - Pedestrian Path/Steps	26	49	23
1388-Citywide Water Conservation Management - New pressure zone and District Meter Area Implementation	60	134	74
1440-Cuba Street urban streetscape improvements - Rangitikei to George Street	605	620	14
1444-Shared path resilience improvements - Limestone to concrete	50	160	110
1578-Monrad Pencarrow Roundabout installation	600	834	234
1623-College Street Upgrade Parking Mitigation	180	353	173
279-City-wide - Minor Road Safety Improvements	100	250	150
636-Aokautere Drive Pedestrian Cycle Improvements	209	257	48
651-City-wide - Seismic Strengthening of Water Structures	447	471	24
902-Property - Seismic Strengthening of Council Owned Buildings	361	439	78
91-Turitea Water Treatment Plant - Construction of Duplicate Water Pipeline from Lower Dam to Harts Road Reservoirs	1,000	1,546	546
Capital New Total	9,572	11,886	2,314
Capital Renewal			
1059-Totara Road Wastewater Treatment Plant - Replacement of Grit Removal Systems	268	315	47
1108-Cultural/Heritage Reserve - Hokowhitu Lagoon - Bank Renewal	131	158	27
207-Turitea Water Treatment Plant - Equipment and Facility Renewals	40	78	38
213-Cultural Facilities - Replacement of Structures, Internal Fit Out and Services	105	200	95
234-Sportsfields and Outdoor Courts - Changing Room Refurbishments	200	258	58
Capital Renewal Total	744	1,009	265
Total increase in existing carry forwards	10,316	12,895	2,579

Table 2. Reduction or no change in existing carry forwards

Programmes	Annual Budget 2020/21 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital New			
1043-Totara Road Wastewater Treatment Plant - Inlet Main Duplication	500	500	0
1048-Totara Road Wastewater Treatment Plant - Construction of New Food Waste Facilities	110	73	(37)
1074-Totara Road Wastewater Treatment Plant - Earthquake Strengthening of Civil Structures	600	600	0
1188-Land Use Monitoring	75	0	(75)
1216-City-wide - Additional Cycle Lanes	104	0	(104)
1257-City-wide - Cycle Phases at Intersections	42	0	(42)
1357-Urban Growth - Ashhurst - Reserve Land Purchase	396	0	(396)
1362-Roberts/Railway Road North Intersection Safety Realignment	300	293	(7)
1385-Water Telemetry Disaster Resilience Additional Microwave Link	131	129	(1)
1413-Bunnythorpe Community Facility	921	894	(28)
1492-Wayfinding signage CBD area for key public institutions	36	0	(36)
1559-Urban Cycle Network Development	500	285	(215)
1615-City Wide - Parking and Traffic Signs and Marking	35	0	(35)
167-Urban Growth - Whakarongo - James Line Upgrade - Stage 4	43	19	(25)
196-Caccia Birch - Lagoon Embankment Upgrade	90	88	(2)
697-Clearview Reserve Development	31	31	0
732-Summerhill Drive - Pedestrian and Cycle Improvements	250	248	(2)
93-City Reserves - Memorial Park Reserve Development Plan Implementation	700	124	(576)
985-Kelvin Grove Water Supply Zone - New Bore	283	0	(283)
Capital New Total	5,147	3,283	(1,864)
Capital Renewal			
1068-Totara Road Wastewater Treatment Plant - Replacement of Inlet Pumps	432	268	(164)
1120-Ashhurst and Te Patikitiki Community Library Renewals	53	0	(53)
1139-Radio Frequency Identification (RFID) Materials Management	95	0	(95)

Programmes	Annual Budget 2020/21 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
1380-Totara Rd WWTP - Biogas Generator Major Overhauls	26	0	(26)
1575-Seismically brace the HVAC piping	164	161	(3)
178-Central Library Replacement of Shelving, Furniture and equipment	246	200	(45)
202-Central Library Interior Design Renewals	232	232	0
203-Interior Design of Community Libraries, Youth Space, and Mobile Library	33	33	0
281-Operational Property -Civic Administration Building - Refurbishments	524	411	(113)
663-Ashhurst - Bore to Reservoir Pipe Replacement	300	124	(176)
784-Replacement of Council's Photocopiers/Printers	61	0	(61)
Capital Renewal Total	2,165	1,429	(736)
Total reductions in existing carry forwards	7,312	4,712	(2,600)

Table 3. Carry forwards not identified in the Annual Budget with existing commitments

These carry forwards were not identified in the annual budget, but were unable to be completed before year-end due to a number of reasons, with the main cause being delays associated with Covid19. These all have existing commitments, with most of these commitments expected to be fulfilled in the first quarter.

Programme	Annual Budget 2020/21 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
Capital New			
107-Cemeteries - Kelvin Grove - Ash Plot developments and Childrens area extension	0	30	30
1127-City Reserves - Victoria Esplanade - Bonsai House	0	80	80
1187-PNCC Website Customisation	0	25	25
1371-Closed Landfills and Transfer Stations - Site Infrastructure	0	95	95
1373-City Wide Public Recycling Facilities	0	35	35
1513-New emergency operations centre (EOC) Fit Out	0	30	30
244-City Centre Streetscape Plan - Square East (Plaza to ANZ)	0	1,429	1,429
719-College Street - Implementation Plan for Transport Upgrade	0	77	77
1386-Ashhurst water supply upgrade to address fire fighting shortfalls and cater for growth	0	8	8
133-Cemeteries - Kelvin Grove - New Burial Sections Footpaths and Rooding Extension	0	44	44
1183-Stoney Creek Road (School) Safety Upgrade	0	24	24
1367-Street Light Infill Improvements	0	53	53
708-Urban Growth - Aokautere - Reserves Land Purchase	0	34	34
1607-Water Safety and Security Mitigation	0	60	60
1454-City Reserves - Victoria Esplanade Development Plan	0	61	61
Capital New Total	0	2,084	2,084
Capital Renewal			
37-Cemeteries - Terrace End - Site Enhancements	0	9	9
63-Council's Plant and Vehicles - Replacements	0	12	12
65-City-wide - Wastewater Pump Station Renewal	0	113	113
186-Public Toilets - Refurbishments and Replacements	0	10	10
1063-Turitea Water Treatment Plant - Replacement of SCADA System Hardware and Software	0	86	86

Programme	Annual Budget 2020/21 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested
199-City-wide - Water Bore Headworks and stations Renewal	0	48	48
98-Citywide Reserves - Renewals (Victoria Esplanade, Memorial Park, Ashhurst Domain and The Square)	0	76	76
257-Sportsfields and Outdoor courts - Fitzherbert/Manawaroa/Ongley Parks - Cricket Block Replacements	0	32	32
Capital Renewal Total	0	387	387
Total New Carry Forwards with commitments in place	0	2,471	2,471

Table 4. Carry forwards not identified in Annual Budget without firm commitments currently in place

These budgets were not identified as needing to be carried forward to 2020/21, or were originally deferred to latter years and are now requested to be brought back to 2020/21. Explanations for these are provided against each programme for further context.

Programme	Annual Budget 2020/21 Carry Forward	Requested Carry Forward Amount	Change in Carry Forward Requested	Reason for carry forward budget being required
Capital New				
94-Walkways and Shared Path - Purchase of Land to Extend Network	0	400	400	There is an expectation that a sale and purchase agreement on Polson Hill will be issued in 2020/21.
235-Manawatu River (Ashhurst to Riverside Drive) - Cycle/Pedestrian Pathway	0	200	200	Delay in delivering this project has been caused by the ongoing negotiation of the land purchase with Fletchers/ Higgins for the easement around the quarry. The amount requested is to allow for the portion of path on either side of quarry to be completed in 2020/21.
324-Park Road / Cook Street - Intersection Upgrade	0	38	38	Design concepts developed for Councilor consideration. The construction work is arranged to start in 2020/21 and is to align with the changes to the Esplanade Entrance works.
560-Cultural/Heritage Reserves - Te Motu o Poutoa / Anzac Park Reserve Development	0	60	60	This is part of the co-management between Council and Iwi so must be available if required. There is a risk around timing of this being carried out in 2020/21.
1001-Urban Growth - Whakarongo - Installation of Stormwater Systems	0	100	50	Programme was not required for development work in 19/20. Carry forward budget requested to allow for design with the rest deferred to the LTP to align with the development of Whakarongo area.
1055-Urban Growth - City West - Installation of Wastewater Systems	0	50	50	Design work required in 20/21 year to align with development to occur in the City West area.
1039-Shared Path Connection - Riverside Drive to Railway Road	0	33	33	Reprioritisation of work after Covid 19 lockdown meant that contractors moved to other projects. This work is intended to continue in 2020/21.
1412-Urban Growth - Ashhurst - Wastewater - North St Network Upgrade	0	20	20	Design work not undertaken in 19/20 due to delay in the residential development in the catchment area. Development estimated to occur in 21/22 with design required to be completed in 20/21 year
1473-City Centre Lighting and Projection Demonstration Project	0	201	201	This was originally deferred to LTP in 2021/22. Since then, an application for external funding from Mercury Energy were successful which can be

						utilised on this programme. 50% of the programme is to be funded from this.
1476-City Centre Laneways Programme	0	50	50			Delayed due to Covid 19 with recovery planning delaying progress. This amount plus existing 2020/21 budget will be sufficient to deliver on goals.
1579-WWTP - Health and Safety Upgrades	0	179	179			There are a number of projects as the WWTP that have been scoped but still in design phase, H&S upgrades to WWPS are a priority.
Capital New Total	0	1,231	1,231			
Capital Renewal						
1351-Eastern Trunk Main - Hokowhitu Campus Renewal	0	142	142			Work wasn't required in 19/20 due to the development not requiring it at the time. This is now expected to be needed in 2020/21
Capital Renewal Total	0	142	142			
Grand Total	0	1,373	1,373			

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Update of Treasury Policy (including Liability Management & Investment Policies)

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATIONS TO COUNCIL

1. That the memorandum entitled 'Update of Treasury Policy (including Liability Management & Investment Policies)' presented to the Finance & Audit Committee on 19 August 2020, be received.
2. That the updated Treasury Policy (incorporating the Liability Management and Investment Policy pursuant to section 102 of the Local Government Act 2002) as attached to this report be adopted.
3. That it be noted Council will be reviewing the specific borrowing limits contained in clause 3.6.1 of the Policy as part of the process of developing its Financial Strategy for the 2021-31 10 Year Plan, and that if the outcome of this is that there are changes to these limits, the Policy will be updated to include them.

1. ISSUE

Council adopted its current Treasury Policy on 21 December 2017 and adopted amendments to specific borrowing limits on 25 June 2018. One of the terms of the Policy is that it will be reviewed every three years. This report recommends the adoption of an updated policy (marked up version attached) containing a number of changes to reflect changed circumstances, although in practical terms they will not impact materially on the way the treasury activity is managed.

2. BACKGROUND

The Council is required under section 102 of the Local Government Act 2002 to adopt a Liability Management Policy and an Investment Policy. As they are operational in nature these policies can be adopted by ordinary resolution of the Council.

PALMERSTON NORTH CITY COUNCIL

Our Council chooses to combine the two policies into one document called a Treasury Policy and the latest version of this Policy was adopted by Council on 25 June 2018.

The Policy itself states it will be reviewed three-yearly.

The present policy has been operating effectively. However changes are being proposed to:

- Align the policy with changes made by the Local Government Funding Agency (LGFA) as well as changes to the credit rating methodology by S&P Global. These impacts are flowing through the local government sector particularly in the area of liquidity management.
- Change the interest rate risk management framework in a manner consistent with other similar sized Councils, to provide greater flexibility in the medium term management of interest rates whilst continuing to meet a prudent risk management approach.
- Update the policy by removing reference to matters that are out of date such as the long term investment fund.

Key changes proposed include:

- A policy framework around on-lending activity to CCOs (including CCTOs). This is to allow for any potential on-lending activity that may be required along with allowing for the possibility of direct lending from the LGFA to these entities.
- A new policy framework for interest rate risk control limits (section 3.2).
- Updated funding control limits to provide greater flexibility in Council's funding arrangements (clause 3.3.5).
- Adjustments to counterparty credit limits along with a tiered approach to counterparty risk management. This will allow a greater exposure to 'very strong' credit rated entities and a reduced exposure to 'strong' credit rated counterparties. The minimum credit rating policy of long-term A has not been altered (clause 3.4.2).

Borrowing mechanisms to CCOs & CCTOs (section 3.14)

Shareholders have approved changes to foundation documents for the LGFA that enable LGFA to lend to CCO/CCTOs either directly or through shareholder Councils. These changes are expected to be operative shortly. Such lending is expected to be provided on a case by case basis, approved by the LGFA Board and will depend on the individual circumstances of the Council and the related entity.

At this stage the only possible Council related entity that may be considered is Palmerston North Airport Limited. Although the likelihood of this happening is relatively low it seems

sensible to have a framework in place that would guide the Council when considering providing financial support in the form of debt funding either directly or indirectly.

The framework considers various factors such as:

- Credit risk profile of the borrowing entity and the ability to meet timely repayments
- Impact on Council's credit rating, debt cap amount (if any), lending covenants with the LGFA and other lenders and the Council's future borrowing capacity
- The form and quality of security arrangements provided
- The lending rate and terms
- Lending arrangements to CCOs and CCTOs must be documented (through a terms sheet) on a commercial arm's length basis.

Interest rate risk management framework (section 3.2)

The present policy uses the 12 month rolling forecast of the Council's debt as the basis for calculating the percentage of the debt that has a fixed interest rate versus floating.

Our advisors have recommended this be changed to what they term a 'corridor policy' approach meaning the calculation would be based on the forecast debt for each of the years of the 10 Year Plan. This approach continues to achieve interest cost certainty and a spreading of interest rate re-pricing maturities whilst allowing for flexibility to manage the uncertainty that comes with long term debt forecasting.

From a management perspective maintaining realistic forecasts of debt (as circumstances change with revisions to capital expenditure timing) is one of the more challenging aspects of interest rate risk management.

Funding risk control limits (clause 3.3.5)

The present policy is based on debt maturity bands 0-3, 3-5 and over 5 years. It is proposed this be changed to 0-3, 3-7 and 7 year + timeframes. This wider band allows more flexibility to manage within the policy and continues to enforce a spreading and smoothing approach, avoiding concentrated repricing and refinancing risks.

Counterparty credit risk (clause 3.4.2)

It is proposed to take a tiered approach to counterparty credit risk management involving allowing a higher level of exposure where the credit rating of the counterparty is very strong at AA- or above and lowering this exposure amount where the credit rating is strong at A or above (this captures a wider range of registered banks including Kiwibank).

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The changes will provide the Council with the flexibility to vary the mix of transactions in order to get the best outcomes from each bank counterparty, cognisant of their weighting based on their credit risk profile, while continuing to maintain a spreading of risk amongst bank counterparties.

It is becoming increasingly necessary to refinance maturing debt well in advance of maturity and then invest for the period until maturity of the original loan. The changes mentioned above allows additional investment capacity where required for this pre-funding.

Other changes

There are a number of other relatively minor changes proposed in the draft to ensure consistency and/or reflect the latest position (such as for forestry, real estate investments) and to reduce the glossary of terms to only those that are directly relevant to the Council.

No change has been made to the specific borrowing limits (3.6.1) but a footnote indicates they are being reviewed as part of the development of the financial strategy for the 2021-31 10 Year Plan and that if changes are approved through that process the Policy will be consequentially updated.

3. NEXT STEPS


Once the updated Policy is approved it will be made available to financial institutions, advisors and published on Council's website.

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 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	As part of the legislative framework for Council financial management

strategic direction and to social, economic, environmental and cultural well-being	there is a legislative requirement to adopt borrowing management & investment policies. The borrowing limits contained in these policies flow from the Council's financial strategy. These will be reviewed as part of the development of the 2021-31 10 Year Plan and if there are any changes the Treasury policy will be further updated at the time of adoption of the 10 Year Plan.
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ATTACHMENTS

1. Treasury Policy - draft for adoption - August 2020 [↓](#) 

Liability Management and Investment Policy

Palmerston North City Council
Adopted 21 December 2017
Amended 25 June 2018
Draft for 2020



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TREASURY POLICY

[Incorporating Liability Management and Investment Policy¹]

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¹ As required by sections 102, 104 & 105 Local Government Act 2002



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1. Preface and Objectives

1.1 Preface

1.1.1 The Local Government Act 2002 (LGA) requires councils to have a Financial Strategy (s.101A) and a Revenue and Financing Policy (s.103), both of which form part of its Long Term Plan (LTP). These policies are publicly consulted on as part of LTP consultation process.

1.1.2 The LGA also requires councils to adopt a Liability Management Policy (s.104) and an Investment Policy (s.105). The LGA provides lists of matters which must be included in those policies. As these policies are more operational in nature they can be adopted by ordinary council resolution rather than by using the public consultative process. The Council has decided to incorporate these policies together in a Treasury Policy document which also contains more comprehensive detail than required by the legislation.

1.1.3 Treasury policy is concerned with the management of the organisation's financial assets and liabilities to optimise liquidity and to minimise the cost of borrowed funds and to do so within defined risk parameters.

1.1.4 The Council has risks arising from debt raising, investments and associated interest rate management activity. Other liabilities may arise as a result of Council's normal activities. To mitigate the risks associated with the incorrect use or misuse of financial instruments this policy sets restrictions and parameters around their use.

1.1.5 The LGA (s.113) prohibits local authorities from borrowing or entering incidental arrangements in foreign currencies. This policy confirms that requirement in paragraph 5.1. but note the exception in paragraphs 5.2 – 5.5. The Council does not trade in commodities.

1.1.6 Interest rate risk is one of the key financial risks which Council seeks to manage. Because the Council is a net borrower at the time of adopting this policy, any increase in interest rates causes the cost of projects to rise.

1.1.7 It is generally considered that having certainty about the cost structure is preferable to having uncertainty. This includes the possibility of paying slightly more interest expense at some times than otherwise would be required when interest rates are low in order to not have to pay considerably more when interest rates are high. Accordingly, like many other large organisations, Council makes arrangements through its banks to use hedging instruments to manage risk levels to achieve an acceptable interest expense.



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1.1.8 Interest rate changes also affect the value of some assets, for example bonds and forests. The market value of these assets is affected by interest rate changes for potential buyers of the bonds or cut timber.

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1.1.9 There are three basic hedging instruments for managing interest rate risk. These are forward [rate agreements](#), swaps and options. Swaps and options, and other hedging instruments (which combine some characteristics from more than one of these, e.g. swaptions) are more sensibly used for ongoing activities, and repetitive transactions.

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1.1.10 There is also foreign currency risk relating the purchase of goods and services denominated in foreign currency. A forward contract would normally be used to hedge the risk associated with a significant one-off transaction such as when Council purchases a recycling sorting machine from an Australian supplier.

1.1.11 Forwards and swaps are agreements to do something in the future. Options are agreements which give the right to one party to choose to do something in the future, while the other party to the contract has an obligation to perform.

1.2 Objectives

1.2.1 The Council's broad objectives in relation to this activity are as follows:

- manage all of its investments within its strategic objectives and invest surplus cash in liquid and creditworthy investments
- arrange and structure long term funding for Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits
- borrow funds and transact interest rate hedging financial instruments within an environment of control and compliance
- develop and maintain relationships with the Trustee, financial institutions, LGFA, credit rating agencies, and investors
- maintain liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements
- monitor, evaluate and report on treasury performance
- to ensure adequate internal controls exist to protect the Council's financial assets and to prevent unauthorised transactions
- ensure the council, management and relevant staff are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations
- comply with the Local Government Act 2002 and other relevant local authority legislation

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- to be consistent with Council's Long Term Plan, Financial Strategy and Revenue and Financing Policy.
- maintain a long-term credit rating of at least AA.

1.2.2 In meeting these objectives Council is a risk averse entity and subject to particular policies, and generally does not wish to seek risk from its borrowing and investment activities. Interest rate risk, liquidity risk, funding risk and credit risk are risks Council seeks to manage, not capitalise on. Speculative activity is forbidden.

1.2.3 The key elements in the management of risk are:

Risk Type	Aim	Risk Managed By
Liquidity and funding risks	Funds available when required at cost effective rate.	Maintain accurate cash forecasting systems. Limit and spread concentration of debt maturities within policy risk control limits.
	Successfully refinance and raise new debt at a future time at the same or more favourable terms	Maintain relationships with the Trustee, financial institutions, LGFA, credit rating agencies, investors.
		Maintain external debt and committed available bank/loan facilities at or above 110% of existing external debt.
		Adhere to self-imposed prudent debt limits.
Interest Rate	Minimise exposure to adverse interest rate movements.	Demonstrate prudent financial management practice.
		Maintain the interest rate risk profile within prescribed policy risk control limits.
Credit	Eliminate risk through failure of counterparty.	Use hedging instruments in a controlled manner.
		Invest cash only in entities with strong credit ratings (by S&P Global or equivalent agency).
		Maintain liquid and negotiable investments.
		Spread investments and risk management instruments across issuers and counterparties.

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2. Delegated Authorities

- 2.1 Treasury transactions entered into by Council without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).
- 2.2 To prevent these types of situations, clear schedules of delegated authorities and signatories will be maintained and regularly reviewed.
- 2.3 The following procedures must be complied with:
- All delegated authorities and signatories must be reviewed at least every six months to ensure that they are still appropriate and current
 - A comprehensive letter must be sent to all bank counterparties at least every year which details all relevant current delegated authorities of Council and contracted personnel empowered to bind Council. This letter will also include standard settlements instructions and will detail who can receive information on behalf of the Council.
- 2.4 Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing immediately to ensure that no unauthorised instructions are to be accepted from such persons
- 2.5 Council has the following responsibilities, either directly itself, or via the following stated delegated authorities:

Activity	Delegated Authority	Limit
Approving and changing policy	Council	Unlimited
Borrowing new debt	Council	Unlimited (subject to legislative and other regulatory limitations)
Re-financing existing debt	Chief Executive Officer	Unlimited
Approving transactions outside policy	Council	Unlimited
Approving credit counterparty limits	Council	Unlimited



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Adjust interest rate risk profile	Chief Executive Officer	Fixed rate maturity profile limit as per risk control limits
Managing funding maturities in accordance with Council approved facilities	Chief Executive Officer	Per risk control limits
Maximum daily transaction amount (borrowing, investing, interest rate risk management)	Council Chief Executive Officer Chief Financial Officer Strategy Manager - Finance	Unlimited \$50 million \$30 million \$15 million
Authorising lists of signatories	Chief Financial Officer	Unlimited
Opening/closing bank accounts	Chief Financial Officer	Unlimited
Annual review of policy	Chief Financial Officer	N/A
Ensuring compliance with policy	Chief Financial Officer	N/A
<u>Approving new and refinanced lending activity with CCO/CCTOs</u>	<u>Council</u>	<u>Unlimited</u>
<u>Approving of Council guarantees or uncalled capital relating to CCO/CCTO indebtedness</u>	<u>Council</u>	<u>Unlimited (subject to legislative and other regulatory limitations)</u>
<u>Negotiation and ongoing management of lending arrangements to CCO /CCTOs</u>	<u>Chief Financial Officer</u>	<u>Per approval / per risk control limits</u>

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All management delegated limits are authorised by Council.



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3. Liability Management Policy

3.1 Borrowing Activity

3.1.1 The Council may borrow to:

- fund its balance sheet activities, including working capital requirements and borrowing to fund its investments in Council Controlled (CCO), and Council Controlled Trading Organisations (CCTO) or other trading enterprises
- fund "special one-off" projects and capital expenditure
- fund assets with intergenerational qualities.
- debt finance lending to CCO/CCTOs.

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3.1.2 The level of borrowing will be determined by the Long Term Plan as confirmed or modified each year by the Annual Plan. All external debt of the Council must be authorised by resolution of the Council.

3.1.3 A resolution of the Council is not required for hire purchase, credit or deferred purchase of goods if:

- the period of indebtedness is less than 91 days (including rollovers); or
- the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council.

3.1.4 The debt portfolio will be managed, within the framework of this policy, by the Chief Executive and Council staff under delegated authority.

3.1.5 Council is able to borrow through a variety of market mechanisms including:

- wholesale and retail registered commercial paper, stock and bond issues
- Local Government Funding Agency
- debentures
- Housing New Zealand Corporation loans
- direct bank borrowing
- hire purchase and leasing arrangements

3.1.6 All borrowing in currencies other than NZ dollars is forbidden.



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3.2 Interest Rate Risk

3.2.1 Due to the long term nature of Council's assets, projects and intergenerational factors, and Council's preference to avoid an adverse impact on rates, there is a preference for a minimum percentage of long term fixed rate or hedged debt. In addition, interest rate repricing risk is spread over a range of maturities.

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

3.2.3 Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the Chief Financial Officer or equivalent), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the policy minimum and maximum limits.

Debt Interest Rate Policy Parameters (calculated on a rolling monthly basis)

Debt Period	Debt Amount	Minimum	Maximum
Ending		Fixed	Fixed
Current		40%	90%
Year 1		40%	90%
Year 2		35%	85%
Year 3		30%	80%
Year 4		25%	75%
Year 5		20%	70%
Year 6		0%	65%
Year 7		0%	60%
Year 8		0%	50%
Year 9		0%	50%
Year 10		0%	50%
Year 11 plus		0%	25%

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

3.2.4 Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).

Hedging outside of the above risk parameters must be approved by Council.

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3.2.4 "Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.

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3.2.6 "Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.

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3.2.7 Pre-hedging in advance of projected physical drawdowns of new debt is allowed.

3.2.8 Management implements the interest rate risk management strategy through the use of the following approved instruments in the manner outlined below:

- Forward rate agreements ("FRAs") on bank bills or government bonds
- Interest rate swaps
- Interest rate options on bank bills and swaps

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Deleted: 3.2.8 A fixed rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile beyond 90 days requires specific approval by Council.

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3.2.9 The Chief Financial Officer approves the interest rate risk management strategy, as recommended by the Strategy Manager-Finance who develops the strategy after monitoring the interest rate market, evaluating the outlook for rates/credit spreads, the current and forecast yield curve, policy parameters and existing and planned borrowing amounts. External treasury strategy advice may also be sought.

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3.2.10 Officers implement the risk management strategies through the use of the following approved instruments (refer Appendix for glossary of terms):

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Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) <u>Committed standby facilities (where offered) from the LGFA</u> Uncommitted money market facilities Retail and Wholesale Bond and Floating Rate Note (FRN) issuance Commercial paper (CP) <u>Forward starting committed debt with the LGFA</u>
Investments (term <365 days)	Short term bank deposits Bank certificates of deposit (RCDs)
Investments	LGFA borrower notes / CP / bills / bonds

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Interest rate risk management	<p>Forward rate agreements ("FRAs") on:</p> <ul style="list-style-type: none"> • Bank bills • Government bonds <p>Interest rate swaps including:</p> <ul style="list-style-type: none"> • Forward start swaps/collars. Start date <36 months, unless linked to existing maturing swaps/collars • Amortising swaps (whereby notional principal amount reduces) • Swap extensions and shortenings <p>Interest rate options on:</p> <ul style="list-style-type: none"> • Bank bills (purchased caps and one for one collars) • Government bonds • Interest rate swaptions (purchased swaptions and one for one collars only)
Liquidity management	<p>Short term bank deposits (less than 30 days)</p> <p>Bank certificates of deposit (RCDs) (less than 181 days)</p> <p>Committed cash advance and bank accepted bill facilities</p> <p>Committed standby facilities (where offered) from the LGFA</p>

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3.2.11 Interest rate swap maturities beyond the maximum LGFA bond maturity must be approved by Council through a specific approval.

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3.2.12 Interest rate options must not be sold outright because of its speculative nature. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, the sold option can be purchased back. The sold option leg of the collar structure must not have a strike rate "in-the-money".

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3.2.13 The forward start period on swap/collar strategies is to be no more than 36 months, unless the forward start swap/collar starts on the expiry date of an existing swap/collar and has a notional amount which is no more than that of the existing swap/collar.

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3.2.14 Purchased borrower swaptions will mature within 12 months.

3.2.15 Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

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3.2.16 Buying and selling of financial futures is not permitted, primarily due to the administrative burden.

3.2.17 Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits as set out in section 3.4.



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3.3 Liquidity/Funding Risk

3.3.1 Council is exposed to liquidity risk in that due to unforeseen circumstances or events, it may not be able to meet its commitments, including debt maturities. Liquidity risk management focuses on the ability to borrow at that future time to fund the liquidity gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and funding margins) and maturity terms of existing facilities.

3.3.2 Council's objective is to always be in a position to meet its day-to-day commitments, to maintain its reputation and prevent any financial loss occurring, whilst ensuring the level of cash balances and/or committed unutilised bank facilities are kept to a minimum in accordance with good cashflow management practices.

3.3.3 Managing Council's funding risks is important since several risk factors can arise to cause an adverse movement in funding margins, term availability and general flexibility including:

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

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

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, financial institutions/brokers and maintain a long-term credit rating of at least AA.



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3.3.5 As a prime borrower Council should always be in a position to raise additional funds when required. However, to minimise liquidity and funding risk, Council will ensure:

- Comprehensive daily and weekly cash management reporting, together with rolling 12 month forecasting
- External term debt plus committed available bank/loan facilities plus liquid financial assets (as defined in section 3.6.1 of this policy) must be maintained at an amount of 110% of existing external debt. External debt funding and associated investment activity relating to pre-funding (described below) is excluded from the liquidity ratio calculation.
- Council has the ability to pre-fund up to 18 months of forecast debt requirements including re-financings. Debt re-financing that have been pre-funded, will remain included within the funding maturity profile until their maturity date.
- To minimise concentration risk the LGFA require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12 month period.
- The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to <u>7</u> years	<u>25</u> %	<u>85</u> %
<u>7</u> years plus	<u>0</u> %	60%

- Membership of the Local Authority Protection Programme (LAPP) is retained or appropriate levels of infrastructure insurance is obtained.
- A funding maturity profile that is outside that above limits, but self corrects within 90 days is not in breach of this policy. However, maintaining a maturity profile beyond 90 days requires specific approval by Council.

3.4 Counterparty Credit Risk

3.4.1 Council ensures that all investment, interest rate and foreign currency risk management activity is undertaken with institutions that have a strong credit rating. This is to ensure that the amounts owing to Council are paid fully and on due date. More specifically, Council minimises its credit exposure by:



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- Transacting with entities that have a strong or better S&P Global's (or equivalent) short and long term credit rating of at least "A-1" and "A" respectively
- Limiting total exposure to prescribed amounts
- Diversifying transactions across a number of counterparties to avoid concentration of credit risk
- Monitoring of compliance against set limits

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3.4.2 The following table summarises credit requirements and limits:

Institution	Minimum S&P Short/Long Term Credit Rating	Investments maximum per Counter party	Financial risk management instrument maximum per Counter party	Total Exposure Limit for each Counter party
NZ Government	N/A	N/A	None	Unlimited
NZ Local Government Funding Agency (LGFA)	N/A	N/A	None	Unlimited
Registered Bank	A-1 / AA-	\$15 million	\$20 million	\$35 million
Registered Bank	A-1 / A	\$10 million	\$15 million	\$25 million

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3.4.3 Approval is required from the Council for any alterations to these limits. If any counterparty's credit rating falls below the minimum specified in the above table, all practical steps are taken to reduce the credit exposure to that counterparty to zero as soon as possible. Counterparties exceeding limits are reported to Council. Counterparties other than 'registered banks' require the specific approval of Council.

3.4.4 Maximum financial exposure to the counterparties is computed as follows:

- Financial investments; the total principal amount invested with that counterparty
- Credit exposure on interest rate contracts is computed by multiplying the face value of outstanding transactions by an interest rate movement factor of 3% per annum i.e. notional amount * maturity (years) * 3%
- Credit exposure on foreign exchange is computed by multiplying the face value amount by the (square root of the maturity (years) * 15%)

3.5 Debt Repayment

3.5.1 The Council will generally use a "consolidated debt" approach to manage its financial position. Debt repayment and new debt creation are managed by

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application of the specific borrowing limits. Within this framework the Council may, from time to time, allocate debt and interest cost to a specific activity. The Council's aim is to fund debt repayment over the average life of the class of assets for which the debt has been raised though from time to time the Council may decide to fund accelerated debt repayment as part of its financial strategy to ensure future generations are left with adequate headroom to enable them to borrow to fund high priority capital investments.

3.5.2 Operating surpluses will be applied to the reduction of debt.

3.6 Specific Borrowing Limits

3.6.1 In managing borrowing, the Council considers the following to be prudent limits (based on Council's core financial statements):

Borrowing Limits ²	
Net external debt as a percentage of total assets	<20%
Net external debt as a percentage of total revenue	<200%
Net Interest as a percentage of total revenue	<15%
Net Interest as a percentage of annual rates income	<20%
Liquidity <u>ratio</u>	>110%

Total Revenue is defined as income from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes mark to market gains/losses on financial instruments, revaluations of assets and grants or development contributions for capital programmes.

Net external debt is defined as total external debt less liquid financial assets and liquid investments. External debt that is specifically borrowed for on-lending to a CCO/CCTO is netted (if consistent with LGFA covenant testing practice), with the corresponding loan asset.

Liquid financial assets are defined (for liquidity purposes) as overnight bank cash deposits, wholesale/retail bank term deposits no greater than 30 days and bank issued RCD's less than 181 days. Funds on deposit in association with pre-funding activity is excluded from this definition.

Net Interest is defined as all interest and financing costs (on external debt) less interest income for the relevant period.

² These limits will be reviewed during the development of the Council's 2021-31 long term plan.



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Deleted: 3.5.2. Funds from the sale of investment assets out of the Long Term Investment Fund will be applied to the reduction of debt and/or a reduction in new borrowing requirements.

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Annual Rates Income is defined as the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including metered water charges).

Liquidity is defined as external debt plus committed available bank facilities plus liquid financial assets (as defined above) divided by external debt.

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3.6.2 The context for and framework for establishing these limits is contained in the Council's Financial Strategy, adopted as a component of the 10 Year Plan.

3.6.3 If circumstances arose which would result in these limits being exceeded the issue would be considered by the Council and a determination made as to the most appropriate course of action, having particular regard for the principles of financial management contained in the Local Government Act 2002.

3.7 Security

3.7.1 The security for Council debt will be the ability to levy rates. This policy authorises the use of Deed of Charge or Debenture Trust Deed security documents as well as the appointment of a professional Trustee if this approach is assessed as being the most cost effective means of borrowing.

3.7.2 In unusual circumstances, with prior Council approval, a specific charge may be given over one or more of the Council's assets.

3.7.3 Physical assets will be pledged only where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance. Council considers a pledge of physical assets to be appropriate.

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3.7.4 Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

3.7.5 Any direct and indirect lending by Council to a CCO or CCTO will be on a secured basis and be approved by Council.

3.7.6 Council is prohibited to guarantee loans to Council Controlled Trading Organisations under section 62 of the Local Government Act. Council may act as a financial guarantor to Council wholly owned, Council Controlled Organisations, once approved by Council.

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3.8 Contingent Liabilities

3.8.1 From time to time the Council provides financial guarantees to recreation and community organisations to enable them to undertake capital projects on Council

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land. Applications for guarantee support will be considered only if the community group is based in the City and satisfactory projections of the financial strength and long term viability of the group or club are received by the Council. The guaranteed party's performance is monitored through communications with the lending institution and by assessing their financial statements.

3.9 Internal Borrowing

3.9.1 The use of Council investment funds, structured as an internal loan is allowed as a valid means of funding projects, minimising the cost of borrowing and still providing a market return on investment funds.

3.9.2 The treasury function is responsible for administering the Council's internal debt portfolio. Transparent operating procedures will apply to the setting up and repayment of the notional loan and the charging and payment of interest.

3.10 Performance Measurement

3.10.1 Performance of Council's borrowing management activities shall be judged against a number of subjective and objective measures including:

- adherence to all policy limits
- number and cost of processing errors
- breaches of borrowing limits
- comparison of actual interest costs to budget
- all treasury deadlines are to be met, including reporting deadlines.

3.11 Management of Debt and Interest Rate Risk

3.11.1 Since senior management is granted discretion by Council to manage debt and interest rate risk within specified limits, the actual funding rate achieved must be compared against an appropriate external benchmark interest rate that assumes a risk neutral position within the existing policy. Note: in this respect, a risk neutral position is one that is always precisely at the mid-point of the minimum and maximum percentage limits specified within the policy.

3.11.2 Given fixed/floating risk control limits and fixed rate maturity profile limits as defined in section 3.2 of this policy, policy mid-point represents an average



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maturity term of 7-years. The market benchmark rate will be calculated every month and represent the 7-year swap rate monthly rolling average over a 7-year period.

- 3.11.3 Accordingly, the actual weighted average interest rate for the financial year to date (which incorporates all issuance margins and derivative settlements) must be compared against the micro-benchmark rate on a monthly basis, with historical comparison reported graphically over the previous 12 months.

3.12 Management of Other Liabilities

- 3.12.1 From time to time the Council will also enter into transactions and agreements that can expose the Council to financial liability. Such transactions may include employee contracts, contract for service (e.g. issue of consents, provision of infrastructure services) and loan guarantees for assets constructed on Council-owned land.
- 3.12.2 Any potential risk from such activities will be managed by implementing appropriate systems and procedures and ensuring Council staff are appropriately trained to recognise and mitigate such risks.

3.13 New Zealand Local Government Funding Agency Limited

- 3.13.1 Despite anything earlier in this Policy, the Council may borrow from the New Zealand Local Government Funding Agency limited (LGFA) and, in connection

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Composite Benchmark Indicator Rate

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Deleted: 3.11.3 The micro-benchmark rate used to measure performance is the aggregate of the composite benchmark indicator rate calculated above and the margin that applies to existing loans and funding facilities.

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Deleted: 3.12.1 As part of the annual review of the Treasury Policy, it is necessary to compare the actual interest rates achieved for the financial year against an appropriate benchmark interest rate, based on the assumption that Council had no treasury function, no treasury policy and did not seek to manage the risks at all....

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with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

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

3.14 Borrowing Mechanisms to Council Controlled Organisations and Council Controlled Trading Organisations

3.14.1 To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the Chief Financial Officer considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing and rating, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.



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All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

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4. Investment Policy

4.1 General Policy

4.1.1 In its treasury investment activity, Council's primary objective when investing is the protection of its investment so only creditworthy counterparties are acceptable. The Council invests in non-speculative strongly credit rated, liquid negotiable investments which are readily convertible into cash.

4.1.2 The Council, as a net borrower, will have only operational cash surpluses.

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4.1.3 The Council will, from time to time, make investments in activities which support a specific strategic policy or aim. Its philosophy in the management of investments is to optimise returns in the long term while balancing risk and return considerations. The Council recognises that as a responsible local authority any investments that it does hold should be low risk and that lower risk usually means lower returns.

4.1.4 The Council seeks to invest in an ethical manner which it defines as meaning that it will invest in entities that engage in activities that demonstrate a positive approach to the environment, society and governance. The Council will not invest

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where there are significant legal or ethical concerns, and will specifically exclude investment in the following areas:

- the manufacturing or development of controversial weapons
- the manufacturing of tobacco
- the production of fossil fuels
- generating revenue from the operation of casino gambling.

4.1.5 For the purposes of this policy the Council defines investment as relating to financial assets and other assets not directly related to service delivery as outlined below:

- treasury investments
- equity investments (including CCO/CCTOs)
- other investments (including forestry, real estate investments not relating to service delivery and sundry advances).

4.2 Investment Policy – Treasury Investments

4.2.1 General Management Policy

The Council will hold treasury investments to:

- meet statutory obligations by funding certain reserves;
- match retentions held 'on trust' for the benefit of contractors under the Construction Contracts Act 2002;
- manage short or medium term cash surpluses;
- maintain operating cash levels;
- pre-fund refinancing of maturing debt.

4.2.2 Mix of Investments

Investments will be held in a form consistent with the anticipated funding requirement. For short term investments that are generally held for liquidity management purposes, investments are held for periods up to three months and in the form of call deposits or negotiable instruments (i.e. cash or cash equivalents) with registered banks. For investments held for periods beyond three

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months, government securities, LGFA, or other strongly credit rated securities will be held.

The Council will maintain a schedule of approved counterparties and issuers.

4.2.3 Acquisition of New Investments

The Council will source its approved investment instruments from major financial institutions at the “best price”.

4.2.4 Treatment of Income

Interest (or other) revenue from invested funds will be credited to Council’s general income. The interest income from statutory reserves will be credited to those funds.

4.2.5 Proceeds of Sale

Funds from the sale of financial investments will be applied to the repayment of debt, reduce new borrowing requirements or expenditure generally.

4.2.6 Management and Reporting

The assets will be managed under delegated authority by the Chief Executive and Council staff. The funds will be subject to quarterly reporting.



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4.2.7 Risks

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4.2.7.1 Counterparty Creditworthiness:

Funds will be placed with strongly credit rated counterparties with a minimum short term and long term credit rating of "A-1" and "A" respectively under the Standard and Poor's or equivalent credit rating system and be spread across issuers within the parameters outlined in 3.4.

4.2.7.2 Liquidity Risk

Funds held for liquidity management purposes will be invested in instruments which have a readily accessible secondary market ~~or~~ a maturity period of ~~no more than 30 days~~. Short-term operational liquidity is monitored and controlled through daily cash management activities. Long-term financial liquidity is monitored and controlled through long-term financial planning. Although overdraft facilities are utilised as little as practical the Council will maintain a committed bank overdraft facility to meet interim cash and liquidity requirements.

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4.3 Investment Policy - Equity Investments

4.3.1 The Council currently maintains equity investments in the following entities:

- Palmerston North Airport Ltd – the owner and operator of Palmerston North Airport
- Central Economic Development Agency Ltd – a provider of economic development and tourism services for the Council and the Manawatu District Council
- Civic Financial Services Ltd – a provider of a range of risk management products for NZ local government

4.3.2 Further capital investments in these entities will only be contemplated to achieve stated strategic objectives and will be by specific resolution of the Council. Sale of the investments would also require a specific resolution of the Council and be subject to the requirements of the Local Government Act 2002.

4.3.3 It is envisaged that any other equity investments which the Council may hold in the future would only be as a result of a gift, through a restructuring of the Council or to enable the Council to participate in a central Government or regional initiative associated with the provision of a key infrastructural activity. Council may also hold equity investments in CCO/CCTOs (such as LGFA). From time to

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time the Council will establish “shelf” companies so can it is able to respond appropriately to any opportunities which arise.

4.3.4 Each equity investment is evaluated and managed within the following framework:

4.3.4.1 Objectives

The rationale for the investment is determined and reviewed from time to time.

The present investments are held primarily to meet strategic economic and transportation objectives.

4.3.4.2 Monitoring Mechanism

The Council will manage its shareholding in a manner which is dependent on the size and nature of the shareholding and in instances where it is not the 100%



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shareholder will seek to do so in conjunction with other major shareholders. It will do so by:

- participating in the appointment of directors;
- monitoring the developments in the particular industry;
- monitoring company performance;
- acting to preserve the value of the Council's investment;
- monitoring the impact of the company's operations on the people of Palmerston North.

4.3.4.3 Income from the Investment

In the normal course income from each investment will be applied against current expenditure.

4.3.4.4 Proceeds of Any Future Sale

If the Council were to sell its shareholding, the sale proceeds would be applied to:

- reduction of debt;
- developing new assets
- investment in an appropriately managed diversified fund.

4.3.4.5 Management of the Investment

The shareholding will be managed through the shareholder representatives who are appointed by the Council. In instances where the company concerned is required to prepare a statement of intent the Council will review these and actively make its views known to the company.



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4.3.4.6 Risks

The Council will assess the risks associated with each investment. In the normal course, if the principal reason for the investment is for financial return then the Council will expect the commercial risks associated with the investment to be low.

If the reason for the investment is to achieve some other stated strategic purpose the Council may be prepared to accept higher commercial risks.

4.3.4.7 Public Consultation

In the event that the Council contemplates divesting its shareholding, public consultation would be undertaken to an extent that was consistent with the size and public sensitivity of the investment.

At the present time the Council contemplates maintaining each of its present equity investments at least for the medium term.

In the event of a sudden occurrence where either the company or industry is severely impacted, the Council could possibly see a large drop in the value of its shares. Under these circumstances, the public would not be consulted and the Council could resolve to sell the shares. All actions will be in a manner which is



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consistent with the Council's policy on determining significance and the requirements of the Local Government Act 2002.

4.4 New Zealand Local Government Funding Agency Limited

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

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

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

4.4.3 Because of the dual objective, Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

4.4.4 If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

4.5 Investment Policy – Other Investments

4.5.1 Forestry

4.5.1.1 The Council is the sole owner of a second rotation forestry crop (known as the Gordon Kear Forest) at the head of the Kahuterawa Valley. The second rotation trees were planted from 2010 to 2016 following harvest of the first tree crop and will be ready for harvest again at around age 28-30 years. As log prices are subject to significant price changes there is a high commercial risk. The net proceeds of harvest will be used to repay general debt.

Deleted: The principal reason for the investment is as an alternate funding source for future city development.

4.5.1.2 Replanting the forest was seen as important for maintaining the value of the land. One of the other key drivers for the replanting regime was the Emissions Trading Scheme (ETS). The ETS enables the trees to be harvested without penalty provided the forest is replanted or allowed to regenerate and the requirements of the ETS are met, particularly in relation to the number of stems per hectare, tree crown cover and height.

4.5.1.3 The Council also owns a neighbouring forest (known as Arapuke Forest Park) for the principal purpose of recreation. The forestry crop is incidental to the principal use and is classified as Plant, Property and Equipment rather than an investment. The first rotation pine tree crop has been harvested and the forest has been replanted in a range of longer lived exotic species. Native regeneration is being encouraged on the steeper slopes and around waterways. Several kilometres of mountain bike and walking tracks

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have been established by local volunteers in conjunction with the Council throughout the block.

4.5.1.4 The Council also has a forestry plantation within the Turitea water supply catchment area. The forestry activity is not expected to generate significant revenue and is ancillary to the water supply activity.

4.5.1.5 There are no plans to expand the Council's investment in forestry. The Council has decided to retain ownership of the Gordon Kear Forest as it has a number of current and potentially strategically important social values combined with providing a commercial return from the forestry investment.

Deleted: The Council's on-going ownership of the Gordon Kear Forest is due to be reviewed now that the second rotation planting is complete....

4.5.2 Real Estate Held For Investment Purposes

4.5.2.1 The Council holds real estate when it considers ownership to be essential to the delivery of relevant services. These assets are not accounted for as investments but form part of the plant, property and equipment of the appropriate activity or function. From time to time the Council reviews its ownership by assessing the benefit of continued ownership in comparison to other arrangements. This assessment is based on the most financially viable method of achieving the delivery of Council services. The Council generally follows the same assessment criterion in relation to new real estate acquisitions. From time to time these



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assets become surplus to operational requirements and then are considered investments, which are assessed for sale.

4.5.2.2 The major real estate holdings which do not form part of the operational activities are:

- library building shops
- [Regent Theatre shops](#)
- [Civic Centre shops](#)

4.5.2.3 [The shops mentioned above form a relatively small component of the overall property in each case and so in practical terms it is unlikely the sale of the of the shops would be contemplated.](#)

4.5.2.4 [The Council also has land in Whakarongo being developed and sold as a residential subdivision. Given the subdivision is progressing this land is being accounted for as inventory rather than as an investment.](#)

4.5.2.5 From time to time, usually in the process of selling one of these investments, the Council may consider it necessary to invest in commercial mortgages and deferred payment licences.

4.5.3 Sundry Advances

4.5.3.1 From time to time the Council makes loan advances to charitable trusts and incorporated societies for the furtherance of their activities which are consistent with the Council's objectives. The Council will only consider such advances on rare occasions where is not practical to offer financial guarantees. Any such advances would be the subject of specific resolution by the Council following an assessment of the financial strength and long term viability of the entity concerned.

4.5.3.2 Interest and principal repayments are monitored to ensure they comply with the loan agreement. In the case of default on such advances the assets of the organisation will be required to revert to the Council.

4.5.3.3 Under exceptional circumstances the Council may make advances to residential and commercial property owners to encourage them to connect to basic

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reticulation systems such as water and wastewater. Any such advances will be subject to a charge being placed over the land.

4.6 Internal Investment/Borrowing

- 4.6.1 The use of Council investment funds, structured as an internal loan is allowed as a valid means of funding projects, minimising the cost of borrowing and still providing a market return on investment funds.
- 4.6.2 The treasury function is responsible for administering the Council's internal debt portfolio. Transparent operating procedures will apply to the setting up and repayment of the notional loan and the charging and payment of interest.
- 4.6.3 Where possible the Council's internal reserves are utilised to minimise the need for external debt, effectively reducing the Council's net interest cost.



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5. Foreign Exchange Policy

- 5.1 Borrowing and investing in foreign currencies is prohibited apart from the one exception mentioned below.
- 5.2 The Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated plant, equipment and services. Most of these transactions are small and are considered to carry no significant foreign exchange risk.
- 5.3 For foreign exchange requirements over NZ\$100,000 consideration will be given to managing Council's exposure to exchange rates movements using forward exchange rate contracts and/or purchased foreign exchange options. Forward exchange rate contracts can only be entered into once the exact timing and amount of the approved exposure is known. Purchased foreign exchange options can be used when an approved purchase order is raised but not confirmed.
- 5.4 Credit exposure on these instruments is restricted by specified counterparty credit limits as set out in section 3.4.



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6. Accounting Treatment of Financial Instruments

- 6.1 As a general rule, financial risk management instruments on initial recognition are valued at cost and thereafter carried at fair value with any period unrealised fair value gains or losses booked through the Statement of Comprehensive Revenue & Expense, at any particular reporting date.
- 6.2 All financial risk management instruments are fair valued (marked-to-market) on a consistent basis, at least six monthly for internal treasury management and accounting purposes.
- 6.3 Underlying rates to be used to value treasury instruments are as follows:
- Official daily market rates for short-term treasury instruments (e.g. FRA settlement rates calculated by Reuters from price maker quotations as displayed on the BKBM page)
 - Relevant market mid-rates provided by Council's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments e.g. swaps
 - For markets that are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the Chief Executive.
- 6.4 As a general rule bank and loan stock funding is held to maturity and consequently accounted for on an amortised cost basis.



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7. Reporting

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

7.2 The following reports are produced:

Report Name	Frequency	Prepared By	Recipient
Daily Cash Position Treasury Spreadsheet	Daily	Senior Financial Administration Officer	Strategy Manager Finance
Treasury Exceptions Report	Monthly	Strategy Manager - Finance	CFO
Treasury Report <ul style="list-style-type: none"> • Policy limit compliance • Borrowing limits • Funding and Interest Position • Funding facility • New treasury transactions • Cost of funds v. budget • Cash flow forecast report • Liquidity risk position • Counterparty credit • Treasury performance • Debt maturity profile • Revaluation of Financial Instruments • Statement of Public Debt 	Quarterly	Strategy Manager Finance	CFO/CEO/ Council
LGFA Covenant Reporting	At least annually	Strategy Manager - Finance	LGFA
Trustee Reporting	Six Monthly	Strategy Manager - Finance	Trustee

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8. Policy Review

8.1 This Policy is to be formally reviewed on at least a triennial basis. The CFO has the responsibility to prepare a review report that is presented to the Council. The report will include:

8.1.1 Recommendation as to changes, deletions and additions to the Policy.

8.1.2 Overview of the treasury function in achieving the stated treasury objectives, including performance trends in actual borrowing cost against budget (multi-year comparisons).

8.1.3 Summary of breaches of Policy and one-off approvals outside Policy to highlight areas of Policy tension.

8.1.4 Analysis of bank and lender service provision, share of financial instrument transactions etc.

8.1.5 Comments and recommendations from Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.

8.2 An annual audit of the treasury system/spreadsheets and procedures should be undertaken.

8.3 Total net debt servicing costs and debt should not exceed limits specified in the covenants of lenders to Council.

8.4 The Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes.



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Appendix:- Glossary of Terms

Bank Bill; A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liequify itself with cash. Normally for terms of 30, 60, 90 or 180 days.

Base rate; Normally a lending bank’s cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.

Basis Point(s); In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.

Basis Risk; The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument’s future price (say, a bank bill futures price) changes over the period to the date of the future price.

Benchmark; An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

Bid Rate; Exchange rates and interest rate securities/ instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.

BKBM; The FRA settlement rate as determined at 10:45am each business day on Reuters page BKBM.

Bond; The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond’s interest rate is always fixed.

Borrower Notes; On occasion when Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of “Borrower Notes”. A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes and can take the form of a dividend if the Borrower Notes are converted to redeemable preference shares.

Call Option; The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option “contract.

Cap; A series or string of bought interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the “capped rate.” A cap is normally for more than one 90-day funding period.

Deleted: Amortising Swap; An interest rate swap contract that has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date....

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Deleted: Arbitrage; A method or action that allows the securing of profit (with no market risk) by taking advantage of a mispricing of one financial instrument between two markets/time zones.

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Deleted: Asset/Liability Management; The management process a bank uses to ensure its assets (loan made to customers) matches its liabilities (deposits from customers). **Average Rate Forward;** A series of forward exchange contracts to different dates for the same amount, but at different rates. The series of contracts is re-stated as one contract at the one average rate. Also called a “par forward”.

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Deleted: Balloon Payment; The repayment terms of a loan being the full principal amount due for

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Deleted: repayment in one amount on the final maturity date. Also called a “bullet” payment.

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Deleted: Basis Swap; A Variation of an interest rate swap whereby interest payments are exchanged on a floating to floating basis to change the timing of interest payments on a bank loan i.e. quarterly payments swapped to monthly basis.

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Deleted: Bid-Offer Spread; The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate when quoted by a bank is known as the “bid-offer spread”. Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.

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Deleted: Bond FRA; A tailored contract to buy or sell a bond (Government or Corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve....

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Deleted: Bond Option; The right, but not the obligation by the owner/holder of the option to buy or sell bonds (Government or Corporate) at a predetermined interest rate at a specified future date. The buyer pays a “premium” in cash up-front to reduce risk and have insurance-type protection, the seller or grantor of the bond option receiving the premium for assuming the risk.

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Deleted: Certificate of Deposit “CD”; A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors....

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Closing-Out; The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.

Collateral; A legal term means “security”.

Commercial Paper; The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called “one-name paper” and “promissory notes” issued by competitive public tender to investors or by private treaty to one investor.

Coupon; The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.

Counter party; The contracting party to a financial transaction or financial instrument.

Covenants; Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.

Credit Risk or Exposure; The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.

Credit Spread; The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size, and liquidity between the two securities e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.

Current Ratio; A liquidity measure to determine how quickly Council can generate cash. Current assets are divided by current liabilities.

Debenture; A debt instrument similar to a bond whereby a borrower borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.

Derivative(s); A “paper” contract whose value depends on the value of some “underlying” referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a “synthetic.” The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.

Discount; A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower. Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments along the way and the full face value at the maturity date.

Duration; Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest

Deleted: Collar Two; option contracts linked together into the one transaction or contract. A borrower's collar is normally a bought “cap” above current market rates and a sold “floor” below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a “cylinder”.

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Deleted: Commoditised; When a financial market or instrument becomes so popular and “plain vanilla” that there is no longer any difference in the prices quoted by participants in the market.

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Deleted: Compound option; An option contract on the premium of an option i.e. the right but not the obligation, to enter an option contract at a pre-determined premium amount.

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Deleted: Convexity; A measure of the degree of curve or slope in an interest rate yield curve.

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Deleted: Convertible Bonds; A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company....

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Deleted: Cover; A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.

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Deleted: Cross Currency Interest Rate Swap; A borrower exchanges (swaps) one set of interest payments from a loan in one currency for another set of interest payments in a second currency. Interest payments are swapped from fixed to floating and vice versa.

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Deleted: Delta; “Greek” letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/instrument.

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Deleted: Digital Option; An option contract that provides a predetermined payout based on an agreed and contracted market price path. ...

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investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.

Event Risk; The risk of a major/unforeseen catastrophe e.g. earthquake, year 2000, political elections, adversely affecting a Council's financial position or performance.

Exercise Date/Price; The day and fixed price that an option contract is enforced/actioned or "exercised" because it is in the interests of one of the parties to the contract to do so.

Fair Value; The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.

Federal Reserve; The US Government's central bank and/or monetary authority.

Fixed Rate; The interest rate on a debt of financial instrument is fixed and does not change from the commencement date to the maturity date.

Floating Rate; The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days).

Floor; The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the "linked" bought cap.

Forward Exchange Contract; Council when entering into a Forward Exchange Contract agrees a rate today at which one currency is sold or bought against another for delivery on a specified future date.

Forward Points; The difference in interest rates between two currencies expressed as the exchange rate points.

Forward Rate Agreement; A contract ("FRA") whereby a borrower or investor in Bank Bills or Government Bonds agrees to borrow or invest for an agreed term (normally 90-days) at a fixed rate at some specified future date. A FRA is an "over-the-counter" contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.

Forward Start Swap; An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.

Funding Risk; The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the Council's own credit worthiness, industry trends or banking market conditions.

Hedging; The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The

Deleted: Embedded Option; An option arrangement that may be exercised by a borrower at a future date, but the determining conditions are buried or "embedded" in a separate debt or financial instrument....

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Deleted: Eurobond; A fixed rate bond issued by a non-resident borrower in a European country.

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Deleted: Eurodollar; The borrowing and depositing of a currency outside its domestic financial markets.

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Deleted: Exchange Traded; A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.

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Deleted: Fixed is defined as an interest rate that does not change in the next 12 months.

Deleted: Floating is defined as an interest rate that changes in the next 12 months....

Deleted: Forward Forwards; A forward exchange contract on the forward points for foreign exchange forward contracts i.e. a hedge on the forward points which are determined by the two separate interest rates of the currencies involved.

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Deleted: Futures; Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counter party credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets....

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Deleted: Gamma; "Greek" letter used in option pricing that measures how rapidly the delta of an option changes given a change in the price of the underlying asset/instrument.

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gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

Indirect FX Risk; A company has indirect foreign exchange risk where their costs revenues or profits can be adversely affected by the exchange rate that they are not directly paying or receiving. The prices they pay or receive in the domestic currency are influenced by the exchange rate movements.

ISDA; International Security Dealers Association: a governing body that determines legal documentation/standards for over-the-counter swaps/options/FRA's and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counter parties that covers all transactions.

Incidental Arrangements; The term used in the Local Government Act for interest rate risk management instruments or derivatives.

Interest Rate Swaps; A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.

"In-the-Money" Option; An option contract that has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.

Interest Rate Collar Strategy; the combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

Interest Rate Swaption; the purchase of a swaption gives Council the right but not the obligation to enter into an interest rate swap, at a future date, at a specific interest rate.

Inverse Yield Curve; The slope of the interest rate yield curve (90-days to years) is "inverse" when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long-term interest rates is a normal curve or "upward sloping." In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates; hence they are higher to build in this extra risk premium.

Liability Management; The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.

Limit(s); The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called "risk control limits".

Liquidity Risk; The risk that Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.



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Deleted: High-Yield Bonds; Corporate bonds issued by borrowing companies that are non-prime i.e. have a low or no credit rating. The margin or credit spread above Government bond yields is high (>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.

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Deleted: Implied Volatility; Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is "implied" in the option price.

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Deleted: Index Linked Bonds; Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of another separate index e.g. a share market index, or the gold price.

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Deleted: Junk Bonds; High yield bonds at the bottom end of the credit quality spectrum ...

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Deleted: LIBOR; London Inter-bank Offered Rate, the average of five to six banks quote for Eurodollar deposits in London at 11:00am each day. The accepted interest rate-fixing benchmark for most offshore loans....

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Deleted: "Long" Position; Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.

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Deleted: Look-back Option; An option structure where the strike price is selected and the premium paid at the end of the option period....

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Marked-to-Market; Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.

Margin; The lending bank or institution's interest margin added to the market base rate, normally expressed as a number of basis points.

Medium Term Notes; A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.

Option Premium; The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.

Order; The placement of an instruction to a bank to buy or sell a currency or financial instrument at a preset and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or "good till cancelled." The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.

"Out-of-the-Money"; An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.

Over-the-Counter; Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price and structure. Such financial products are non-standard and not traded on official exchanges.

Pre-hedging; Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the Council.

Primary Market; The market for new issues of bonds or MTNs.

Put Option; The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.

Revaluation; The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

Roll-over; The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period.

Secondary Market; The market for securities or financial instruments that develops after the period of the new issue.

Spot Rate; The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.



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Deleted: Moody's; A rating agency similar to Standard & Poor's (S&P Global Ratings).

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Deleted: Multi-currency Facility; A committed banking facility that allows the borrowing of several alternative currencies to the NZ dollar....

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Deleted: Netting; Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.

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Deleted: Open Position; Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.

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Deleted: Perpetual Issue; A loan or bond that has no final maturity date....

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Deleted: Proxy Hedge; Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation of price movements between the two underlying prices to justify using a proxy hedge.

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Deleted: "Short" Position; Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.

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Standard & Poor's (S&P Global Ratings); A credit rating agency that measures the ability of an organisation to repay its financial obligations.

Stop Loss; Bank traders use a "stop-loss order" placed in the market to automatically closeout an open position at a pre-determined maximum loss.

Strike Price; The rate or price that is selected and agreed as the rate at which an option is exercised.

Strip; A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.

Swap Spread; The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.

Swaption; An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

Time Value; Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.

Tranches; A loan may be borrowed in a series of partial drawdowns from the facility, each part borrowing is called a tranche.

Treasury; Generic term to describe the activities of the financial function within Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.

Treasury Bill; A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.

Volatility; The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.

Yankee Bond; A non-resident US borrower issuing a corporate bond in the domestic US bond market.

Yield; Read-interest rate, always expressed as a percentage.

Yield Curve; The plotting of market interest rate levels from short term (90-days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.

Deleted: Vega; Another "Greek" letter that is the name given to the measure of the sensitivity of the change in option prices to small changes in the implied volatility of the underlying asset or instrument price....

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Deleted: Zero Coupon Bond; A bond that is issued with the coupon interest rate being zero i.e. no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost compared to a normal bond of paying interest quarterly, half-yearly or annually.

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ID: 13929850 Treasury Policy

Adopted 21 December 2017 (Amended 25 June 2018) draft for 2020 Page 42

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MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Treasury Report - 12 months ending 30 June 2020

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATIONS TO FINANCE & AUDIT COMMITTEE

1. That the memorandum entitled 'Treasury Report – 12 months ending 30 June 2020' presented to the Finance & Audit Committee on 19 August 2020, be received.
2. That the performance of Council's treasury activity for the 12 months ended 30 June 2020 be noted.

1. ISSUE

To provide an update on the Council's treasury activity for the 12 months ending 30 June 2020.

2. BACKGROUND

The Council's Annual Budget for 2019/20 forecast additional debt of \$44.792m would need to be raised during the year to fund the \$53.516m of new capital expenditure programmes (including assumed carry forwards from 2018/19). In June 2019 the Council resolved to specifically authorise the raising of up to \$45m of additional debt. In August 2019 the Council approved increasing the new capital expenditure programme for the year to \$57.022m due to a revised assessment of the level of carry forwards from 2018/19. There was no change to the additional debt that was authorised as it was assumed some of the previously approved debt would not be raised.

Council's Financial Strategy (updated version adopted 25 June 2018) contains the following ratios which the Council has determined to be prudent maxima:

- Net debt as a percentage of total assets not exceeding 20%
- Net debt as a percentage of total revenue not exceeding 200%
- Net interest as a percentage of total revenue not exceeding 15%

- Net interest as a percentage of annual rates income not exceeding 20%

The Treasury Policy (embracing the Liability Management and Investment Policy), adopted in December 2017 and updated on 25 June 2018, also contains a number of other criteria regarding debt management.

3. PERFORMANCE

Following the latest annual review published on 20 April 2020 Council's S&P Global Rating's credit rating remained unchanged at AA / A-1+, although the outlook was revised from positive to stable.

Schedule 1 attached shows the details of Council's debt as at 30 June 2020. Debt levels were within the policy parameters outlined in section 2 of this report.

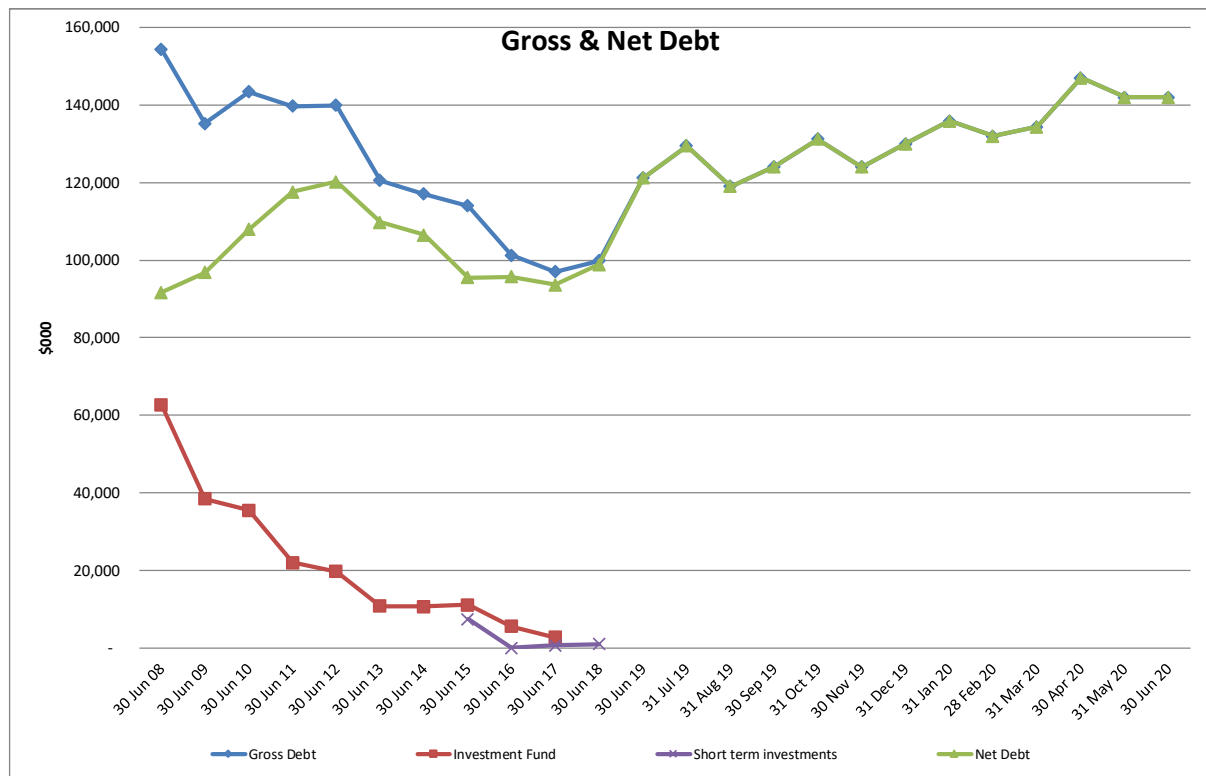
The summarised gross term debt movements are shown in the following table:

	Annual Budget for year (2019/20)	Actual – 3 months (2019/20)	Actual – 6 months (2019/20)	Actual – 9 months (2019/20)	Actual – 12 months (2019/20)
	\$000	\$000	\$000	\$000	\$000
Debt Balance at 1 July 2019	122,041	121,200	121,200	121,200	121,200
New Debt #	44,792	2,950	8,850	13,150	33,000
Debt repayments #					(12,200)
Closing Balance	166,833	124,150	130,050	134,350	142,000
<u>Comprising:</u>					
Bank advance (on call)		5,150	6,050	2,350	
LGFA short term advance		10,000	10,000	10,000	
LGFA & Council stock		109,000	114,000	122,000	142,000

A portion of the Council's debt is drawn on a daily basis – daily drawdowns & repayments are not included in these figures but the net draw or repayment for the year to date is shown as part of new debt or debt repayment as appropriate.

Gross debt at 30 June 2020 was \$142m compared with \$121.2m at 1 July 2019.

Movements in recent years are shown in the following graph:



Actual finance costs incurred during the 12 months (including interest, line fees & the effects of payments relating to swaps) amounted to \$5.535m compared with the budget for the year of \$7.616m. The effective average interest rate for the year was 4.2% compared with the budgetary assumption of 5.2% and this translated to a saving of approximately \$1.3m. The remainder of the saving reflects the lower levels of debt due to the delays in the capital expenditure programme.

The Council has entered financial instruments related to its debt portfolio utilising swap trading lines established with Westpac, ANZ and BNZ. The details of these are shown in **Schedule 2 attached**.

The value of these instruments is measured in terms of its “mark-to-market” i.e. the difference between the value at which the interest rate was fixed and the current market value of the transaction. Each of these transactions was valued at the date they were fixed and again at the reporting date. Financial reporting standards require the movement in values to be recorded through the Council’s Statement of Comprehensive Income (Profit & Loss Account). They have been revalued as at 30 June 2020 and show a decrease in book value of \$0.5m for the quarter and \$2.7m for the year.

The Council's Treasury Policy contains guidelines regarding the measurement of treasury risk as follows:

- Interest rate risk is managed by the Council maintaining the ratio of debt that is subject to floating versus fixed interest rates within pre-set limits.
- Funding and liquidity risk is managed by the Council maintaining a pre-set portion of its debt in a range of maturity periods eg < 1 year, 1 – 3 years, 5 years +.

The position compared to the policy is illustrated in the graphs in **Schedule 3**. The overall ratio of fixed v floating interest rate debt is based on the assessed level of total debt in 12 months' time.

For the purpose of this calculation the forecast debt has been assumed as \$155m although the Annual Budget forecast (for 2020/21) is that the total debt will be \$178m by 30 June 2021. We have used this lower forecast to protect against the risk of becoming over hedged i.e. too much fixed debt in the event the actual borrowing required is lower than budgeted. 55% of the forecast total debt is fixed (using the forecast total of \$155m) and this reduces to 48% (if the total is assumed to be \$178m). Current market sentiment is that interest rates will be lower for longer.

A separate report on the review of the Treasury Policy recommends a change to the way this calculation is made.

As at 30 June 2020 all policy targets had been met.

Council's credit lines with the banks include a \$18m four-year credit facility with Westpac Bank (maturing 31 July 2022) and a revolving \$25m three-year facility with ANZ Bank (maturing 31 March 2023).

4. CONCLUSION & NEXT STEPS

Finance costs for the year (including interest, line fees & the effect of swaps) was \$5.535m compared with budget for the year of \$7.616m. This was due to lower average interest rates and debt levels than assumed.

In conjunction with Council's treasury advisors hedging instruments are regularly reviewed in an effort to ensure the instruments are being utilised to best advantage as market conditions change. The level of hedging cover is also reviewed as the forecasts of future debt levels are revised.

Council's borrowing strategy is continually reviewed, in conjunction with Council's treasury advisors, to ensure best advantage is taken of Council's quality credit rating.

A further performance report will be provided after the end of the September 2020 quarter.

5. COMPLIANCE AND ADMINISTRATION

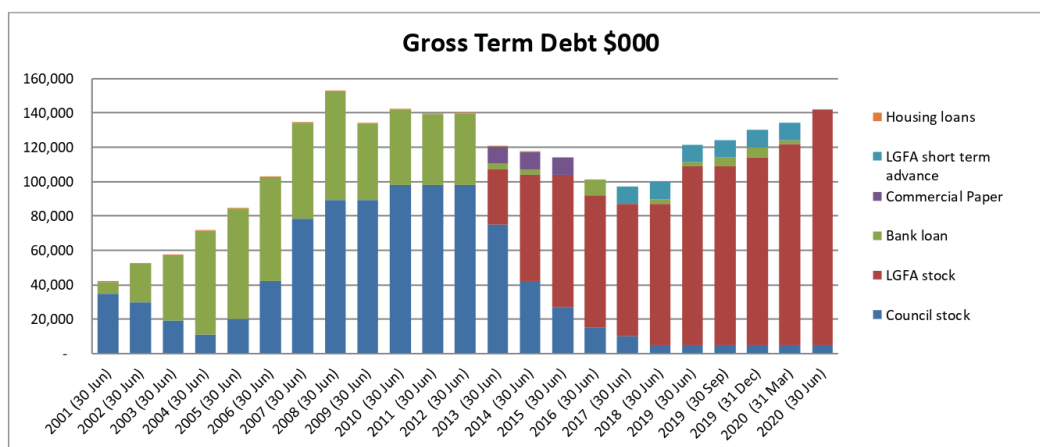
Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	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 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	
This report outlines the outcomes of a fundamental administrative activity of the Council.	
Contribution to strategic direction	Managing the Council's treasury activity is a fundamental component of day to day administration of the Council.

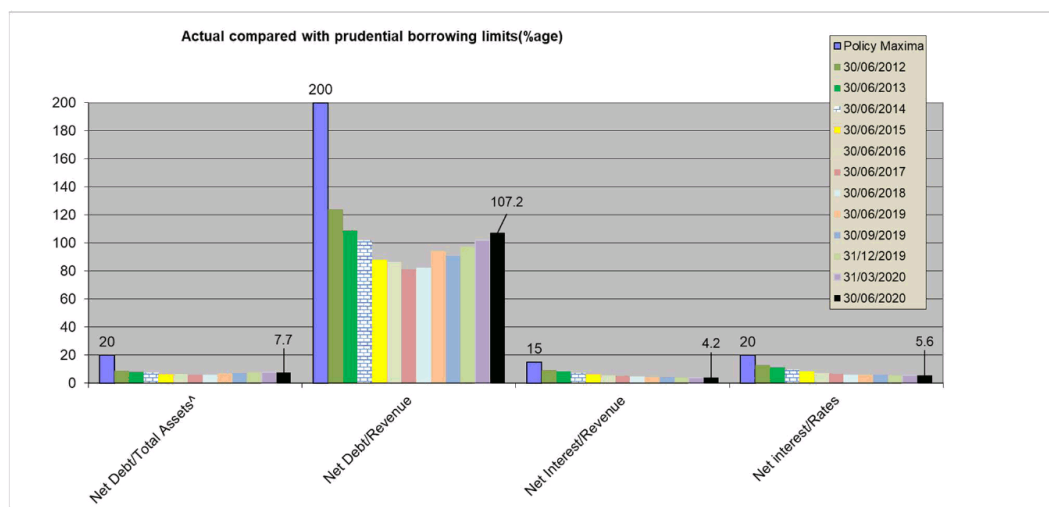
ATTACHMENTS

- Schedules 1 - 3 [Download](#) 

**Schedule 1 - Debt levels & Prudential Borrowing Ratios**

Palmerston North City Council								
Term Debt as at 30 June 2020								
1. Loan Stock on Issue - Council debentures						Current		
Issue Date	Term	Principal	Margin over BKBM	Interest Rate	Maturity Date	as at 30/06/2020	Interest Rate	Reset Date
FRN 5 Aug 16	6	5,000,000	0.6300%	0.8950%	5-Aug-2022		Floating Qtrly	5-Aug-20
		5,000,000						
2. Loan Stock on Issue - Borrowed from LGFA								
LGFA 20 May 13	8	5,000,000	0.6425%	0.9125%	15-May-2021	5,000,000	Floating Qtrly	17-Aug-20
LGFA 24 Feb 14	7	10,000,000	0.5525%	0.8225%	15-May-2021	10,000,000	Floating Qtrly	17-Aug-20
LGFA 19 May 14	7	5,000,000	0.6000%	0.8700%	15-May-2021	5,000,000	Floating Qtrly	17-Aug-20
LGFA 13 Apr 15	7	10,000,000	0.3300%	0.8000%	5-Apr-2022		Floating Qtrly	6-Jul-20
LGFA 18 Aug 14	9	10,000,000	0.6325%	1.0675%	15-Apr-2023		Floating Qtrly	15-Jul-20
LGFA 15 Apr 20	3	10,000,000	0.7350%	1.1223%	17-Apr-2023		Floating Qtrly	15-Jul-20
LGFA 23 Jul 18	6	15,000,000	0.5525%	0.9875%	15-Apr-2024		Floating Qtrly	15-Jul-20
LGFA 15 Apr 20	4	5,000,000	0.7850%	1.1723%	15-Apr-2024		Floating Qtrly	15-Jul-20
LGFA 6 Sep 17	7	6,000,000	0.6000%	0.8700%	15-Sep-2024		Floating Qtrly	15-Sep-20
LGFA 6 Sep 17	8	6,000,000	0.6600%	1.0950%	15-Apr-2025		Floating Qtrly	15-Jul-20
LGFA 28 Jan 20	5	8,000,000	0.5400%	0.9750%	15-Apr-2025		Floating Qtrly	15-Jul-20
LGFA 22 Mar 18	8	5,000,000	0.7250%	1.1600%	15-Apr-2026		Floating Qtrly	15-Jul-20
LGFA 17 Jun 19	7	7,000,000	0.6525%	1.0875%	15-Apr-2026		Floating Qtrly	15-Jul-20
LGFA 11 May 20	6	5,000,000	0.6600%	0.9223%	15-Apr-2026		Floating Qtrly	15-Jul-20
LGFA 16 Mar 15	12	5,000,000	0.4575%	0.8925%	15-Apr-2027		Floating Qtrly	15-Jul-20
LGFA 8 Jun 15	12	5,000,000	0.4525%	0.8875%	15-Apr-2027		Floating Qtrly	15-Jul-20
LGFA 17 Dec 18	10	5,000,000	0.7875%	1.2225%	15-Apr-2028		Floating Qtrly	15-Jul-20
LGFA 7 Oct 19	9	5,000,000	0.7100%	1.1450%	18-Apr-2028		Floating Qtrly	15-Jul-20
LGFA 17 Dec 18	11	10,000,000	0.8225%	1.2575%	15-Apr-2029		Floating Qtrly	15-Jul-20
		137,000,000						
3. Bank facilities								
ANZ (\$25m)		-			31-Mar-2023		Reset at any time	
					* plus line fee of 0.22%			
Westpac (\$18m)	On call			1.330%	31-Jul-2022		Reset at any time	
					* plus line fee of 0.27%			
4. Short term facility from LGFA								
		-						
Total as at 30 June 2020						20,000,000		





The Financial Strategy contains a series of ratios that the Council has determined to be prudent maxima. The chart above shows the actual results for since 2011/12 compared to those ratios.

The net debt/revenue policy ratio limit was reduced from 180% to 175% with the adoption of the updated policy on 27 June 2012. The 2018-28 Financial Strategy incorporates a new policy maximum of 200%.

^ The Net Debt/Total Assets ratio became effective from 1 July 2015. Previously the ratio used was Net Debt/Equity and the actuals for the previous ratio are shown in this report for information.

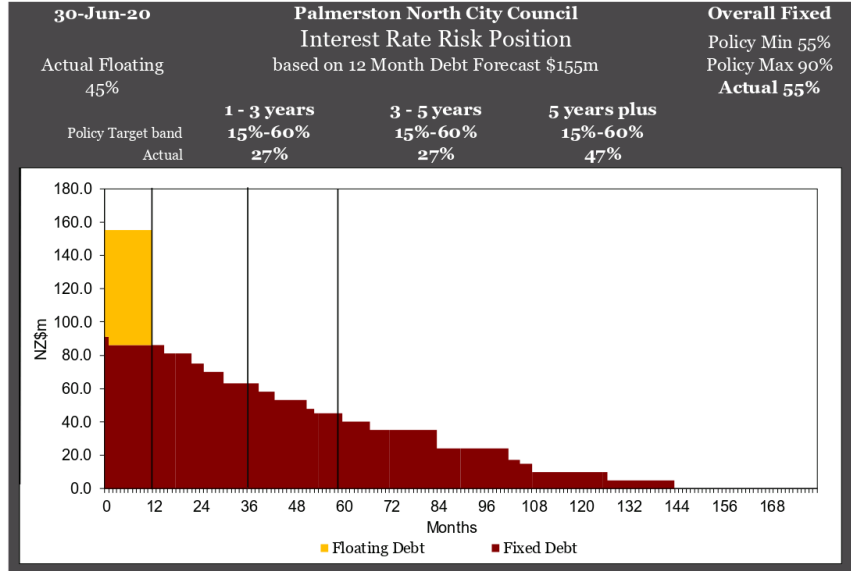
The Net Debt/Total Assets ratio at 30 June 2020 is a provisional calculation that will be updated once the Council's financial statements for the year are finalised.

**Schedule 2 – Interest Rate Swaps**

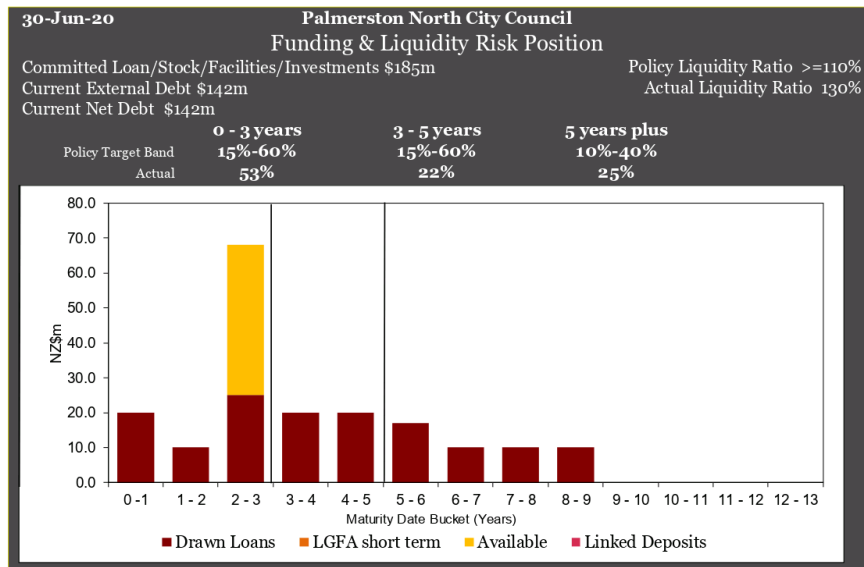
Palmerston North City Council									
Interest Rate Swaps as at 30 June 2020									
Council pays fixed & receives floating on a monthly basis							Current		Hedgebook Value at 30-Jun-20
Bank	Trade Date	Deal No	Amount \$m	Start Date	Maturity	Fixed Interest rate	Floating rate	Reset date	
Westpac	12-Feb-13	2882838	5.0	11-Mar-13	9-Dec-20	4.61%	0.265%	9-Jul-20	(108,239)
Active total at 30 Jun 20			5.0						(108,239)
								Current	0
								Term	(108,239)
Council pays fixed & receives floating on a quarterly basis							Current		Value at 30-Jun-20
Bank	Trade Date	Deal No	Amount \$m	Start Date	Maturity	Fixed Interest rate	Floating rate	Reset date	
Westpac	10-Sep-09	1329748	6.0	21-Oct-09	22-Jul-19	5.8675%		Matured 22 July 19	
Westpac	19-Aug-10	1656930	5.0	10-Oct-10	10-Jan-20	5.9375%		Matured 10 Jan 20	
Westpac	19-Aug-10	1656928	5.0	10-Oct-10	10-Jul-20	5.9350%	0.440%	10-Jul-20	(65,482)
Westpac	12-Feb-13	2882863	7.0	8-Mar-13	8-Jun-20	5.35%		Matured 8 Jun 20	
ANZ	17-Dec-13	8539285	3.0	17-Feb-14	15-Nov-20	4.92%	0.270%	17-Aug-20	(70,496)
Westpac	21-Feb-14	3540565	5.0	7-Mar-14	7-Sep-20	6.295%	0.255%	7-Sep-20	(75,250)
Westpac	8-May-14	3673014	5.0	9-Jun-14	7-Sep-21	6.060%	0.255%	7-Sep-20	(364,202)
Westpac	8-May-14	3672892	5.0	10-Jul-14	11-Apr-22	5.690%	0.440%	10-Jul-20	(541,693)
Westpac	8-May-14	3672895	5.0	6-Jun-14	8-Jun-21	5.820%	0.255%	7-Sep-20	(278,583)
ANZ	20-Jun-14	9572093	5.0	15-Dec-14	15-Jun-23	4.840%	0.270%	15-Sep-20	(688,864)
Westpac	18-Jul-14	3787822	6.0	29-Sep-15	29-Sep-23	4.850%	0.305%	29-Sep-20	(895,116)
Westpac	20-Feb-15	4211117	5.0	8-Mar-17	6-Mar-20	3.810%		Matured 6 Mar 20	
ANZ	28-Nov-14	10730910	5.0	15-Dec-17	15-Jun-24	4.500%	0.270%	15-Sep-20	(841,519)
ANZ	28-Nov-14	10730993	5.0	10-Apr-18	10-Oct-24	4.515%	0.440%	10-Jul-20	(940,017)
Westpac	20-Feb-15	4211119	5.0	6-Dec-18	6-Dec-19	3.875%		Matured 6 Dec 19	
ANZ	3-May-17	15995740	6.0	22-Jul-19	21-Apr-22	3.350%	0.345%	21-Jul-20	(373,978)
BNZ	10-Jul-19	384538896	5.0	31-Jul-19	21-Jul-22	1.345%	0.345%	21-Jul-20	(125,443)
ANZ	29-Nov-18	18984011	5.0	6-Dec-19	6-Sep-23	2.555%	0.255%	7-Sep-20	(374,568)
Westpac	28-Nov-14	4040149	5.0	10-Jan-20	10-Jan-24	4.585%	0.44%	10-Jul-20	(804,300)
ANZ	29-Nov-18	18984258	2.0	6-Mar-20	6-Mar-29	3.095%	0.255%	7-Sep-20	(421,841)
Westpac	28-Nov-14	4040489	7.0	8-Jun-20	8-Dec-22	4.5675%	0.255%	8-Sep-20	(759,415)
Active total at 30 Jun 20			86.0						(7,620,767)
Westpac	25-Feb-15	4218128	5.0	7-Sep-20	9-Sep-24	3.990%	0	7-Sep-20	(736,237)
Westpac	25-Feb-15	4218131	5.0	8-Jun-21	10-Jun-24	3.990%	0	8-Jun-21	(553,041)
ANZ	25-Feb-15	11281075	3.0	16-Nov-20	15-Nov-24	3.990%	0	16-Nov-20	(438,949)
Westpac	18-Jan-16	4910927	5.0	9-Dec-20	9-Jun-25	3.970%	0	9-Dec-20	(808,291)
Westpac	26-Feb-16	5013577	5.0	11-Apr-22	12-Jan-26	3.635%	0	11-Apr-22	(586,575)
ANZ	27-Nov-17	17029213	5.0	15-Jun-23	15-Jun-27	3.7675%	0	15-Jun-23	(599,606)
ANZ	27-Nov-17	17029223	6.0	29-Sep-23	29-Jun-27	3.7875%	0	29-Sep-23	(670,925)
ANZ	27-Mar-18	17670250	5.0	15-Jun-24	15-Jun-29	3.840%	0	15-Jun-24	(693,809)
ANZ	27-Mar-18	17670276	5.0	10-Oct-24	10-Jan-31	3.920%	0	10-Oct-24	(840,933)
ANZ	27-Mar-18	17670295	5.0	10-Jun-24	10-Jun-32	3.935%	0	10-Jun-24	(1,053,009)
BNZ	27-Feb-20	384575543	7.0	8-Dec-22	8-Dec-28	1.3375%		8-Dec-22	(224,646)
Forward start total at 30 Jun 20			56.0						(7,206,021)
									(14,826,788)
								Current	(3,299,073)
								Term	(11,527,715)
									(14,935,027)

Schedule 3 - Risk Exposure Position

Interest Rate Risk Position – proportions of Debt subject to floating versus fixed interest rates within pre-set policy limits



Funding & Liquidity Risk Position – proportions of Debt within pre-set maturity bands



MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Te Huringa (ERP Ozone Replacement) Project - Business Assurance Progress Report

PRESENTED BY: Masooma Akhter, Business Assurance Manager

APPROVED BY: Sheryl Bryant, General Manager - Strategy & Planning

RECOMMENDATION TO FINANCE & AUDIT COMMITTEE

1. That the memorandum entitled 'Te Huringa (ERP Ozone Replacement) Project – Business Assurance Progress Report' and its two appendices, presented to the Finance & Audit Committee on 19 August 2020, be received for information.

1. ISSUE

On 18 December 2019, the Council resolved “that the Chief Executive be given delegation to enter into a contract with Civica to purchase a replacement ERP system. The term of this contract will not exceed ten years, and the value over this period will not exceed \$5.9m”.

Palmerston North City Council (PNCC) went through a consultative process that has eventuated in the ERP Programme being named “Te Huringa” meaning, transformation, change, renew or figuratively to ‘turn another page’.

This project has been split into two phases, the focus of the first phase being on finance and the second phase on the regulatory elements.

For a project of this magnitude, it was deemed beneficial to obtain independent assurance over its life. PWC has been engaged to provide the Business Assurance function support in delivering independent assurance over the project. This is to ensure the project is effectively structured, governed and managed in line with sound management principles to deliver according to its objective and that the deliverables from the project are fit for purpose.

2. BACKGROUND

PWC has developed an integrated approach to assurance over phase one of the project that has been adopted. This will be a balance of the Business Assurance Manager driving the

internal review process and PWC conducting specialist review components (please refer to appendix 1).

In June 2020, PWC completed the foundation review that provided a view of the then-current state of the programme established, considering potential weaknesses and risks within the project management control environment. Several recommendations were made to build on good practices identified and to enhance the intended approach to solution design and implementation (please refer to appendix 2).

In response to the foundation review, an action plan has been developed and will be followed up by the Business Assurance Manager. A review was completed during July 2020 to check status of items that were required to be completed by 30 June 2020. Of these, three items were still in progress, and therefore overdue. However, these were not considered to pose material risks to the project and therefore the status was accepted. Overall it can be concluded that we are on track to action these items in a timely manner.

Project Progress Update

Impact of COVID-19

The COVID-19 lockdown, along with PNCC local community and Te Ao Nui (Emergency Operations Centre) demand on key stakeholders and project resources, has had an effect on the programme overall. While we decided to continue during the lockdown and have made good progress, the remote operating model has made it challenging to build a high performing and focused team. This is now being addressed through reviewing the programme environment, including bringing all project team members into one location going forward.

Civica, the software vendor, is mostly Australian based and has a no travel policy for the foreseeable future. They are experienced at operating remotely, however the hands-on configuration workshops are typically done face to face. In response, Civica Auckland resources are being brought in to facilitate this process.

A key impact of this disrupted period has been that the formal scope definition (and phasing) has not been finalised. Some decisions that were made are being revisited to ensure all parties clearly understand and support them. The impact of this on the current schedule and budget will be continually reviewed by the Project Control Group (PCG).

Financial Status

As at 30 June 2020, \$797,620 has been expensed in relation to implementing this project.

Programme Governance

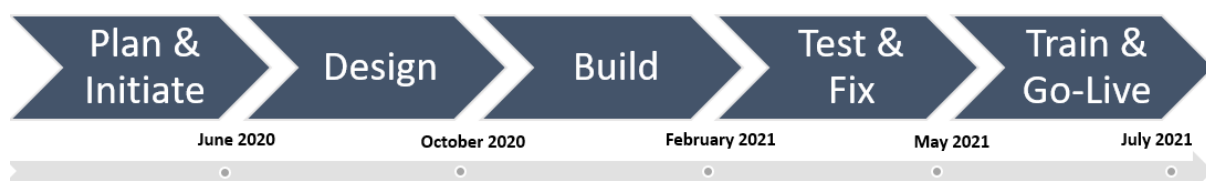
A multi-tiered governance model has been built that aligns with industry standards for ERP and has been endorsed by PWC. This includes a governance group known as "PCG" and a Steering Committee (SteerCo). The PCG is the decision-making team and its primary role is to ensure the successful delivery of the business case and the defined benefits of the

project. The SteerCo is responsible to keep the programme on track, manage resources, plans and provide recommendations to PCG for any changes to scope, timing or cost.

Timeline

The initial programme closure date of December 2021 still stands and has not been revised at this stage. However, as a consequence of COVID-19 and a general review of the programme, internal milestone dates have been reviewed and updated to be more accommodating.

Below is a timeframe for **phase one** of the project that has been aligned with the assurance plan on page 4 of appendix 1.



Risks & Issues

A team has been developed with representatives from Business Assurance, Risk & Resilience, Regulatory, Information Technology and Finance. This team is tasked with recording and monitoring risks and establishing mitigation plans. Where risks transition to become issues, this team will communicate these with the PCG and key stakeholders to ensure an appropriate and effective action plan is in place.

Below is an up-to-date summary of the top risks identified for this project and any issues that have been recorded to date.

Top Project Risks	
Risk	Mitigation Plan
Due to the unavailability of business resources due to conflicting priorities, additional support may be required.	To ensure a backfilling plan, an internal communications plan and resource identification work is completed.
The complexity of rules for data conversion from the previous system and/or the data is of poor quality.	To ensure a data conversion strategy is in place. To ensure all data elements are adequately defined and mapped. Institute a data cleansing procedure before the conversion begins (contingency budget available to assist with data cleansing / manual conversion if required).
The readiness of PNCC internal systems for integration.	Develop an integration plan but also a fall-back position.
Lack of documentation on current business processes may impact the project schedule.	Additional resource engaged to assist with identifying and documenting business processes.

PALMERSTON NORTH CITY COUNCIL

	If a change to the schedule is required, then the formal change request process will be adhered to.
Project creep – that delivery can't be completed within timeframes, scope or budget.	<p>A decision-making framework developed and to be utilised wherever timeframe, scope or budget changes required.</p> <p>Monthly updates to PCG on status.</p>

Issues		
Date	Issue Description	Actions / Mitigation Plan
March 2020	Impact of COVID. Restricted access to the Council staff and facilities. Travel bans in place. The potential impact on the delivery of the programme unclear.	<p>Civica and Effectus continued planning and setup remotely with minimal contact with PNCC staff. PCG and SteerCo meetings continued virtually.</p> <p>The impact on the schedule and budget of the programme has not been confirmed. This will be monitored by the PCG to ensure any necessary decisions are made proactively.</p>
June 2020	Data migration not scoped for CM9.	To ensure a migration strategy is developed.
July 2020	Lack of project manager, subject matter experts and change manager is impacting the delivery of the project.	<p>Change Manager appointed. Project Manager recruitment underway with a preferred candidate. Discussions for subject matter experts underway.</p> <p>To assess the impact on the project and whether any changes to the budget/scope/timeframe required. If so, to utilise the formal decision-making framework to evaluate and proceed.</p>

Definitions: Risk vs Issue

Risk: Events that will have a negative impact on your project if they occur. Risk refers to the combined likelihood the event will occur and the impact on the project if it does occur.

Issue: Something that is going wrong on your project and needs to be managed. Failure to manage issues may result in a poor delivery or even failure.

3. NEXT STEPS



1. Adopting the assurance plan developed by PWC and undertaking assurance engagements in partnership with PWC.
2. Business Assurance will follow-up on recommendations from the foundation review to ensure they are actioned in a timely manner.

3. Provide the Finance & Audit Committee with updates at the end of each phase (as per timeline) with findings of the assurance reviews and progress on the project.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
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 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	The purpose of this report is to report on Business Assurance activity.

ATTACHMENTS

1. PWC Assurance Plan for ERP Project [!\[\]\(67ff022fd78f943b679992c2874bbfd1_img.jpg\)](#) 
2. PWC Foundation Review - Final Report [!\[\]\(5890ff4c38007932c846fa9d39ba1fe6_img.jpg\)](#) 

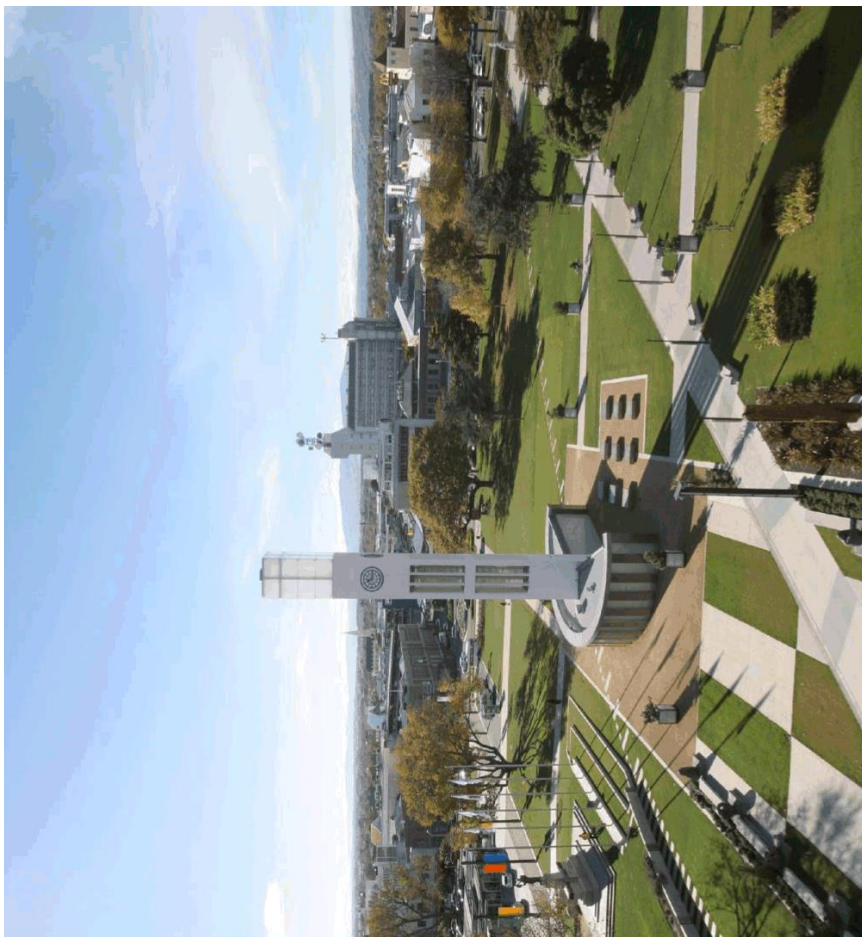
Palmerston North City Council

Te Huringa Programme

Core FMIS Systems Replacement
Programme

Accountability for risk and control

July 2020



FMIS – consideration of risk and control

Background and context

In June 2020 we completed our Foundation Review of the Council's Core FMIS Systems Replacement programme. The Council has selected Civica's Authority SaaS solution to replace the legacy Ozone environment. This programme is currently in the design phase and our review provided a view of the then current state of programme establishment, considering potential weaknesses and risks within the project management control environment.

Several recommendations were made to build on the good practices identified and to enhance the intended approach to solution design and implementation. Key areas for which the programme will need to focus attention, and for which the Council (via Business Assurance) will need to gain confidence over include ensuring **risks have been identified and appropriate controls implemented** with respect to:

- data migration
- solution testing
- change management
- quality management
- security design
- business process and internal control design

The Head of Business Assurance has asked for clarity as to roles and accountabilities for ensuring the above are effective, inherent risks are identified and appropriate controls implemented ultimately ensuring the integrity of the FMIS system implement - i.e that:

- data migrated is fit for purpose
- the system works as expected, aligned to business requirements and delivers the benefits intended
- transactions performed and information maintained is appropriately complete, accurate, valid and timely, with the confidentiality, integrity and availability of information appropriately maintained

FMIS – consideration of risk and control

Where should this assurance come from?

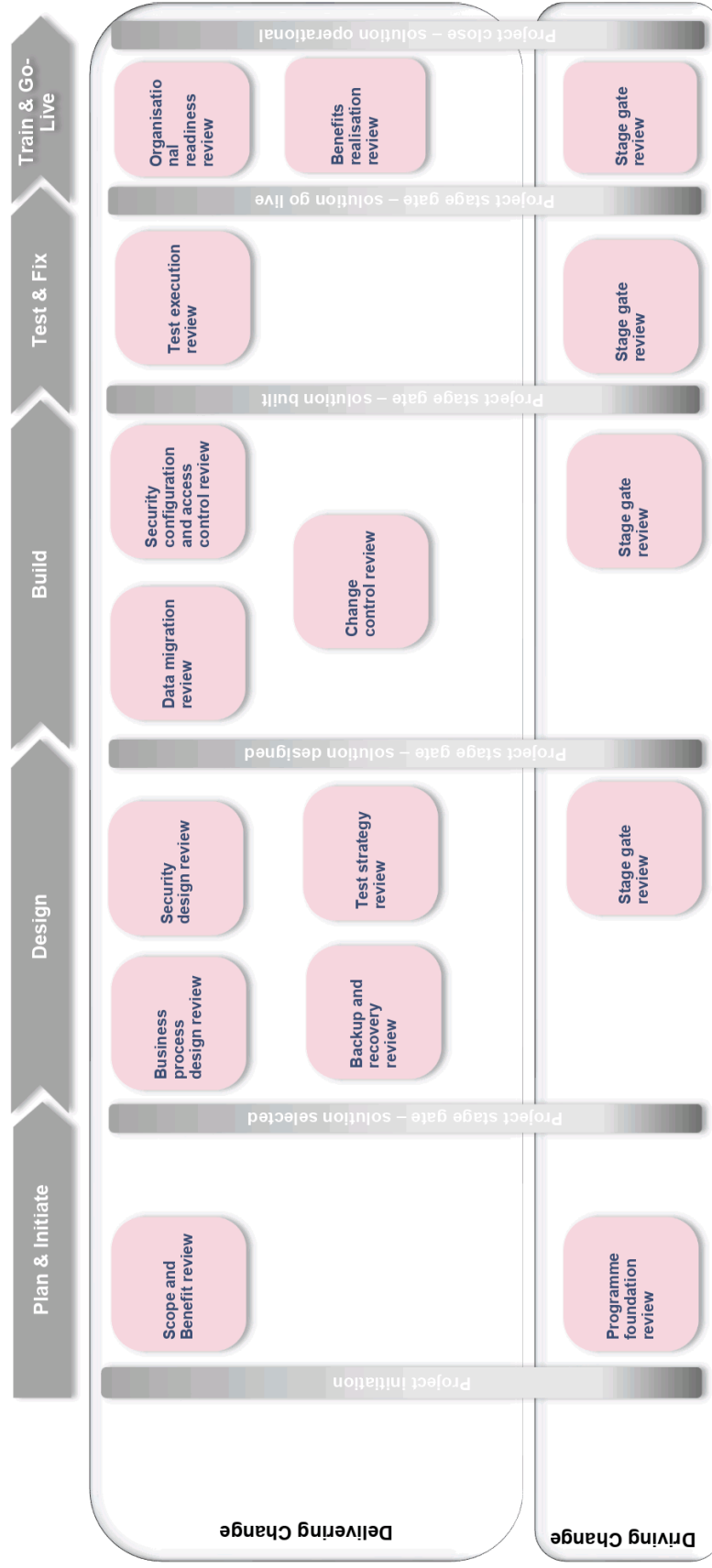
The following represents an industry standard lines of defence model. This provides some guidance for who should be doing what.



Assurance over the life of the programme

What and when

The following shows the typical assurance activities aligned to programme delivery milestones:



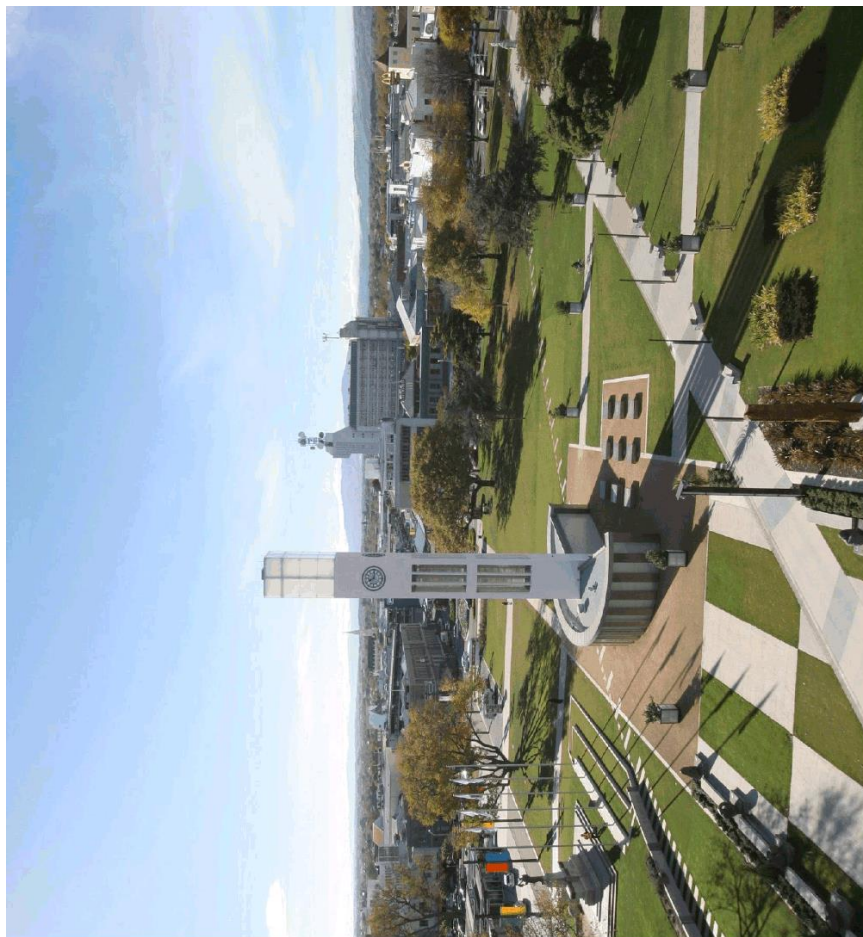
Palmerston North City Council

Te Huringa Programme

Core FMIS Systems Replacement
Programme

Foundation Review

Report – Final
June 2020



Masooma Akhter
Business Assurance Manager
Palmerston City Council
Private Bag 11 034
Palmerston North

25 June 2020

Core System Replacement Project - Foundation Review (Final)

Dear Masooma

In accordance with our Letter of Engagement dated 28 February 2020, we have completed our Core Systems Replacement Project Independent Quality Assessment (IQA). Our observations, findings and recommendations per our scope and agreed approach are set out in this report, and are based on our fieldwork performed during May 2020. We have not performed any subsequent procedures between our fieldwork and the date of our report to determine if any new risks or issues that could impact our overall assessment have arisen.

I would like to take this opportunity to acknowledge and thank the Palmerston North City Council personnel for the time and contributions they have made to enable us to perform this engagement.

Please feel free to contact me on 021 380 889 if you have any questions or require any further information.

Yours sincerely



David Nalder
Partner
PricewaterhouseCoopers
E: david.w.nalder@pwc.com





Executive summary

Executive Summary



Focus of this assessment

The focus of this engagement was to perform a foundation review of the Core Systems Replacement Project. Te Huringa Programme. This includes articulating any potential weaknesses and risks in the project management controls environment and to suggest mitigating actions. The focus has been on phase 1 of the programme delivery that is scheduled for go-live 1 July 2021.



Background

Palmerston North City Council (PNCC) completed a Financial Systems Review in February 2019. The primary recommendation was: "To replace Council's current Finance & Regulatory solution (Ozone) to enable better business outcomes by replacing our outdated and poorly performing current system with modern, efficient, fit-for-purpose technology".

The Council has embarked on a programme to replace legacy core application systems used for financial, property, rating and regulatory management. Through an RFP Process PNCC selected Civica's Authority SaaS solution to replace Ozone. Commercial contracts between Civica and PNCC signed in March 2020. Since March the programme has been in a planning and mobilisation phase with the design phase workshops due to commence in May/June.

Executive Summary (continued)



Our summary observations

- A business case for the programme was created and signed off by the PNCC ELT in March 2020 and included 4,173k for implementation costs, including an 18% contingency
- The **Civica costs in the business case have been aligned to a contractual scope of work** that has been elaborated onto a detailed programme plan utilizing Civica's implementation methodology
- The **PNCC costs in the business case are not aligned to a firm scope of work**, in particular data integration, data migration, change management and testing. Once these requirements/strategies have been defined any impact on the programme's business case costs and timetable will need to be ascertained
- The **benefits in the business case** are at a preliminary stage and need to be fully qualified and quantified and the business case updated to allow the programme to monitor and control their delivery This work is targeted for completion in June
- **Governance Structures** for the programme have been set-up well and are operating to provide leadership and direction. We have highlighted that it will be difficult for the governance groups to perform their responsibilities to deliver the business case until the scope and benefits have been finalised
- **Delivery enabled plans** have been set-up well to deliver the Civica designate activities based on their implementation methodology. However, as the PNCC designated scope has not been fully defined the PNCC scope activities are not included on the plan to the same level of detail. This needs to be completed to have an integrated project plan
- A **quality management plan** should be created and embedded in the project plan to demonstrate how the programme will prevent poor quality and how it will review, test and accept deliverables
- The **design approach** is based on Civica's implementation methodology, coupled with the PNCC 'adopt not adapt' design philosophy should ensure that PNCC implements 'best practice' processes
- PNCC **resourcing** for the design phase needs to be confirmed and these resources made available, including any necessary backfilling of roles, as soon as possible to prevent any project scheduled slippage. This includes the onboarding of the PNCC project manager
- Although we could see evidence of the following **project management controls**, we believe a project management handbook/charter should be created to ensure the right people, processes and reporting are used to maintain these controls through-out the life-cycle of the programme
 - Risks and Issues Management
 - Scheduled and Cost Management
 - Change Control Management

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Business Assurance | Foundation Review of Core System Replacement Programme

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Detailed observations
relating to objectives
and scope

Scope and Benefits Management

Scope Management – what we expect to see

It is important to have agreement on a clearly defined and documented project scope, as this provides the boundaries within which the project and its workstreams will deliver. Having a firmly defined scope will provide greater confidence that the project can be properly planned, resourced and managed to deliver the business outcomes and benefits of the project on time and within budget.

Summary of findings – what we saw

- The approved business case outlines a scope of work for the project to support the cost estimations. The scope includes the high level activities and deliverables to be performed by the lead application vendor Civica, and those that would be performed by PNCC.
- The Civica scoped activities in the business case have been expanded into more granularity and incorporated into a commercial statement of work (SoW) that has been signed off by PNCC and embedded into the project plan schedule.
- The PNCC scoped activities include delivery of data migration, data integration, change management and testing are. The costs associated with these activities should only be should be considered high level estimates until more detailed scoping takes place as to what is actually required and the effort need to deliver those requirements.
- We therefore recommend the following activities be performed to provide more confidence around scope and effort that will be required to delivery that scope. Once completed, the business case is updated to show any deviations, as any changes in scope may have an impact on costs and/or timing of the programme.

Recommendations	Rational	PNCC Response	
Creation and sign-off of a target state business and technical architecture that shows all the user and data touch points between Authority FMIS and other systems. This should include data integration (automated and manual), security, environments and tools i.e. any additional middleware to support integration, batch processing etc.	To allow the definition of the data integration scope - The Civica SoW highlights a number of interfaces that are in scope but this should be confirmed against an agreed target state architecture. For example, we were surprised to see no integration in the SoW between Asset Management and Authority or with payroll, user authentication etc. The SoW mentions EzyScan but the business case states EzyScan is out of scope	Accountability	Time Frame
		Programme Director PCG Sign-off	End of June 2020

Scope and Benefits Management

Scope Management (continued)

Recommendations		Rational	PNCC Response	
Creation of a data migration strategy that includes the data element requirements (what and how much data is required), the state of that data and how much cleansing is required, where it will come from, how it will be extracted, reconciled, mapped, reconciled loaded, reconciled, and what environments and tools will be required to support this activity	To allow the definition of the Data Migration scope - The Civica SoW highlights at a high level the required data elements that will be required in Authority and has included effort estimates in the project plan for PNCC to map the data and do a final reconciliation but a lot more activities will be required to successfully complete the end to end data migration and cleansing requirements needed for the programme		Accountability	Time Frame
			Programme Director PCG Sign-off	Before Data Migration Stage
Creation of a testing strategy that will demonstrate what functional and non-functional testing will be planned and executed. Determine what other non functional testing is required such as performance, security, high availability and if needed, how and by whom they will be delivered. This could also include whether any specific go-live dress rehearsals will be incorporated into the testing activities/scope	To allow the definition of the Testing Scope - The Civica SoW covers off functional testing of the solution i.e. build/unit testing, system and integration testing and user business acceptance testing. It does not include any non functional testing that is typically required from projects of this nature.		Accountability	Time Frame
			Test Manager PCG Sign-off	Before entry into build phase
Creation of a change management strategy that highlights the scope of change that will impact PNCC staff and external customers and the organisation change (if any), training needs, communication and readiness activities that will need to be performed in order to conduct a successful go-live in order to realise the benefits of this solution	To allow the definition of the Change Management Scope - At this stage we could not ascertain how big this piece of work will be and therefore what effort will be needed to deliver it. We have been informed that approx. 600 people will be impacted by these technology changes and the adoption of new business processes.		Accountability	Time Frame
			Change Manager SteerCo Sign-off	August 2020

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Scope and Benefits Management

Benefits Management – what we expect to see

Benefits management is one of the key activities required for a project to be successful. There are four key facets: benefits identification and planning, benefits management and realisation, benefits governance, and continuous improvement. At this stage of the programme we would expect to see benefits that have been quantified and qualified. These benefits are assigned ownership and accepted by all stakeholders. A benefits management plan should be created showing how the benefits will be governed, managed and realised through the life-cycle of the project

Summary of findings – what we saw

- The approved business case identifies expected financial benefits from the delivery of the programme.
- However, these benefits have only been identified at a high level i.e. 'process efficiency gains' without the necessary detail that articulates how they have been qualified and qualified.
- Colin Anderson advised that more work on benefits identification and management will be occurring in May and June.

Recommendation	Rational	PNCC Response	
The detailed benefits identification exercise is completed to underpin the estimation of benefits and any assumptions. The business case is updated to reflect.	If the benefits are not clearly articulated in the business case it is unlikely that measures can be agreed by which to monitor the success of the project.	Accountability Colin Anderson PCG Sign-off	Time Frame July 2020
Ensure that any key performance Indicators used are appropriate and clearly quantifiable.	If key performance Indicators which are used to measure the achievement of business benefits are not appropriate or adequate, or cannot be usefully quantified, it will be difficult to measure and agree the success of the project.	Accountability Colin Anderson PCG Sign-off	Time Frame July 2020
Establish ownership , value and timelines for the achievement of benefits and put in place plans to proactively ensure their realisation.	Value and timing and ownership of expected benefits have not been specified, it will be difficult to plan their realisation and assign ownership.	Accountability Colin Anderson PCG Sign-off	Time Frame July 2020
A benefits management plan should be created showing how the benefits will be governed, managed and realised through the life-cycle of the project.	i. Provide the project team direction on the desired outcomes for the programme ii. The governance group will be unable to measure the programme's progress to deliver the business case	Accountability Colin Anderson PCG Sign-off	Time Frame July 2020

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Governance & Oversight

Governance and Change – what we expect to see

Formal governance is essential to ensure that the delivery of benefits to the organisation is maximised. The primary focus of governance is on the achievement of business outcomes and benefits (the business case), although key project outputs should be reported to the steering committee as indicators that the project is on track. Documenting the structures, roles and responsibilities removes ambiguity about how the project will be run and helps to ensure that issues and risks that arise can be resolved quickly. An agile change control process will set the framework for dealing with any programme changes that result in deviations in scope, time and cost

Summary of findings – what we saw

- An approved project charter has been produced which outlines the organisation charts, roles and responsibilities, cadence and membership of a Project Governance Group and a Steering Committee Group. The Governance Group for phase one includes the Chief Customer Officer and Chief Financial Officer and also includes an executive from the lead Vendor.
- The Steering Committee includes the PNCC programme manager and project manager, head of IT, as well as, business process and data experts from the business
- These groups have met on a number of occasions since the project commenced in early March with agendas, minutes, progress and finance status reports, risks and issues, decision papers being produced.
- Until the programme scope and benefits are finalised it will be difficult for the governance group to fulfil their role to deliver of the business case.

Recommendation	Rational	PNCC Response	
		Accountability	Time Frame
Bring the Civica project manager onto the Steering Committee in order to provide timely and first hand information for quicker decision making	Whilst reviewing the Steering Committee minutes we noticed that information was often required from the lead vendor – having the Civica project manager in this forum would facilitate faster decision making by this leadership group	Programme Director	June 2020
Update the project charter to articulate the change control process that PNCC will follow when changes to scope, quality, time and costs are required. This should be aligned to any relevant PNCC policies	An agile change control process will set the decision making framework for dealing with any programme changes that result in deviations in scope, time and cost.	Accountability Programme Director PCG Sign-off	Time Frame August 2020
Review the programme governance membership at each programme phase to ensure the right membership. We understand that the newly appointed chief people officer will be appointed to the governance group	Ensuring the right breadth of membership on the Governance Groups to cover the functional areas of the business being impacted by the programme, as well as, the relevant service areas of PNCC (technology, people, process, organisational, data, risk/assurance) that will support the programme to achieve its success.	Accountability Programme Director PCG Sign-off	Time Frame To review at each phase

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Governance & Oversight

Manage Risks and Opportunities – what we expect to see

Risk and issue management is essential for the successful delivery of projects, as it supports proactive identification and mitigation of risks and issues and thereby helps to lessen their impact.

Effective risk and issue management should be right sized, i.e. it provides challenge and scrutiny without placing excessive burden on the project team.

Summary of findings – what we saw

- A project RAID (Risks, Assumptions, Issues, Decisions) Log has been created which details current and closed risks, risks are monitored and reviewed periodically by the programme manager with anything important being reported at the governance groups
- Key risks and issues are reported at the Governance Board and Steering Committee meetings.
- We could not find a defined risk management process defined whereby all project stakeholders are involved in the risk identification assessment process. At this stage this process is being done solely by the programme manager
- It is unknown not aligned whether the programmes risk management approach for this project is aligned with the organisation's risk management approach

Recommendation	Rational	PNCC Response	
Document a formal risk and issue management process and ensure that this is adhered to across the project. This could become part of a project management charter/handbook	The lack of a clearly defined risk and issue management process can increase the probability of risks and issues not being identified early and mitigated where possible.	Accountability	Time Frame
		Programme Director PCG Sign-off	End of June 2020
Ensure that the roles and responsibilities for risk and issue management are clearly defined and communicated throughout the project.	A lack of clearly defined roles and responsibilities can cause risk and issue management to operate ineffectively.	Accountability	Time Frame
		Programme Director PCG Sign-off	End of June 2020
Confirm whether the programme's risk management processes are aligned with any PNCC enterprise risk management approach	Ensuring compliance and consistency of risk management across PNCC	Accountability	Time Frame
		Programme Director PCG Sign-off	End of June 2020

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Vendor Engagement

Vendor Engagement – what we expect to see

Most projects involve a number of suppliers who work together to play a part in delivering the project. It is therefore important to consider the nature of each of the suppliers, their respective roles within the project and their relationships to each other. This includes determining how the various contractual relationships work and understanding what behaviours this drives between the parties.

Summary of findings – what we saw

- Formal contractual agreements have been signed between Civica and PNCC for the implementation, hosting and support of their Authority Financial Management Information System (FMIS). The contractual amounts contained in these agreements are aligned with the business case.
- The Statement of Work (SoW) for the implementation has been extrapolated into the programme schedule as per their implementation methodology. Payment for services are linked to delivery milestones which require acceptance certificate signed-off from PNCC.
- General commentary from the interviews have indicated a good working relationship with Civica.
- As the Civica team are primarily Australia based COVID-19 impacts have prevented the programme scheduled project design kick-off from taking place. This kick-off is important as it is where Civica will take PNCC through the implementation plan and methodology, and in particular their approach to the design phase of the project. Design workshops as scheduled in the programme delivery plan have not commenced.

Recommendation	Rational	PNCC Response	
		Accountability	Time Frame
A 'way of working' needs to be established to allow project plan deliverables to be produced at the required project cadence and expected level quality	With COVID-19 the Australian based Civica team will not be able to travel to NZ in the short to medium term. This could impact the quality and quantity of deliverables need to keep the project on track	Programme Director Civica	End of June 2020

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Delivery Approach

Delivery Enabling Plans – what we expect to see

Integrated plans that provide the foundation upon which good projects are successfully delivered. They provide the base against which overall progress can be measured, showing in advance where targets are achievable or not. This should include the definition of the stage gate criteria for exit and entry into each of the main project phases.

Summary of findings – what we saw

- A detailed project plan based on Civica's Authority Best Practice (ABP) implementation methodology has been created in MS Project that aligns with the scope and deliverables as defined in the Civica SoW and closely follows the high level plan milestones as depicted in the approved Project Charter.
- This detailed project as been logically structured, and has incorporated some time bubbles to absorb a limited amount of slippages. Civica named resources have been allocated plan activities. PNCC have yet to allocate and confirm resources to these activities on the plan.
- In line with our commentary in 'scope management' the project plan is light on PNCC designated scope activities that will need to occur in order to deliver the data migration, data integration, change management and possibly additional testing phase workstreams. Therefore a fully integrated Civica & PNCC project plan is not available to be reviewed.
- As the project plans are in the process of being created we have not yet looked at the process for their regular updates (Schedule Management), but believe this process should be defined between the PNCC and Civica project managers and added to the suggested project management charter/handbook (Quality Management).

Recommendation	Rational	PNCC Response	
Once the data migration, data integration, change management and testing strategies are completed activities should be added to create an integrated project plan and any dependencies with existing Civica plan should be aligned	If an integrated project plan does not tally with the intended scope of the project, it is unlikely to deliver the intended outputs / outcomes.	Accountability	Time Frame
		Programme Director PCG Sign-off	When scoping is complete
Agree and commit resourcing for project activities with an emphasis on those for the design phase of the project	If the plan does not have resources confirmed to project activities it will not be possible to track ownership of activities	Accountability	Time Frame
		Programme Sponsor	July 2020

Delivery Approach

Delivery Enabling Plans (Continued)

Recommendation	Rational	PNCC Response	
		Accountability	Time Frame
Once the PNCC scope activities have been defined and added to the integrated project plan the Project Charter and Business should be updated to reflect any deviations as to what was originally agreed,	If the plan has not been effectively baselined and signed off by management and key stakeholders, it is not possible to track project progress against the business case effectively	Programme Director PCG Sign-off	As Required
Stage gate criteria should be defined, and completion of the stage gate criteria added as milestone's to the project plan	By defining the stage gate criteria upfront the project team and governance groups can monitor and control the activities that must be completed before moving into the next phase of the project.	Accountability Programme Director Civica	Time Frame July 2020

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Delivery Approach

Active Quality Management – what we expect to see

A quality management plan that outlines the approach and embedded into the project plan which will be used to monitor and evaluate the quality of the work performed within a project and gives confidence in the deliverable.

It ensures that individual deliverables are produced, and project activities conducted, in line with requirements and expectations such that, when implemented, they deliver the expected project outcomes and benefits.

Summary of findings – what we saw

- A quality plan does not yet exist for the programme life-cycle deliverables to show how the programme's approach for the prevention of delivery of poor quality and how it will review, test and accept these deliverables.

Recommendation	Rational	PNCC Response	
Develop a robust quality plan which is agreed to by all key stakeholders and rolled out across the whole project and covers business solution being delivered. This includes a comprehensive (Responsible, Accountable, Consulted, Informed) RACI with named resources to encompass all project deliverables	There must be checks and balances to ensure that the solution delivered by the project is fit to meet the business purpose. This includes a broad range of considerations from a functional effectiveness to practical operation considerations, integrity of data and ability to meet various regulatory and business reporting needs.	Accountability Programme Director PCG Sign-off	Time Frame August 2020
Ensure that all quality activities are embedded into the project plan or another deliverable tracker to ensure they have been performed	If the quality plan activities are not in a plan/tracker there will be no way to ensure that they are been adhered to and completed.	Accountability Programme Director PCG Sign-off	Time Frame August 2020
Creation of a Project Management Charter/Handbook which outlines how the programme manages the financial, scope, schedule, risk and resource project delivery and oversight processes & controls	To give confidence and transparency that the key project management controls are been monitored an controlled in an agree way. Key documentation for any mid project handover of project management responsibilities	Accountability Programme Director PCG Sign-off	Time Frame July 2020
Ensure all project team members are versed in the quality methodology where appropriate and are trained as necessary.	If team members are not familiar with, or not trained in, the relevant quality methodology they may not apply it in a consistent manner.	Accountability Programme Director PCG Sign-off	Time Frame August 2020

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Design Approach

Design Approach – what we expect to see

That the approach for design activities follows industry 'SaaS' best practice in order to produce the optimal solution design to deliver the business case. That the design approach also considers the identification of any inherent process risks and controls so that information and transactions are complete, accurate, valid, appropriately restricted and timely. That the approach to design is communicate to all impacted project stakeholders.

Summary of findings – what we saw

- Civica utilises (ABP) implementation methodology to define the best way to implement the Authority FMIS with what they regard as 'best practice business processes'. We believe the ABP design approach is consistent with other top tier SaaS vendors to ensure customers adopt industry proven best practice process and to reduce implementation times and costs in an agile fashion. Namely
 1. Authority modules come 10-80% pre-configured based on 'best practice business processes'
 2. Sessions with PNCC SME's giving an introduction to Authority business processes
 3. Mapping PNCC current business processes to Authority business processes
 4. Questionnaires for remaining configuration which are then built into the solution before final configuration workshops are held
- This design approach has been embedded into the project plan schedules and PNCC have committed to an "Adopt not Adapt" policy and will modify current processes to adopt "best practice processes" used within the new Authority system.
- Project kick-off induction sessions have been scheduled to take PNCC through the Civica implementation methodology and in particular, the design approach. These sessions were still to occur.

Recommendation	Rational	PNCC Response	
Agree the process that needs to be followed if any 'customisation' to the Authority FMIS solution is required - Utilising the Steering Committee as a design authority could be an option	Ensuring that the 'Adopt not Adapt' principle is adhered to during the design sessions and workshops	Accountability	Time Frame
		Programme Director PCG Sign-off	July 2020
Ensure that business risks and controls are embedded into the design approach. PNCC Business Assurance should be part of the sign-off.	It will be costly in time and money if required business risks and controls are not considered during the design phase and only identified during later phases of the project (this happens often)	Accountability	Time Frame
		Programme Director Masooma Akhter Sign-off	June 2020

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Design Approach

Design Approach (Continued)

Recommendation	Rational	PNCC Response	
PNCC to work with Civica to set-up remote working capability. This should be monitored regularly with both PNCC and Civica design participants as to it's effectiveness	A new 'way of working' needs to be set-up to allow a high quality design to be produced whilst Civica resources are unable to travel	Accountability	Time Frame
		IM Manager	July 2020

Resource and Cost Management

Resource Management – what we expect to see

Resource management is the process of ensuring that the project has access to adequate numbers of people, with the correct skill sets and experience, at the appropriate time. This is one of the key risk areas for any project. It also addresses the need to provide project staff with all the necessary facilities and accesses to perform their roles, as well as motivation through performance management processes.

Summary of findings – what we saw

- The project team consists of a mixture of PNCC internal staff from different departments and the Civica project team. A project plan has been produced as described under 'delivery enabled plans' and Civica have assigned named resources against their allocated tasks in this plan and PNCC have allocated generic role names against their tasks.
- A PNCC resource plan has been produced mapping the project plan resource requirements and matched these to named resources. But to date, the project team have received no commitment to obtaining these resources for the time periods required and therefore cannot allocate actual names to the project plan
- The business case has outlined an approach to use existing PNCC resources on the project and backfill their BAU roles and responsibilities. We agree with this approach to deliver the project, especially for the design phase. However we do not believe this backfilling has taken place.
- As mentioned in 'design approach' - a kick-off meeting is scheduled to take PNCC through Civica's ABP implementation methodology
- As mentioned in 'scope management' and 'delivery enabled plan's – as there isn't an integrated project plan with all PNCC activities defined and sized we are unable to ascertain whether the PNCC resources estimates are adequate.

Recommendation	Rational	PNCC Response	
Backfill key project resources asap so that PNCC resources can be released to fulfil project plan activities.	Key PNCC project position areas are not filled, there is a risk that the project will not meet its core objectives within the plan or to budget.	Accountability	Time Frame
		Programme Sponsor PCG Sign-off	July 2020

Resource and Cost Management

Resource Management (continued)

Recommendation		Rational	PNCC Response	
Once named resources have been committed to the project their BAU tasks should be adequately backfilled or deferred to prevent completion date slippages. The planned project kick-off meeting should include how the design will be approached as part of their induction, including any new ways of working due to the current COVID-19 restrictions		Until PNCC resources are properly secured by the project it is unlikely that the 'design approach' will commence and therefore allow them to be completed within the current project schedule.	Accountability	Time Frame
			CFO PCG Sign-off	August 2020
Develop a recruitment and retention strategy for each key position.		To ensure that PNCC resources have a transition path back into business operations once the project has completed	Accountability	Time Frame
			CFO PCG Sign-off	August 2020

Resource and Cost Management

Cost Management – what we expect to see

Project costs and budgets should be managed throughout the project lifecycle, to ensure that the expected benefits accrue to the organisation within the specified Operational constraints.

Summary of findings – what we saw

- An approved business case has been signed off by the PNCC ELT (see recommendation regarding ELT minutes) this business case outlined total costs of \$7,176, including \$4,173k for the implementation costs. These implementation costs included 735k of contingency funds (18%).
- The 2020 FY budgeted cost component of the business case has been set-up in the FMIS as an Opex cost. Costs that are posted to this code are picked up by the Programme Manager through reporting provided by Finance. Some fine tuning to this process is in progress.
- Financial status reporting is provided to both the Steering Committee and the Programme Governance Group. Due to the slower than anticipated start to the project and no utilisation of project contingency the actual costs are tracking less than budget at the end of April. A payment milestone plan has been agreed with the lead vendor Civica
- As outlined in 'Governance & Oversight' a process on how any changes to approved budget and drawdown of contingencies should be established and signed off.

Recommendation	Rational	PNCC Response	
Seek an amendment to the meeting minutes in order to record ELT commitment of funding to the programme	Verbal confirmation has been received that the ELT approved the business case and commitment of requested funding to the programme. However, this decision was not recorded in the meeting minutes.	Accountability	Time Frame
		Masooma Akhter	June 2020
Confirm whether the project implementation costs should be treated as operating and expensed rather than being capitalised and amortised	Project implementation costs are being treated as operational. Is this the correct accounting treatment?	Accountability	Time Frame
		CFO	July 2020
Complete scoping work to finalise project costs	Incomplete scope issues as mentioned previously in this document could result in increase costs to the programme	Accountability	Time Frame
		Programme Director PCG Sign-off	July 2020

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Appendices

Appendix A: Interviewees

The following personnel were interviewed during our fieldwork:

Interviewee	Role	Date
Colin Anderson	Independent Advisor - Programme Governance Board	29 April 2020
David Biggs	Programme Director – Steering Committee	29 April 2020
Maggie Lim	Civica Project Manager	13 May 2020
John Harris	Civica Programme Manager - Programme Governance Board	13 May 2020
Masooma Akhter	Business Assurance Manager	14 May 2020
Matthew Duxfield	Finance Manager – Steering Committee	14 May 2020
David Biggs	Programme Director – Steering Committee	20 May 2020
Brent White	Head of IT – Steering Committee	21 May 2020
Colin Anderson	Independent Advisor - Programme Governance Board	21 May 2020
Stuart McKinnon	CFO - Programme Governance Board (Phase 1 Project Sponsor)	26 May 2020

Appendix B: Documentation read

The following documentation was provided and read during our assessment:

Document Name	Description	Document Date
PNCC-ERP-Business-Case-v1.0	Programme Business Case	25 February 2020
PNCC-ERP-ProgrammeCharter-v1.0	Programme Charter	26 February 2020
PNCC-ERP-Programme-Overview-v0.1	High Level Programme Schedule	29 April 2020
PNCC-ERP-Programme-Schedule-v0.6	Detailed Programme Schedule	29 April 2020
PNCC-ERP-ProgramSchedule-Design-v0.2	Detailed Design schedule	1 March 2020
PNCC-CIVICA-PID-v5 (draft)	Civica Project Initiation Document	29 April 2020
PNCC-ERP-Financial-Tracking-v0.1	Programme Financials as at 31 March	April
PNCC-ERP-Financial-Tracking-v0.2	Programme Financials as at 30 April	May
PNCC-ERP-Integration-Strategy-V0.1	Approach to defining an integration strategy for PNCC	20 April 2020
PNCC-ERP-CM9-DocMngtOption-Presso-v1.0	Options Paper for using CM9 as the EDRMS	9 April 2020
PNCC-ERP-InvestmentModel-v0.7	Investment Model used for business case	10 March 2020
PNCC-ERP-Engagement-Plan-v0.1	Communication Method for Governance and SteerCo members	9 March 2020
PNCC-ERP-SMEList-v0.6	List of PNCC subject matter experts and their required involvement with the programme	3 March 2020
PNCC-ERP-High-Level-Staff-Usage-V0.2	Estimate effort for internal staff usage	18 February 2020
PNCC-ERP-RAID-LOG-v0.1	Risks, Assumptions, Issues and Decision Log	28 January 2020
PNCC Civica RFP contract documents (folder)	Containing SaaS and implementation contracts and related appendices	2 March 2020
Civica RFP Responses ZIP	Civica responses to RFP	25 November 2019
SteerCo Folder	Meeting minutes, agendas, status reports and presentation papers	4/4, 20/4, 5/11
PCG Folder	Meeting minutes, agendas, status reports and presentation papers	April, May Meetings
PNCC-ERP-PWC-ActionItems-v0.3.pdf	PNCC acceptance of recommendation and action plan to complete	16 June 2020

Appendix C: Engagement disclosures

In reading this report we request you note the following:

<div>Final report</div> <div></div>	<div>Private and confidential</div> <div> <p>This report is provided solely for Palmerston North City Council for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.</p> <div></div> </div>	<div>Users of the report</div> <div> <p>This report is intended solely for the use of Palmerston North City Council. This report contains confidential information. Please treat the report with confidentiality in every respect.</p> <div></div> </div>	<div>Standards</div> <div> <p>We have performed our engagement in accordance with relevant ethical requirements of the Code of Ethics issued by the New Zealand Institute of Chartered Accountants, and appropriate quality control standards.</p> <p>This assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.</p> <div></div> </div>
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COMMITTEE WORK SCHEDULE

TO: Finance & Audit Committee

MEETING DATE: 19 August 2020

TITLE: Committee Work Schedule

RECOMMENDATION TO FINANCE & AUDIT COMMITTEE

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

ATTACHMENTS

1. Committee Work Schedule [↓](#) 

FINANCE & AUDIT COMMITTEE

COMMITTEE WORK SCHEDULE – AUGUST 2020

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1.	August 2020	Health and Safety quarterly update	Human Resources Manager	Updated report to be provided to August meeting	
2.	August 2020	Quarterly Performance and Finance Report	Chief Financial Officer		
3.	August 2020	Further financial modelling report including cashflow analysis of the impact of retaining vs. selling the Whakarongo subdivision sections for public rental housing at market rates, including any partnership options	Chief Financial Officer		17 June 2020 Clause 23-20 (2)
4.	August September 2020	Expenses of the Mayor and Deputy Mayor	General Manager – Strategy and Planning	Financial year is not yet finalised	Council 13 November 2019 Clause 148.6
5.	September 2020	Issues and options report on the audit issues facing Council Controlled Organisations	Chief Financial Officer	Due to a change in Audit NZ director and then the Covid-19 pandemic we have not yet held discussions with Audit NZ and CCO's to investigate the issues	10 September 2018 Clause 27.6
6.	September 2020	Business continuity planning update with respect to COVID-19	Business Assurance Manager	As per the business assurance plan approved by Council, a review was initiated on our Business Continuity Plans. The findings from this review will be reported back to the Finance & Audit	18 March 2020 Clause 18-20

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Item No.	Estimated Date	Report	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
					Committee in September	
7.	September 2020		Review of Elected Members' Expenses and Allowances Policy	Democracy and Governance Manager		19 February 2020 Clause 3-20
8.	October 2020		Energy and environmental efficiency options report for any public housing opportunities	Chief Infrastructure Officer		17 June 2020 Clause 23-20 (3)