



PALMERSTON NORTH CITY COUNCIL

AGENDA

FINANCE AND PERFORMANCE

COMMITTEE

9AM, MONDAY 19 MARCH 2018
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH



MEMBERSHIP

Susan Baty (Chairperson)

Jim Jefferies (Deputy Chairperson)

Grant Smith (The Mayor)

Adrian Broad

Gabrielle Bundy-Cooke

Vaughan Dennison

Lew Findlay QSM

Leonie Hapeta

Lorna Johnson

Karen Naylor

Bruno Petrenas

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 AND PERFORMANCE COMMITTEE MEETING

19 March 2018

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. 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.)

- 4. Confirmation of Minutes** Page 7

“That the minutes of the Finance and Performance Committee meeting of 19 February 2018 Part I Public be confirmed as a true and correct record.”

- 5. Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2017** Page 13

Memorandum, dated 9 March 2018 from the Strategy Manager Finance, Steve Paterson.

- 6. Palmerston North Airport Ltd - Draft Statement of Intent for 2018/19** Page 31

Memorandum, dated 2 March 2018 from the Strategy Manager Finance, Steve Paterson.

- 7. Central Energy Trust Wildbase Recovery Update and Cost to Complete** Page 61

Report, dated 22 February 2018 from the Senior Property & Parks Planner, Aaron Phillips.

- 8. Water and Waste Capital New and Renewal 2017-18 Programme Adjustments** Page 73

Memorandum, dated 9 March 2018 from the Water & Waste Services Manager, Robert van Bentum.

- 9. Process for Reallocating and Prioritisation of Underspending on Programmes** Page 81

Memorandum, dated 5 March 2018 from the Chief Financial Officer, Grant Elliott.

- 10. Committee Work Schedule - March 2018** Page 83

11. 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
12.	Purchase of Land to Extend Walkways Network	Third Party Commercial and Commercial Activities	s7(2)(b)(ii) and s7(2)(h)
13.	Purchasing Property to Partner with a Housing Provider	Commercial Activities	s7(2)(h)

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.

Chief Executive (Heather Shotter), Chief Financial Officer (Grant Elliott), General Manager, City Enterprises (Ray McIndoe), General Manager, City Future (Sheryl Bryant), General Manager, City Networks (Ray Swadel), General Manager, Customer Services (Peter Eathorne), General Manager, Libraries and Community Services (Debbie Duncan), Human Resources Manager (Wayne Wilson) and Communications and Marketing Manager (or their representative (name)) because of their knowledge and ability to provide the meeting with advice on matters both from an organisation-wide context (being members of the Council’s Management Team) and also from their specific role within the Council.

Legal Counsel (John Annabell), because of his knowledge and ability to provide the meeting with legal and procedural advice.

Governance and Support Team Leader (Kyle Whitfield) and Committee Administrators (Penny Odell, Carly Chang and Rachel Corser), because of their

knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

Property Officer (Bryce Hosking), because of their knowledge and ability to assist the meeting in speaking to their report and answering questions, noting that such officer will be present at the meeting only for the item that relate to their respective report.

[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 and Performance Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 19 February 2018, commencing at 9.02am

Members Present:	Councillor Susan Baty (in the Chair), The Mayor (Grant Smith) and Councillors Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson and Bruno Petrenas.
Non Members:	Councillors Brent Barrett, Rachel Bowen and Aleisha Rutherford.
Apologies:	Councillors Duncan McCann (Council Business) Karen Naylor (Council Business), and Tangi Utikere (Lateness).

Councillor Tangi Utikere entered the meeting at 9.32am during consideration of clause 4. He was not present for clauses 1 to 3 inclusive.

1-18 Apologies

Moved Vaughan Dennison, seconded Rachel Bowen.

The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

Clause 1-18 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas and Aleisha Rutherford.

2-18 Public Comment

Public comment was received from Mr Frank Goldingham and Mr Ian Arglye both regarding the Gordon Kear forest.

Moved Susan Baty, seconded Adrian Broad.

The COMMITTEE RESOLVED

1. That the public comment be received for information.

Clause 2-18 above was carried 13 votes to 0, the voting being as follows:

For:

PALMERSTON NORTH CITY COUNCIL

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas and Aleisha Rutherford.

3-18 Confirmation of Minutes

Moved Susan Baty, seconded Jim Jefferies.

The **COMMITTEE RESOLVED**

That the minutes of the Finance and Performance Committee meeting of 18 December 2017 Part I Public and Part II Confidential be confirmed as a true and correct record.

Clause 3-18 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas and Aleisha Rutherford.

4-18 Gordon Kear Forest

Memorandum, dated 2 February 2018 from the Business Development Executive, Fiona Dredge.

Councillor Tangi Utikere entered the meeting at 9.32am.

Moved Lorna Johnson, seconded Aleisha Rutherford.

The **COMMITTEE RECOMMENDS**

1. That Council retains ownership of the Gordon Kear property, including the pine plantation, as it has a number of current and potentially strategically important social and environmental values combined with providing a commercial return from the forestry investment.

Clause 4.1 above was carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Brent Barrett, seconded Lew Findlay QSM.

2. That Council considers ways to enhance the community environmental values of the property including carbon, biodiversity, recreation and water supply in order to maximise value to the city.
3. That Council continues to carefully manage the commercial forest estate to maximise overall return at low risk.

PALMERSTON NORTH CITY COUNCIL

Clause 4.2 4.3 above were carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Susan Baty, seconded Brent Barrett.

4. That Council does not maintain a watching brief on opportunity and benefits from the sale of the house and small holding.

Clause 4.4 above was carried 12 votes to 0, with 2 abstentions, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Lew Findlay QSM, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Abstained:

Councillors Vaughan Dennison and Leonie Hapeta.

Moved Brent Barrett, seconded Jim Jefferies.

5. That the Chief Executive be instructed to investigate establishment of a shelter for walkers at Toko corner.

Clause 4.5 above was carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Leonie Hapeta, seconded Rachel Bowen.

6. That the Chief Executive be instructed to report back on the city water supply options using the Gordon Kear forest.

Clause 4.6 above was carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

5-18

Quarterly Performance and Financial Report - Quarter Ending 31 December 2017

Memorandum, dated 2 February 2018 from the Financial Accountant, Keith Allan and the Head of Community Planning, Andrew Boyle.

Moved Susan Baty, seconded Grant Smith.

The COMMITTEE RECOMMENDS

1. That the Committee receive the December 2017 Quarterly Performance and Financial Report and note:

PALMERSTON NORTH CITY COUNCIL

- a. The December 2017 financial performance and operating performance.
 - b. The December 2017 capital expenditure programme progress together with those programmes identified as unlikely to be completed this financial year.
2. That the Committee recommend to Council that the capital expenditure carry forward values in the 2017/18 Annual Budget, as varied August 2017, for programme 368, Central Energy Trust Wildbase Recovery Centre, be increased by a further \$533,499 to the amount of the remaining programme budget.
 3. That the Chief Executive be instructed to provide a detailed project plan and timeline around programme 357 Papaokea Place Redevelopment and that this is reported back to the March Finance and Performance Committee.

Clause 5-18 above was carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

6-18

Treasury Report for 6 months ended 31 December 2017

Memorandum, dated 8 February 2018 from the Strategy Manager Finance, Steve Paterson.

Moved Lorna Johnson, seconded Jim Jefferies.

The COMMITTEE RESOLVED

1. That the performance of the treasury activity for the 6 months ending 31 December 2017 be noted.

Clause 6-18 above was carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

7-18

Committee Work Schedule - February 2018

Moved Susan Baty, seconded Lorna Johnson.

The COMMITTEE RESOLVED

1. That the Finance and Performance Committee receive its Work Schedule dated February 2018.

Clause 7-18 above was carried 14 votes to 0, the voting being as follows:

PALMERSTON NORTH CITY COUNCIL

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting finished at 10.43am.

Confirmed 19 March 2018.

Chairperson

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 19 March 2018

TITLE: Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2017

DATE: 9 March 2018

AUTHOR/S: Steve Paterson, Strategy Manager Finance, City Corporate

RECOMMENDATION(S) TO COUNCIL

1. That the Interim Report and Financial Statements of Palmerston North Airport Ltd for the period ended 31 December 2017 be received.

1. ISSUE

Palmerston North Airport Ltd (PNAL), as a Council-Controlled Organisation, is required to provide a 6 monthly report to the Council. The report for the period ending 31 December 2017 is *attached*.

2. BACKGROUND

PNAL's draft Statement of Intent (SOI) for 2017/18 was considered by the Council in March 2017 and the final SOI was considered by the Council in June 2017.

Performance for the year to date is covered in the report by the Chair and Chief Executive. They outline the key components of what has been another busy period for the airport with increased passenger numbers and better overall financial performance. This outcome is very pleasing.



The Council has been paid a dividend of \$519,649 based on the previous year's results – this compares with the Council's budget for 2017/18 of \$300,000.

PNAL has prepared its draft SOI for the 2018/19 year and this is being considered under a separate report.

3. NEXT STEPS

PNAL will prepare and forward an annual report after 30 June 2018.

ATTACHMENTS

1. Interim Report to 31 December 2017  

Steve Paterson
Strategy Manager Finance



PALMERSTON NORTH AIRPORT LIMITED

INTERIM REPORT

TO 31 DECEMBER 2017

<p align="center">COMPANY DIRECTORY</p>
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<p align="center">PALMERSTON NORTH AIRPORT LIMITED</p>

DIRECTORS:

M A Georgel – Chairman
 G F Gillespie
 J E Nichols
 J M K B Adlam
 C G Cardwell

MANAGEMENT:

D J Lanham	Chief Executive
D J Yorke	Infrastructure Manager
G E Clark	Commercial Manager
S J Wood	Financial Accountant
A C Scott	Visitor Development Manager
B D Lawry	Terminal Manager
T B Cooney	Safety and Security Manager
D J Humphreys	Manager Valet and Agency Services

REGISTERED OFFICE:

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 Terminal Building
 Airport Drive
 PALMERSTON NORTH 4442

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 Fax: +64 6 355 2262
 e-mail: help@pnairport.co.nz
 Web: www.pnairport.co.nz

TRADING BANKERS:

Bank of New Zealand

LEGAL ADVISORS:

Cooper Rapley Lawyers

AUDITORS:

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

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JOINT REPORT OF CHAIRMAN & CHIEF EXECUTIVE OFFICER FOR THE SIX MONTHS ENDING 31 DECEMBER 2017

The first six months of the 2017/18 financial year has been dominated by the delivery of additional carpark and associated facilities, and the commencement of construction of the \$5 million aviation training facility for the Massey School of Aviation.

The Board and Management of Palmerston North Airport Limited (PNAL) continue to implement the Company's strategy. We strive to be the leading regional airport in New Zealand. The vision reflects the importance that Palmerston North Airport places on proudly portraying our regional identity and to the range of airport facilities and services offered to regional residents and visitors alike.

The vision also reflects our desire to work closely with a wide range of stakeholders both from a business and visitor perspective, and our regional communities and iwi.

In the twelve months to December 2017, Palmerston North Airport accommodated 635,896 travellers, an increase of 7.5% on the prior twelve month calendar year. Recently completed airport infrastructure projects together with facility enhancements have enabled the airport to keep ahead of passenger growth and continue to offer a spacious and customer friendly regional airport experience.

Achievements within the six-month period include the opening of the Long Stay Car Park, offering the lowest airport car parking prices available at any airport within the lower North Island. Online car park booking was also launched during the period and has proven extremely popular. The airport's Valet car park was also opened during the period. Offering a concierge service, and undercover pick up and drop off with direct internal access to the terminal, the car park appeals to travellers seeking a quick and efficient car parking experience. Planning continues for the upgrade of the General Car Park including improvements to the terminal – car park interface.

Commercialisation of Ruapehu Business Park commenced during the period. A development masterplan has been completed and will inform investment decisions within the 20-hectare business park located on Airport Drive. Construction of the \$5 million Massey Aviation training facility commenced during the period, with Stage 1 due for completion by June 2018.

Pavement upgrades and planning have continued throughout the period, while planning has been completed for a new Rescue Fire Facility, with construction to commence in March 2018.

December witnessed the official opening and blessing by Rangitāne of the Airport's portrayal of the Legend of Haunui. The legend which holds special significance to regional iwi, has been adopted by the Airport as a means of portraying our sense of place within the wider region. The contemporary display including wall art and carvings created by four artists of Rangitāne descent now proudly greets arriving and departing travellers.

Management resource was boosted during the period with the recruitment of specialist civil engineering and health and safety expertise. This has enabled dedicated attention to be placed on airside infrastructure maintenance and upgrades, passenger facilities, and safety and security.

A renewed focus on energy efficiencies and waste minimisation also commenced during the period. The installation of LED terminal lighting, and a replacement Building Management System have contributed to a reduction in energy consumption. The construction of a waste storage facility will enable additional on-site waste sorting and a reduction in waste to landfill.

Revenue of \$4.262 million was within 1% of budget and 16% ahead of last year. The delayed opening of the Valet Car Park contributed to the revenue shortfall. Management continues to focus on cost reductions, with total operating costs of \$2.216 million representing a 3% saving versus budget.

EBITDA of \$2.046 million was 1% ahead of budget, and 12% ahead of last year.


Net surplus after taxation of \$0.846 million was 34% above budget, and 17% above last year, with the timing of capital works a contributor to this improvement over budget.

An on-budget EBITDA and Net Profit after tax result is forecast by financial year-end.

All statutory requirements relating to the Airport have been met, including successful completion of independent audits by the Civil Aviation Authority, during the first six months of the year. These were also supported by continuing monthly internal audits and quality control checks undertaken by an independent body.



Murray Georgel
Chairman



David Lanham
Chief Executive

STATEMENT OF FINANCIAL PERFORMANCE
For the Six Months Ended 31 December 2017

	<i>Note</i>	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
REVENUE	4	4,261,757	3,687,557	8,688,176	7,313,379
OPERATING EXPENSES					
Airfield Services		354,212	263,374	708,432	623,360
Other Operating Expenses	5	815,668	625,431	1,684,957	1,267,719
TOTAL OPERATIONS AND MAINTENANCE		1,169,880	888,805	2,393,389	1,891,079
Administration:					
Audit Fees		16,393	13,300	26,500	29,115
Bad Debts Written Off				5,000	
Changes in doubtful debt provision				10,000	
Directors' Fees		45,000	45,000	94,500	90,625
Employee Expenses	6	456,207	378,775	951,740	755,120
Administration	7	426,801	442,671	934,415	838,616
Market Development		101,180	94,184	175,000	174,321
TOTAL ADMINISTRATION:		1,045,581	973,930	2,197,155	1,887,797
TOTAL OPERATING EXPENSES		2,215,461	1,862,735	4,590,544	3,778,876
Operating Surplus before interest, depreciation & taxation (EBITDA)		2,046,296	1,824,822	4,097,633	3,534,503
Finance Costs & Depreciation:					
Finance costs	8	132,401	141,956	486,475	269,622
Depreciation	15	741,244	608,348	1,685,551	1,217,466
Loss on Sale of Assets			67,402	77,000	198,454
TOTAL FINANCE COSTS & DEPRECIATION:		873,645	817,706	2,249,026	1,685,542
Operating Surplus before taxation		1,172,651	1,007,116	1,848,607	1,848,961
Taxation Expense on operating surplus	9	326,706	281,993	517,610	549,839
NET SURPLUS AFTER TAXATION		845,945	725,123	1,330,997	1,299,122

For and on behalf of the Board



Murray Georgel - Chairman
Date :



Jon Nicholls - Director
Date :

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

These financial statements are unaudited.

STATEMENT OF SERVICE PERFORMANCE

The Company's current Statement of Intent is dated June 2017.

The Company is trading as Palmerston North Airport Limited.

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

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

Performance Measures:

	Dec 2017 6 Months	Dec 2016 6 Months	SOI Target 6 Months
1. Ratio of Net Surplus before interest and tax to Total Assets:	1.7%	1.8%	1.5%
2. Ratio of Net Surplus after interest and tax to consolidated Shareholders funds:	1.4%	1.4%	1.1%
3. Interest cover ratio of Net Surplus before interest tax and depreciation to interest, at or above 2.5 times:	15.5	12.9	9.3
4. Maintain a tangible net worth (of or above) \$35m	59.9	50.2	62.7
5. Total Passenger Throughput	327,000	319,700	322,000
6. Maintain a high level of customer satisfaction	Achieved	Achieved	Achieve
7. CAA Part 139 Certification	Achieved	Achieved	Achieve

STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 31 December 2017

	Note	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
NET SURPLUS AFTER TAXATION		845,945	725,123	1,330,997	1,299,122
Gains on revaluation of land and buildings		-	-	-	10,974,180
Movement in deferred tax		-	-	-	(2,145,902)
Reversal of valuation surplus on disposal					
Comprehensive income attributed to the shareholder		845,945	725,123	1,330,997	10,127,400

STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 31 December 2017

	Note	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
EQUITY AT THE BEGINNING OF THE YEAR		59,614,743	49,809,520	62,608,320	46,956,032
Total Comprehensive (loss) income		845,945	725,123	1,330,997	1,299,122
Movement in Asset Revaluation Reserve			(4,000)		11,681,762
Distribution to shareholders during the year		(519,653)	(322,173)	(577,281)	(322,173)
EQUITY AT THE END OF THE YEAR		59,941,035	50,208,470	63,362,036	59,614,743

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

These financial statements are unaudited.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31-Dec-17 Unaudited	31-Dec-16 Unaudited	30-Jun-18 SOI	30-Jun-17 Audited
CURRENT ASSETS					
Cash and Cash Equivalents	10	188,570	226,836	175,260	288,028
Trade accounts receivable	11	509,519	720,604	599,621	548,511
Sundry receivables and prepayments		93,776	71,912	5,595	143,023
TOTAL CURRENT ASSETS		791,865	1,019,352	780,476	979,562
Less: CURRENT LIABILITIES					
Income in advance		97,203	107,121	90,000	44,356
Trade accounts payable	12	822,877	146,825	120,000	354,396
Other creditors		121,204	446,883	90,000	292,020
Employee benefit liabilities	13	88,651	83,364	120,000	72,748
Tax payable		48,965	65,865	64,686	284,418
TOTAL CURRENT LIABILITIES		1,178,900	850,058	484,686	1,047,938
WORKING CAPITAL		(387,035)	169,294	295,790	(68,376)
Add: NON CURRENT ASSETS					
Property, Plant & Equipment	15	73,228,798	61,667,761	79,399,831	72,033,845
Investment Property		575,000			575,000
TOTAL NON CURRENT ASSETS		73,803,798	61,667,761	79,399,831	72,608,845
Less: NON CURRENT LIABILITIES					
Deferred tax liability	16	8,075,726	6,128,585	6,128,585	8,075,726
Borrowings	14	5,400,000	5,500,000	10,205,000	4,850,000
TOTAL NON CURRENT LIABILITIES		13,475,726	11,628,585	16,333,585	12,925,726
NET ASSETS		59,941,037	50,208,470	63,362,036	59,614,743
Represented by:					
SHAREHOLDERS' EQUITY					
Paid in Capital		9,380,400	9,380,400	9,380,400	9,380,400
Retained earnings		18,625,479	17,725,192	19,197,000	18,299,187
Asset revaluation reserve		31,935,156	23,102,878	34,784,636	31,935,156
TOTAL SHAREHOLDERS' EQUITY		59,941,035	50,208,470	63,362,036	59,614,743

For and on behalf of the Board



Murray Georgel - Chairman

Date :



Jon Nicholls - Director

Date :

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

These financial statements are unaudited.

CASH FLOW STATEMENT
For the Six months Ended 31 December 2017

	Note	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		4,352,745	3,544,393	8,567,980	7,282,826
Refund of Income tax					104,417
Interest Received		2,095	1,549	3,213	5,926
		<u>4,354,840</u>	<u>3,545,942</u>	<u>8,571,193</u>	<u>7,393,169</u>
Cash was disbursed to:					
Payment to Suppliers and employees		1,849,870	2,097,423	4,659,773	4,032,986
Payment of Income Tax		562,152	296,367	550,000	616,640
Interest Payments		132,401	141,955	486,475	269,622
		<u>2,544,423</u>	<u>2,535,745</u>	<u>5,696,248</u>	<u>4,919,248</u>
Net cash flow from operating activities	17	<u>1,810,417</u>	<u>1,010,197</u>	<u>2,874,945</u>	<u>2,473,921</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets			635,000	3,130,000	652,391
			<u>635,000</u>	<u>3,130,000</u>	<u>652,391</u>
Cash was applied to:					
Purchase of Fixed Assets		1,940,234	734,595	10,125,915	1,504,510
		<u>1,940,234</u>	<u>734,595</u>	<u>10,125,915</u>	<u>1,504,510</u>
Net cash flow from investing activities		<u>(1,940,234)</u>	<u>(99,595)</u>	<u>(6,995,915)</u>	<u>(852,119)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Cash was provided from:					
Borrowing		1,400,000	400,000	5,835,000	1,000,000
		<u>1,400,000</u>	<u>400,000</u>	<u>5,835,000</u>	<u>1,000,000</u>
Cash was applied to:					
Repayment of borrowings		850,000	1,050,000	1,100,000	2,300,000
Payment of Dividends		519,649	322,173	577,281	322,173
		<u>1,369,649</u>	<u>1,372,173</u>	<u>1,677,281</u>	<u>2,622,173</u>
Net cash flow from financing activities		<u>30,351</u>	<u>(972,173)</u>	<u>4,157,719</u>	<u>(1,622,173)</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		<u>(99,466)</u>	<u>(61,571)</u>	<u>36,749</u>	<u>(371)</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year		<u>288,036</u>	<u>288,407</u>	<u>138,511</u>	<u>288,399</u>
Cash, cash equivalents and bank overdrafts at the end of the year	10	<u>188,570</u>	<u>226,836</u>	<u>175,260</u>	<u>288,028</u>
Made up of:					
Cash and Bank Balance		188,570	226,836	175,260	288,028
Deposits					
CLOSING CASH BALANCE		<u>188,570</u>	<u>226,836</u>	<u>175,260</u>	<u>288,028</u>

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

These financial statements are unaudited.

Statement of Commitments**For the Six Months Ended 31 December 2017****Non-cancellable Commitments - Operating Lessee**

Not more than one year	79,122
One to two years	54,565
Two to five years	64,699
Over five years	
Total	\$ 198,386

Non-cancellable Commitments - Operating Lessor

Not more than one year	1,023,372
One to two years	743,452
Two to five years	1,166,913
Over five years	477,074
Total	\$ 3,410,811

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 31 December 2017

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

Statement of Compliance

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

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

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand Dollars.

3. ACCOUNTING POLICIES

Changes in accounting policies

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

Specific accounting policies

The accounting policies as published in the Annual Report to 30 June 2017 have been applied consistently to all periods presented in these financial statements.

	<u>31-Dec-17</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-16</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-18</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-17</u> <u>12 Months</u> <u>Audited</u>
4. ANALYSIS OF OPERATING REVENUE:				
Landing, departure & facility fees	2,568,789	2,192,837	5,050,000	4,291,429
Car park, rent and advertising	1,537,702	1,331,639	3,061,699	2,710,798
Other	155,245	162,908	573,251	308,301
Interest	21	173	3,226	2,851
	<u>4,261,757</u>	<u>3,687,557</u>	<u>8,688,176</u>	<u>7,313,379</u>
5. OTHER OPERATING EXPENSES				
Rates	177,566	169,736	360,180	350,460
Power and Insurance	152,767	149,149	335,169	303,890
Repairs and maintenance	485,335	306,546	989,607	613,369
	<u>815,668</u>	<u>625,431</u>	<u>1,684,957</u>	<u>1,267,719</u>

	<u>31-Dec-17</u>	<u>31-Dec-16</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
	<u>6 Months</u>	<u>6 Months</u>	<u>12 Months</u>	<u>12 Months</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
6. EMPLOYEE EXPENSES				
Salaries and wages	454,304	360,877	906,259	737,520
Employer Contribution to Kiwi Saver	12,082	8,966	26,984	19,207
Movement in employee entitlements	(10,179)	8,932	18,497	(1,607)
	<u>456,207</u>	<u>378,775</u>	<u>951,740</u>	<u>755,120</u>
7. ADMINISTRATION				
Legal	56,353	143,646	200,000	151,904
Consultancy	94,405	52,307	150,000	213,414
Contactors	104,738	100,449	216,000	184,308
General Administration	171,305	146,269	368,415	288,990
	<u>426,801</u>	<u>442,671</u>	<u>934,415</u>	<u>838,616</u>
8. FINANCE COST				
Interest on term loans	132,401	141,956	486,475	269,622
Interest on overdraft				
	<u>132,401</u>	<u>141,956</u>	<u>486,475</u>	<u>269,622</u>
9. TAXATION:				
Current year tax payable	326,706	281,993	517,610	748,600
Prior year adjustments				
Movement in deferred tax				(198,761)
Total	<u>326,706</u>	<u>281,993</u>	<u>517,610</u>	<u>549,839</u>
10. CASH & CASH EQUIVALENTS				
BNZ Current account	172,429	46,556	150,000	133,191
Cash on hand	5,301	3,596	3,000	4,011
Short term deposits	10,840	176,684	22,260	150,826
Total	<u>188,570</u>	<u>226,836</u>	<u>175,260</u>	<u>288,028</u>

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

	<u>31-Dec-17</u> <u>6 Months</u> <u>Unaudited</u>	<u>31-Dec-16</u> <u>6 Months</u> <u>Unaudited</u>	<u>30-Jun-18</u> <u>12 Months</u> <u>SOI</u>	<u>30-Jun-17</u> <u>12 Months</u> <u>Audited</u>
12. TRADE ACCOUNTS PAYABLE				
Trade accounts payable	820,374	143,509	120,000	346,339
Payables to related party	2,503	3,316	0	8,057
Total	822,877	146,825	120,000	354,396
13. EMPLOYEE BENEFIT LIABILITIES				
Accrued Pay	34,287	23,330	20,400	12,714
Annual leave	52,312	58,625	97,200	58,625
Sick leave	2,052	1,409	2,400	1,409
Total	88,651	83,364	120,000	72,748
14. BORROWINGS				
Borrowings	5,400,000	5,500,000	10,205,000	4,850,000
Current portion of borrowings				
Total	5,400,000	5,500,000	10,205,000	4,850,000

The Company has a bank facility of \$8.2 million which is secured by a registered first debenture and mortgage from the Bank of New Zealand over assets and property of the Company.

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	30-Jun-17 Carrying Amount	Additions	Disposals	Disposals Accum Dpn	Depreciation	31-Dec-17 Carrying Amount
Land	28,000,000	17,626				28,017,626
Buildings	11,254,697	1,738,645			132,607	12,860,735
Infrastructure	30,779,427	818,008			515,952	31,081,483
Plant & Equipment	824,142	212,552			57,643	979,051
Furniture & Fittings	142,951	64,630			13,849	193,732
Computer Equipment	55,859	38,623			19,026	75,456
Motor Vehicles	955				221	734
Intangibles		21,927			1,946	19,981
	71,058,031	2,912,011			741,244	73,228,798

It is Management's opinion that there is no reason that any of the assets of the Company should be impaired, as at 31 December 2017.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	Property, plant and equipment	Employee entitlements	Other provisions	Total
Balance at 30 June 2017	8,097,349	(20,859)	(765)	8,075,726
Change to profit and loss				
Balance at 31 December 2017	8,097,349	(20,859)	(765)	8,075,726

17. CASH FLOW RECONCILIATION

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

	31-Dec-17 6 Months Unaudited	31-Dec-16 6 Months Unaudited	30-Jun-18 12 Months SOI	30-Jun-17 12 Months Audited
Net surplus after tax	845,945	725,124	1,330,997	1,299,122
Add Depreciation	741,244	608,347	1,685,551	1,217,466
Add loss of sale of assets				
Net movement in deferred tax				
Net movement in working capital	223,228	(323,274)	(141,603)	42,667
Net cash flow from operating activity	1,810,417	1,010,197	2,874,945	2,473,921

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 19 March 2018

TITLE: Palmerston North Airport Ltd - Draft Statement of Intent for 2018/19

DATE: 2 March 2018

AUTHOR/S: Steve Paterson, Strategy Manager Finance, City Corporate

RECOMMENDATION(S) TO COUNCIL

1. That the Palmerston North Airport Ltd draft Statement of Intent for 2018/19 be received and its assumptions endorsed apart from the performance measure for targeted net worth which it be recommended to the Company be increased to \$50 million.

1. ISSUE

To present and provide comment on the draft Statement of Intent for Palmerston North Airport Ltd (PNAL) for 2018/19.

2. BACKGROUND

PNAL is deemed a Council-Controlled Trading organisation (CCTO) under the Local Government Act 2002. A CCTO must deliver a draft Statement of Intent (SOI) to shareholders by 1 March each year and adopt it by 30 June. The Council must, as soon as possible after a draft SOI is delivered to it agree to a CCTO's SOI or, if it does not agree, take all practicable steps under clause 5 of Schedule 8 of the Local Government Act 2002 to require the SOI to be modified.

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

The draft SOI retains the vision from the current year "New Zealand's leading regional airport". The mission (aims and values) and strategic objectives sections have been rewritten in a way which enables a more direct link between the two.

PALMERSTON NORTH CITY COUNCIL

It has been assumed the airport will operate as a domestic regional one over the next three years. Further growth in the domestic activity, and as a consequence increased revenue and related operating expenses is forecast.

The capital expenditure programme has two components. Airside and landside infrastructure assets (pavement, Airport Drive, terminal and carpark) are scheduled for on-going upgrades. In addition commercial development (stage 2 of the Massey School of Aviation, an off-site rental car precinct, and subdivision activity) is scheduled.

The draft SOI contains an assumption that capital expenditure of \$18.9m will be phased across the three years, funded in part (\$3.8m) from the sale of non-strategic land and an increase of \$4.4m in term borrowing.

Shareholders' funds remain significantly greater than 60% of total assets through the three year term of the SOI.

Financial performance targets/forecasts are included vis:

	Draft SOI 2018/19 Budget	SOI 2017/18 Budget
NPBIT : Total assets	4.1%	3.0%
NPAIT : Shareholders' funds	3.3%	2.1%
Shareholders' funds: Total assets (>60%)	74%	79%
Interest cover (>2.25)	5.2	8.4
Tangible Net Worth (>\$35m)	\$62.0m	\$63.4m
Dividends - % of NPAT	40%	40%

Non-financial targets relate to:

- Maintaining a customer satisfaction Net Promoter score of 50 or above (measured annually)
- Serving 656,000 passengers during the 2018/19 year increasing to 668,000 for the following year and 680,000 in the June 2021 year (639,000 forecast for 2017/18)
- Maintaining Civil Aviation Rule Part 139 certification and having no adverse findings from the annual audit
- Zero lost time injuries to those who work within the airport community

- Complete roadmap to carbon neutrality
- Achievement of emission reduction targets.

The use of the Net Promoter score methodology (a score of 50 or above represent excellent) replaces the previous customer satisfaction survey target of greater than 90%.

Following consideration of the draft SOI for 2017/18 the Council requested PNAL to scope the process, feasibility and value proposition of gaining carbon neutral certification and to reflect that in the next draft SOI. The issue has been addressed and is reflected in section 9.2 of the SOI as well as in the non-financial targets.

One of the financial targets is to maintain the net tangible worth of PNAL greater than \$35m. This value has remained unchanged for many years and is now out of date. The PNAL Board did consider the matter but left it unchanged. At its present level it is rather meaningless and it is recommended that it be increased. A level of \$50m is recommended.

The proposed 10 Year Plan 2018-28 assumes PNAL will pay the Council shareholder dividends of \$500,000 during 2018/19 increasing by \$50,000 p.a. for the following three years. The SOI assumes a payment of \$595,000 in 2018/19 and payments of \$809,000 and \$915,000 in the following two years. These significant increases in dividends will obviously be reliant on achieving the assumed growth and PNAL meeting the appropriate solvency tests.

The Council's reason for its shareholding in PNAL is to ensure that the capacity and image of the City's key transportation gateway is consistent with the Council's economic development objectives. PNAL encapsulates this with specific acknowledgement in clause 11.

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

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

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

PNAL's letter outlines the assumptions which have been made in preparing the draft SOI. These appear reasonable.

3. NEXT STEPS

The Council can either endorse the SOI as presented or make suggestions for change to a greater or lesser extent. No material recommendations are being made for change other than one in relation to the performance measure for the level of net worth of PNAL.

PNAL is obliged to consider shareholder comments then decide whether or not to make any changes to the draft when adopting the final SOI before 30 June 2018.

ATTACHMENTS

1. PNAL SOI Cover letter [!\[\]\(c6a8736a601a632e2c96605cf66055ed_img.jpg\) !\[\]\(64ef2b19d70b31fbbfce0e0e2aa3d7b4_img.jpg\)](#)
2. PNAL Draft SOI [!\[\]\(9ba1c633ca37327550476fd7d0d00348_img.jpg\) !\[\]\(9123a11efb62a56709757215846100c3_img.jpg\)](#)

Steve Paterson
Strategy Manager Finance



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28 February 2018

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

Dear Heather,

DRAFT STATEMENT OF INTENT 2018/19

Please find enclosed Palmerston North Airport Limited's Draft Statement of Intent (SOI) for 2018/19 through to 2020/21.

As you are aware, Palmerston North Airport Limited is both a "Council-Controlled Organisation" and a "Council-Controlled Trading Organisation" pursuant to the Local Government Act 2002. This arises through the Palmerston North City Council shareholding in the Company.

This Draft SOI has been prepared in accordance with Schedule 8 of that Act, and is circulated to its Shareholder for comment before it is subsequently finalised by the Board.

The following assumptions have formed the basis of the Draft SOI:

- The forecast year-end of 30 June 2018 (F17/18) which is an unaudited estimated projection.
- Growth in revenue of 18.4% or \$1.55 million in F18/19 is driven by growth in aeronautical and lease revenue. Other Non-aeronautical revenue including car park revenue also increases.
- Passenger movements are predicted to grow from the forecast of 638,970 for the year ended 30 June 2018, to 656,310 year ended June 2019, 668,281 year ended June 2020 and 680,470 year ended June 2021. Growth in passenger movements is now slowing after two years of unprecedented growth.
- Operating expenditure is predicted to increase 5% or \$0.22 million in F18/19 with marketing, consultancy and legal costs relating to commercial developments being the primary drivers of this increase.
- Capital expenditure of \$7.5 million in 2018/19, \$7.4 million in 2019/20 and \$3.9 million in 2020/21 is forecast.
- Sales from the proceeds of non-strategic landholdings are predicted to generate \$2.8 million in F18/19, and \$0.5 million in F19/20 and \$0.5 million in F20/21.
- This SOI assumes a dividend distribution of 40% of the net surplus being \$0.81 million in F18/19, \$0.91 million in F19/20, and \$1.0 million in F20/21.
- Performance measures (clause 10 of the SOI) are represented in the following table and are compared against last year's F19 SOI and also the F18 forecast. Proposed new and refreshed performance measures (marked in red) have also been included.
- This budget has been prepared under IPSAS standards.

	Performance measure	SOI F19 Last Year (LY)	SOI F19 This Year (TY)	Forecast Result F18
10.1*	Ratio of net surplus before interest/tax/valuations to total assets inclusive of revaluations	5.1%	4.1%	3.0%
10.2*	Ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	4.0%	3.3%	2.5%
10.3	Maintain a ratio of consolidated shareholders' funds to total assets	80%	74%	75%
10.4	Maintain an interest coverage ratio of net surplus before interest at or above 2.25 times	>2.25	>2.25	>2.25
10.5	Maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$35m	>\$35m	>\$35m	>\$35m
10.6	Maintain a level of customer satisfaction and periodically measure this by customer survey Maintain a customer satisfaction Net Promoter Score of 50 or above	>90% n/a	>90% Achieve	>90% Achieve
10.7	Total passenger movements	758,000	656,310	638,970
10.8	CAA Part 139 certification	Achieve	Achieve	Achieve
10.9	Zero lost time injuries to those who work within our airport community	n/a	Zero	Zero
10.10	Complete roadmap to carbon neutrality	n/a	Complete	n/a
10.11	Achievement of emission reduction targets	n/a	Achieve	Achieve

* The variances in measures 10.1 & 10.2 in the above comparison relate to changes in projected revenue being greater than the change of our asset base as a percentage.

Furthermore, the asset revaluation carried out as at 30 June 2017 is currently being tested for any material movement. Any financial impact of a further revaluation (if required) will be included in the final SOI.

Yours sincerely



David Lanham

Chief Executive Officer



PALMERSTON NORTH AIRPORT LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDING 30 JUNE 2019

DRAFT

February 2018

STATEMENT OF INTENT

2018-19

PALMERSTON NORTH AIRPORT LIMITED

1 INTRODUCTION

- 1.1 This Statement of Intent (SOI) is prepared by the Board of Directors of Palmerston North Airport Limited in accordance with s64 of the Local Government Act 2002. The SOI has been prepared under the new Public Benefit Entity (PBE) Standards based on International Public Sector Accounting (IPSAS) Standards.
- 1.2 Palmerston North Airport Limited ('The Company') falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to s6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's shareholding.
- 1.3 This Statement declares publicly the activities and intentions of the Company, and provides an opportunity for shareholders to influence the direction of the Company. It also provides a basis for accountability of directors to Shareholders for the Company's performance. It is intended to comply with Schedule 8 of that Act, and be consistent with the Company's constitution.
- 1.4 The SOI is reviewed annually. This SOI is in respect to the 2018/19 financial year ending 30 June 2019, and the following two financial years ending 30 June 2020 and 30 June 2021.
- 1.5 The Company owns and operates Palmerston North Airport, having purchased the airport business on 30 January 1990. The Company is trading as Palmerston North Airport Limited.
- 1.6 Contact details for both the Chairman and the Chief Executive are:

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

Phone: +64 6 351 4415
Fax: +64 6 355 2262
Web: www.pnairport.co.nz

2 GOVERNANCE

- 2.1 The Board's approach to governance of the Company is to preserve and enhance Shareholder value.
- 2.2 The Board is responsible for the proper direction and control of the Company's activities and is accountable to the shareholder within the framework of the vision and objectives set out in this Statement of Intent, the Constitution, and the provisions of The Companies Act 1993.
- 2.3 The Board comprises five Directors appointed by the Shareholder in accordance with the Constitution.
- 2.4 Fees for the Board are reviewed annually. The Board recommends fee levels to the Shareholder based on commercial or near-commercial rates.

3 SHAREHOLDERS EQUITY

- 3.1 The Company's land, building, and infrastructure assets were revalued as at 30 June 2017, in line with the Company's three-yearly asset revaluation policy. Shareholder equity as shown in the Statement of Financial Position as at 30 June 2017 is \$59.6 million. The Directors consider that this represents a reasonable estimate of the Commercial Value of the Company.
- 3.2 The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 40%. For the purposes of this ratio 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

4 OUR VISION – WHAT WE ASPIRE TO BE

New Zealand's leading regional airport.

5 OUR MISSION – OUR AIMS AND VALUES

Commercial

We will operate a sustainable business to ensure long term success.

Compliance

We will maintain a safe and secure operation and ensure ongoing compliance with all standards and regulations.

Customer

We will treat all Airport users as our customers.

Community

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

6 OUR STRATEGIC OBJECTIVES – WHAT WE WANT TO ACHIEVE

6.1 Commercial

- 6.1.1 Our People are the key to our success. We will develop skills, commitment and resourcefulness across our team recognising achievement.
- 6.1.2 We will maintain and develop core infrastructure which is business critical.
- 6.1.3 We will diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical revenue sources.
- 6.1.4 We will operate a successful enterprise that enables us to distribute shareholder funds surplus to our on-going investment and operating requirements.

6.2 Compliance

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

6.3 Customer

- 6.3.1 We will deliver a high quality and efficient regional airport experience.
- 6.3.2 We will promote Palmerston North Airport as the gateway and lower North Island commercial hub to our 90-minute drive market.
- 6.3.3 We will facilitate regional economic development by growing passenger and airfreight volumes.

6.4 Community

- 6.4.1 We will be a guardian for the environment by operating in a sustainable manner in all of our business activities.
- 6.4.2 We will be actively engaged with and supportive of the region's communities and iwi.

7 REGULATORY AND COMPLIANCE

Nature and scope of activities:

- 7.1 The Company's core business is to operate an airport located in Palmerston North for commercial aviation users providing both scheduled and chartered passenger services and airfreight services.
- 7.2 The Company will maintain certification pursuant to Civil Aviation Rule Part 139.
- 7.3 The Company will ensure that all operational and commercial aspects of Palmerston North Airport are undertaken safely in accordance with all statutory requirements and generally accepted best practice.
- 7.4 The Company maintains a detailed 'Exposition' setting out its responsibilities for the 'airside' of the airport operation and how they will be achieved.
- 7.5 The Company is committed to an environmentally responsible attitude to the operation of the business, including sustainable management of natural and physical resources, energy efficiency, managed storm water runoff, noise management, and border biosecurity.
- 7.6 The Company is committed to prudent cost management ensuring our operating budget meets the needs of the business to support development opportunities.
- 7.7 The Company will continue to meet its obligations under the Resource Management Act and the Palmerston North City and Manawatu District Plans.
- 7.8 The Company may undertake such activities as are necessary to protect the long-term interests of the airport business. In particular, the Company will pursue planning requirements that protect airport business activities from the reverse sensitivity effects of neighbouring development, and to enable expansion of the airport business opportunities.

8 INFRASTRUCTURE, PROPERTY AND MARKET DEVELOPMENT

Nature and scope of activities:

- 8.1 The Company will seek to grow the scale and scope of the business consistent with the Company Objectives, including the following activities:
 - a) Pursuing increased utilisation of airside and non-airside land by encouraging commercial development including aviation maintenance and training, commercial, logistics, retail or light industrial development;
 - b) Having an appropriate number of concessions within the terminal to meet traveller and visitor demand and to maximise financial return;
 - c) Promoting Palmerston North Airport as the gateway and central distribution commercial hub for our region which extends from Ruapehu in the North, through Whanganui and Rangitikei, Manawatu,

south to Horowhenua and across the ranges to Tararua and the Wairarapa;

- d) Working collaboratively with organisations whose strategic objectives support regional economic development;
- e) Seek viable opportunities to integrate air transport with other transport modes in support of the regional economy;
- f) Work collaboratively with airline operators to consider additional routes and increased frequency of air services while providing enhanced levels of services.

8.2 Infrastructure Development

This Statement of Intent assumes that the Airport will operate as a domestic regional airport in the three years to 30 June 2021. The planned three-year capital expenditure on both airside and landside infrastructure assets including pavement, Airport Drive, terminal and carpark upgrades is \$2.1 million, \$3.1 million, and \$1.7 million.

8.3 Commercial Development

Commercial development opportunities will be subject to a business case prepared for the Board. Approval to proceed will only be given if the business case shows that an appropriate commercial risk-adjusted rate of return on investment can be achieved and that identified risks can be appropriately mitigated or managed.

The SOI reflects that the commercialisation of Ruapehu Business Park will gather momentum, with development informed by the recently completed Ruapehu Business Park Masterplan. Planned commercial developments over the three-year period include Stage 2 of the Massey School of Aviation, the development of an off-site rental car precinct, and subdivision activity.

The planned three-year capital expenditure on commercial developments is \$4.5 million, \$1.5 million, and \$1.4 million.

Revenue from commercial projects with a high degree of certainty of proceeding have been incorporated into the financials.

Land within the core airport precinct (airside areas) will not be sold, however may be developed on a leasehold basis.

Land within the airport environs precinct (landside areas) may be developed on a leasehold basis or considered for sale as part of a bona-fide building development that complies with District Plan provisions for the "airport zone", is considered non-strategic, and does not impact on airside operational performance and activities.

Any proceeds from such land sales will be used to reduce debt and/or fund other infrastructure or commercial development projects.

For the three years to 2020//2021, land and property sales of \$3.8 million have been assumed.

8.4 Funding

To fund property and infrastructure development plans, the SOI also reflects the Company's requirement to increase borrowing from \$11.6 million to \$15.8 million by the end of 2020/21.

8.5 Asset revaluation

The Company's policy is to undertake a valuation of land, building and infrastructure assets every three years with any changes in value recorded in the financial statements. An annual test is undertaken to establish whether there has been a material movement in asset values, if so an asset revaluation is triggered.

An asset revaluation was carried out as at 30 June 2017, an annual test of that valuation is underway. No allowance has been made in the forecast financial statements for any change in asset values that may result.

8.6 Market Development

The Company intends continuing to invest in market development over the next three years with the objective of ultimately assisting airlines to sustainably grow the number of travellers using Palmerston North Airport. Key activities to be undertaken include the ongoing collaboration with regional economic development agencies, Regional Tourism Organisations, and other stakeholders, and leveraging of our "Fly Palmy" consumer brand to stimulate both inbound and outbound air travel.

Passenger numbers are projected to grow to 656,310 in 2018/19 and to 680,470 by 2020/21, with only moderate organic growth in airline capacity anticipated after a two year period of significant growth.

We will work with regional economic development agencies and other stakeholders to expand viable freight and logistics activities undertaken at the airport.

9 COMMUNITY ENGAGEMENT

Nature and scope of activities:

A refreshed strategic focus which captures the Company's environmental and community aspirations.

9.1 Community

The Company will support regional communities by identifying opportunities to engage with local groups and Iwi. This will include the Company continuing to showcase our sense of place and cultural linkages to our wider region.

9.2 Environment

During the financial year 2018/19 the Company will develop a pathway to achieve the long-term vision of carbon neutrality. From January 2018 the Company will introduce a range of emission reducing programmes including energy consumption, water consumption, and waste to landfill. In conjunction with major airport tenants these programmes involve benchmarking existing consumption levels, the development of energy and water

consumption savings and waste to landfill reduction targets, and the activities to be undertaken to achieve them.

10 PERFORMANCE MEASURES

The Company has the following performance measures:

- 10.1 A ratio of net surplus before interest/tax/revaluations to total assets.
- 10.2 A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve.
- 10.3 To maintain a ratio of consolidated shareholders' funds to total assets.
- 10.4 To maintain an interest coverage ratio of net surplus before interest at or above 2.25 times
- 10.5 To achieve a tangible net worth (total tangible assets after revaluations less total liabilities) target.
- 10.6 To grow customer loyalty which will be measured using a Net Promoter Score methodology.
- 10.7 To achieve targeted annual passenger movement projections.
- 10.8 To maintain Civil Aviation Rule Part 139 certification and have no adverse findings from the annual audit.
- 10.9 To achieve zero lost time injuries to those who work within our airport community.
- 10.10 Complete Company roadmap to achieve carbon neutrality.
- 10.11 Achievement of emission reduction targets.

11 COMPENSATION SOUGHT FROM SHAREHOLDERS

- 11.1 The Company acknowledges that the Palmerston North City Council holds shares in the Company for strategic reasons and that the Company needs to lead in the development and promotion of both aeronautical and non-aeronautical business activities. As well as direct benefit to the Company this impacts through to the economic development of the city and region.
- 11.2 At the request of the shareholder, the Company may undertake activities that are not consistent with normal commercial objectives subject to the Shareholder providing a specific subsidy to meet the full commercial cost for providing such activities.

12 INFORMATION TO BE PROVIDED TO SHAREHOLDERS

The Company will deliver to the shareholder:

12.1 Within two months of the end of the first half of the financial year the following unaudited statements:

- (i) A Statement of financial performance
- (ii) A Statement of movements in equity
- (iii) A Statement of financial position
- (iv) A Statement of cash flows
- (v) A Statement of service performance.

12.2 Within three months of the end of the financial year:

- (a) The following audited statements:
 - (i) A Statement of financial performance
 - (ii) A Statement of movements in equity
 - (iii) A Statement of financial position
 - (iv) A Statement of cash flows
 - (v) A Statement of service performance.
- (b) A summary of how the Company has gone about achieving the strategic objectives set out in Section 6 of this Statement and specifically, how well it has performed against the performance targets set out in Section 10 of this Statement.
- (c) A report on the Company's medium to long term plans.
- (d) It is recognised that the timeframes mentioned in 11.1 and 11.2 are legislative maxima and as the Company is a subsidiary of Palmerston North City Council, both the Company and Palmerston North City Council will need to work proactively together to meet the reporting and governance requirements of both parties.

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

	2016/17 Actual	2017/18 Budget	Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
REVENUE	7,313,379	8,688,163	8,404,240	9,952,139	10,989,150	11,661,424
Less						
OPERATING EXPENDITURE	1,891,079	2,393,389	2,245,858	2,236,577	2,321,956	2,398,173
ADMINISTRATION & EMPLOYMENT COSTS	1,887,797	2,197,155	2,172,706	2,398,493	2,468,120	2,573,733
TOTAL OPERATING EXPENDITURE:	3,778,876	4,590,544	4,418,564	4,635,070	4,790,076	4,971,906
SURPLUS BEFORE INT, DEPN, & TAX	3,534,503	4,097,619	3,985,677	5,317,069	6,199,074	6,689,519
Less						
DEPRECIATION	1,217,466	1,685,551	1,559,026	1,833,936	2,144,350	2,289,195
FINANCE COSTS	269,622	486,475	362,310	674,896	878,625	888,067
LOSS ON SALE OF ASSET	198,454	77,000	-	-	-	-
	1,685,542	2,249,026	1,921,336	2,508,832	3,022,975	3,177,262
SURPLUS BEFORE TAXATION	1,848,961	1,848,593	2,064,341	2,808,237	3,176,099	3,512,257
INCOME TAX	549,839	517,606	576,379	786,306	889,308	983,432
NET OPERATING SURPLUS	1,299,122	1,330,987	1,487,962	2,021,931	2,286,791	2,528,825

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

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

	2016/17 Actual	2017/18 Budget	Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
CURRENT ASSETS						
BANK & SHORT TERM DEPOSITS	288,028	181,167	142,778	64,495	92,562	77,155
TRADE DEBTORS	548,511	593,702	570,006	697,677	775,338	831,272
DOUBTFUL DEBT PROVISION						
ACCRUED INCOME						
PREPAID EXPENDITURE	143,023	5,595	37,195	15,570	6,517	2,728
ASSETS HELD FOR SALE						
TOTAL CURRENT ASSETS	979,562	780,463	749,979	777,742	874,417	911,155
Less						
CURRENT LIABILITIES						
TRADE CREDITORS	354,396	120,000	500,000	500,000	500,000	500,000
INCOME RECEIVED IN ADVANCE	44,356	90,000	90,000	90,000	90,000	90,000
ACCRUED EXPENDITURE	217,232	90,000	250,000	250,000	250,000	250,000
TAXATION	284,418	64,686	38,638	44,944	164,252	292,684
OTHER PROVISIONS	147,536	120,000	135,000	135,000	135,000	135,000
TOTAL CURRENT LIABILITIES	1,047,938	484,682	1,013,638	1,019,944	1,139,252	1,267,684
WORKING CAPITAL	(68,376)	295,781	(263,659)	(242,203)	(264,835)	(356,529)
NON CURRENT ASSETS						
NET FIXED ASSETS						
LAND	28,013,229	24,870,000	28,027,626	25,247,626	24,747,626	24,247,626
BUILDINGS	11,650,752	19,955,263	16,922,564	21,385,603	23,497,589	25,086,640
INFRASTRUCTURAL	31,314,028	33,130,936	33,705,127	34,594,974	36,393,294	36,707,582
PLANT & EQUIPMENT	824,143	1,181,715	1,000,124	1,353,674	2,731,724	2,562,374
FURNITURE & FITTINGS	142,952	169,352	203,558	189,598	171,606	149,582
COMPUTERS	65,859	71,891	70,814	59,448	35,554	4,729
MOTOR VEHICLES	955	1,031		541	541	541
INTANGIBLE ASSETS	21,927	19,644	17,082	11,262	5,442	107
INVESTMENT PROPERTY	575,000		575,000	575,000	575,000	575,000
TOTAL FIXED ASSETS	72,608,845	79,399,831	80,521,895	83,417,726	88,158,375	89,334,180
TOTAL NON CURRENT ASSETS	72,608,845	79,399,831	80,522,436	83,417,726	88,158,375	89,334,180
NON CURRENT LIABILITIES						
TERM LOAN	4,850,000	10,205,000	11,600,000	13,090,000	16,330,000	15,800,000
DEFERRED TAX	8,075,726	6,128,585	8,075,726	8,075,726	8,075,726	8,075,726
TOTAL NON CURRENT LIABILITIES	12,925,726	16,333,585	19,675,726	21,165,726	24,405,726	23,875,726
NET ASSETS	59,614,743	63,362,027	60,583,051	62,009,797	63,487,814	65,101,925
Represented by:						
SHAREHOLDERS' FUNDS						
PAID UP SHARE CAPITAL	9,380,400	9,380,400	9,380,400	9,380,400	9,380,400	9,380,400
ASSET REVALUATION RESERVE	31,935,156	34,784,636	31,935,156	31,935,156	31,935,156	31,935,156
RETAINED EARNINGS	17,322,239	18,443,284	18,299,187	19,267,496	20,694,238	22,172,260
SHAREHOLDERS DIVIDEND	(322,173)	(577,281)	(519,649)	(595,185)	(808,772)	(914,716)
CURRENT YEAR SURPLUS	1,299,121	1,330,988	1,487,957	2,021,931	2,286,791	2,528,825
	59,614,743	63,362,027	60,583,051	62,009,797	63,487,814	65,101,925

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

Palmerston North Airport Limited

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

	2016/17 Actual	2017/18 Budget	Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
EQUITY AT THE BEGINNING OF THE YEAR	47,663,615	62,608,320	59,614,743	60,583,051	62,009,797	63,487,814
ASSET REVALUATION RESERVE MOVEMENT	10,974,180	-	-	-	-	-
TOTAL COMPREHENSIVE (LOSS) INCOME	1,299,122	1,330,988	1,487,957	2,021,931	2,286,791	2,528,825
DIVIDENDS PAID	(322,173)	(577,281)	(519,649)	(595,185)	(808,772)	(914,716)
EQUITY AT THE END OF THE YEAR	59,614,744	63,362,027	60,583,051	62,009,797	63,487,814	65,101,925

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

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

	2017/18		2018/19	2019/20	2020/21
	Budget	Forecast	Budget	Budget	Budget
CASH FLOW FROM OPERATING ACTIVITIES					
CASH WAS PROVIDED FROM					
RECEIPTS FROM CUSTOMERS	8,567,980	8,424,355	9,824,402	10,911,346	11,605,310
Tax Refund					0
INTEREST RECEIVED	3,213	2,181	66	142	169
	8,571,193	8,426,536	9,824,468	10,911,489	11,605,479
CASH WAS DISBURSED TO					
PAYMENT TO SUPPLIERS	4,659,773	4,140,566	4,613,445	4,781,024	4,968,104
PAYMENT OF TAX	550,000	822,152	780,000	770,000	855,000
INTEREST PAYMENTS	486,475	362,310	674,896	878,625	888,067
	5,696,248	5,325,028	6,068,340	6,429,649	6,711,171
NET CASHFLOW FROM OPERATING ACTIVITIES	2,874,945	3,101,509	3,756,128	4,481,840	4,894,308
CASH FLOW FROM INVESTING ACTIVITIES					
CASH WAS PROVIDED FROM					
	3,130,000	0	2,780,000	500,000	500,000
PROPERTY, PLANT & EQUIPMENT SALES	3,130,000	0	2,780,000	500,000	500,000
CASH WAS APPLIED TO					
Land and Developments	0	14,397	0	0	0
Buildings	7,055,915	5,537,513	4,830,000	2,500,000	2,000,000
Infrastructure	2,580,000	3,488,731	2,094,226	3,070,000	1,650,000
Plant and Equipment	395,000	382,067	540,000	1,770,000	270,000
Furniture and Fittings	70,000	21,355	20,000	20,000	20,000
Computers	25,000	32,582	25,000	25,000	25,000
Motor Vehicles	0	0	0	0	0
New Developments	0	0	0	0	0
PNCC Contribution	0	0	0	0	0
	10,125,915	9,476,646	7,509,226	7,385,000	3,965,000
PROPERTY, PLANT & EQUIPMENT PURCHASES	10,125,915	9,476,646	7,509,226	7,385,000	3,965,000
NET CASHFLOW FROM INVESTING ACTIVITIES	(6,995,915)	(9,476,646)	(4,729,226)	(6,885,000)	(3,465,000)
CASH FLOW FROM FINANCING ACTIVITIES					
CASH WAS PROVIDED FROM					
Loan ex. BNZ	5,835,000	7,900,000	4,190,000	4,890,000	700,000
Additional Loan New Developments	0	0	0	0	0
PNCC Loan	0	0	0	0	0
Share Capital	0	0	0	0	0
LOAN DRAWDOWNS	5,835,000	7,900,000	4,190,000	4,890,000	700,000
CASH WAS APPLIED TO					
LOAN REPAYMENTS	1,100,000	1,150,000	2,700,000	1,650,000	1,230,000
Additional Loan Repayments					
PAYMENT OF DIVIDENDS	577,281	519,649	595,185	808,772	914,717
	1,677,281	1,669,649	3,295,185	2,458,772	2,144,717
NET CASHFLOW FROM FINANCING ACTIVITIES	4,157,719	6,230,351	894,815	2,431,228	(1,444,717)
NET INCREASE/(DECREASE) IN CASH HELD	36,749	(144,786)	(78,283)	28,068	(15,409)
ADD OPENING CASH BALANCE	138,974	287,565	142,802	64,495	92,561
CLOSING OPERATING CASH BALANCE	175,699	142,778	64,495	92,562	77,155

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

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

	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Land and Developments	14,397			
Buildings	5,537,513	4,830,000	2,500,000	2,000,000
Airside Infrastructure	2,779,803	-	2,820,000	500,000
Landside Infrastructure	708,929	2,094,226	250,000	1,150,000
Plant and Equipment	382,067	540,000	1,770,000	270,000
Furniture and Fittings	21,355	20,000	20,000	20,000
Computers	32,582	25,000	25,000	25,000
Total Fixed Asset Purchases :	9,476,646	7,509,226	7,385,000	3,965,000
Total Sale of Fixed Assets	-	2,780,000	500,000	500,000

**PALMERSTON NORTH AIRPORT LIMITED
PERFORMANCE METRICS TARGETS
For the 12 months to 30 June**

PERFORMANCE METRICS

	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
10.1 A ratio of net surplus before interest/tax/revaluations to total assets.	4.1%	4.6%	4.9%
10.2 A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve.	3.3%	3.6%	3.9%
10.3 To maintain a ratio of consolidated shareholders funds to total assets.	74%	71%	72%
10.4 To maintain an interest coverage ratio of net surplus before interest.	5.2	4.6	5.0
10.5 To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$35 million dollars.	\$62.0m	\$63.5m	\$65.1m
10.6 To maintain a Net Promoter Score of 50 or above. Measured on an annual basis.	Achieve	Achieve	Achieve
10.7 Total passenger movements	656,310	668,281	680,470
10.8 CAA Part 139 certification	Achieve	Achieve	Achieve
10.9 To achieve zero lost time injuries to those who work within our airport community	Zero	Zero	Zero
10.10 Complete roadmap to carbon neutrality	Complete	Implement	Implement
10.11 Achievement of emission reduction targets	Achieve	Achieve	Achieve

13 ACCOUNTING POLICY STATEMENTS

13.1 REPORTING ENTITY

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

The Company has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

13.1.1 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of Palmerston North Airport Limited have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Airport Authorities Amendment Act 2000, the Local Government Act 2002, Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 the Companies Act 1993, and the Financial Reporting Act 2013. This includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The entity is eligible and has elected to report in accordance with Tier 2 Public Benefit Entity (PBE) Standards Reduced Disclosure Regime (RDR) on the basis that the entity has no public accountability and has Expenses >\$2m and ≤ \$30m.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Palmerston North Airport Limited is New Zealand dollars.

13.1.2 SIGNIFICANT ACCOUNTING POLICIES

Measurement Basis

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

(a) Basis of Consolidation

The consolidated financial statements include the parent company and its subsidiary accounted for using uniform accounting policies prepared as of the same date. The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis.

Subsidiaries

The Company consolidates in the group financial statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Company controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Company or where the

determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Investments in subsidiaries are carried at cost in the Company's parent entity financial statements.

(b) Revenue Measurement and Recognition

Revenue is measured at the fair value of consideration received or receivable.

Interest received is recognised using the effective interest rate method.

Lease revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished.

(c) Property Plant and Equipment

Property Plant and Equipment consists of:

Operational Assets

These include land, buildings, furniture and fittings, computer equipment, motor vehicles and various plant and equipment.

Infrastructure Assets

These assets are composed of Airside Infrastructure (runways, aprons, taxiways, and underground reticulated systems) and Landside infrastructure. (pavements, car parking and roading outside the secure areas of the airport).

Measurement

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses with the following exception:

- Land is measured at fair value
- Buildings and airside infrastructure are measured at fair value less accumulated depreciation.

Revaluations

Land, buildings and airside infrastructure are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and are revalued at least every three years. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued.

Infrastructure assets

Infrastructure assets have been valued at fair value determined on a depreciated replacement cost basis by an independent registered valuer and will be carried out on a three-yearly cycle.

Accounting for Revaluations

Palmerston North Airport Limited accounts for revaluations on a class of assets basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and

expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Work in progress is recognised at cost less impairment and is not depreciated.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefit or service potential associated with the item will flow to the Company and the cost can be measured reliably.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the surplus and deficit account.

When revalued assets are sold, the amount included in revaluation reserve in respect of those assets is transferred to retained earnings.

Subsequent cost

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant and equipment are recognised in the surplus and deficit account as they are incurred.

Investment Property

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value at 30 June.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment other than land at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of the major categories have been estimated as follows:

Land Improvements	99 years
Roading & Carports (Landside Infrastructure)	2 - 99 years
Buildings & Building services	8 - 99 years
Runway, Taxiways, Aprons (Airside Infrastructure)	2 - 99 years
Plant and Equipment	2 - 50 years
Furniture & Fittings	3 - 99 years
Computer Equipment	3 - 6 years
Motor Vehicles	5 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(d) Intangible Assets

Internally generated intangible assets

Cost associated with the development of the company's web-site are recognised as an intangible asset and are capitalised on the basis of the cost incurred to bring to use the intangible asset. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Website Development	4 years 25%
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(e) Trade and Other Receivables

Accounts receivable are stated at face value less any provision for impairment.

(f) Impairment of property, plant, equipment and intangible assets

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the surplus and deficit account.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

(g) Cash, Cash Equivalents and Bank Overdrafts

Cash, Cash Equivalents and Bank Overdrafts includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

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

(h) Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

(i) Goods and Services Tax

All items in the financial statements are stated exclusive of Goods and Services Tax (GST) with the exception of receivables and payables, which are stated, with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are stated exclusive of GST.

(j) Employee Entitlements

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

The Company recognises a liability for sick leave to the extent that compensated absences in the coming year is expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the

extent the company anticipates it will be used by staff to cover those future absences.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

The Company does not provide for long service or retirement leave entitlements.

Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as contributions to defined Superannuation schemes and are recognised as an expense in the surplus and deficit account when incurred.

(k) Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

(l) Other Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company and group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit;
- loans and receivables;
- held-to-maturity investments; and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

The company has the following relevant category:

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus and deficit account.

(m) Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and receivables

Impairment is established when there is evidence that the company and group will not be able to collect amounts due according to the original terms of the receivable.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits are recognised directly against the instrument's carrying amount.

(n) Statement of Cash Flows

Cash and Cash Equivalents means cash balances on hand, held in bank accounts and demand deposits / investments in which the company invests as part of its day-to-day cash management, with a maturity of less than three months.

Operating activities include cash received from all revenue sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the company.

(o) Borrowings and borrowing costs

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company/Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

All borrowing costs are recognised as an expense in the period in which they are incurred.

(p) Critical accounting estimates and assumptions

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the company to

consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive revenue and expense, and carrying amount of the asset in the statement of financial position. The company minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values.

Note 16 provides information about the estimates and assumptions applied in determining the fair value of Land, buildings and airside infrastructural assets..

(q) Provisions

Provisions for future expenditure, as a result of past event, and of uncertain amount or timing are only recognised when it is probable that the obligation will materialise and the extent of the obligation can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure to be required to settle the obligation using a pre-tax discount that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as a finance cost.

Short-term creditors and other payables are recorded at their face value.

(r) Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Retained Earnings;
- Paid in Capital;
- Asset revaluation reserve;

Asset revaluation reserves

This reserve relates to the revaluation of land, buildings and Airside Infrastructure to fair value.

13.2 In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Office of the Auditor General shall be responsible for the audit of the financial statements of the Company.

13.3 The level of dividend will be reviewed at the end of each financial year in consultation with the Shareholder. Any dividend will be subject to the Board being satisfied that the solvency requirements of the Companies Act 1993 will be met, and will take into account the Company's prevailing financial circumstances, and any covenants contracted to the Company's bankers as a condition of borrowing.

- 13.4 A budget summary report is attached to this Statement. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Company.

The budget is a financial plan of the Company's intentions based on factors known at the date of preparation. While it will form the basis of the Statement of Intent, circumstances and the Company's responses will change during the year. All capital expenditure will be subject to consideration of impact on the Company's performance targets. Capital expenditure, other than for conservation of capacity or compliance, will generally be approved where the anticipated return meets or exceeds the Company's cost of capital, or a strategic investment is being made in the best long-term interests of both the Company and Shareholders.

Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

REPORT

TO: Finance and Performance Committee

MEETING DATE: 19 March 2018

TITLE: Central Energy Trust Wildbase Recovery Update and Cost to Complete

DATE: 22 February 2018

AUTHOR/S: Aaron Phillips, Senior Property & Parks Planner, City Networks

RECOMMENDATION(S) TO COUNCIL

1. That Council note progress on the construction of Central Energy Trust Wildbase Recovery facility in the Victoria Esplanade.
2. That Council approve additional borrowing to fund up to \$550,000 to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.

SUMMARY OF OPTIONS ANALYSIS FOR

Problem or Opportunity	<p>Central Energy Trust Wildbase Recovery construction has encountered a number of unforeseen issues during construction that have resulted in time and cost overruns.</p> <p>This report seeks Council approval of additional funds in order to complete the construction.</p>
OPTION 1:	Approve additional funding of up to \$550,000 to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.
Community Views	<p>No community views have been sought on the proposed additional budget.</p> <p>Central Energy Trust Wildbase Recovery has received significant support from the community including schools, community groups, business and private individuals.</p> <p>It is expected some in the community will be disappointed and object to the cost overrun.</p>
Benefits	Completes the project to the original specifications, ensures no delays due to fundraising, and meets supporters and project aspirations.
Risks	Requires additional funding impacting Councils borrowing.
Financial	An additional \$550,000 in funding is required to complete the project to original specification.
OPTION 2:	Underwrite \$550,000 and continue to seek additional funding to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.
Community Views	<p>No community views have been sought on the proposed additional budget.</p> <p>Central Energy Trust Wildbase Recovery has received significant support from the community including schools, community groups, business and private individuals.</p> <p>It is expected some in the community will be disappointed and object to the cost overrun.</p>
Benefits	Completes the project to the original specifications, ensures no delays due to fundraising, and meets supporters and project aspirations.
Risks	Councils fundraising support is stretched with many projects in the pipeline and CET Wildbase Recovery having thought to have been completed in terms of fundraising. The community support has been extensive to date and whether further fundraising would be successful is doubtful. The entire underwrite amount may be required should further fundraising be unsuccessful.
Financial	The full underwrite may be required to complete the project.
Contribution of	Active Recreation Strategy 2013 seeks "City reserves have unique features

Recommended Option to Council's Strategic Direction	<p>emphasising their individuality". Central Energy Wildbase Recovery is a new development of the aviaries at the Victoria Esplanade which are a feature of the reserve.</p> <p>The Biodiversity Strategy 2013 includes the action "Develop the Aviary in the Victoria Esplanade for injured birds and reptiles".</p>
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RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 The Central Energy Trust Wildbase Recovery project is a major capital project in the 2017/18 year. It is also a significant development in the Victoria Esplanade.
- 1.2 The approved Project Budget totals \$5,896,177, covering all aspects of the Project not just the Construction Contract. This sum includes a \$330,000 contingency which has proved to be inadequate and is now fully subscribed against.
- 1.3 Accordingly the Project Steering Group has initiated a request to Council that the Project Budget be increased by \$550,000 to a sum of \$6,446,177, which they consider is realistic to see the Project through to a successful conclusion.
- 1.4 The revised Project Budget of \$6,446,177 includes a contingency sum of \$181,464.
- 1.5 Details of these budgets are provided under Project Financial Statement #8 from the Quantity Surveyor – Rider Levett Bucknall, attached as Appendix One.
- 1.6 The revised Project Budget represents a 9% increase from the Approved Budget, should the full contingency sum (\$181,464) be called upon.
- 1.7 This report seeks an additional \$550,000 in order to complete Central Energy Trust Wildbase Recovery to the original specification.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

- 2.1 As at the end of January 2017 the build is approximately 50% complete.
- 2.2 The 16 February 2017 Project Managers Report is attached in Appendix Two. Work is running three months behind with one month due to the unforeseen ground works and 2 months due to aviary pole design coordination and redesign.

Cost Overruns

- 2.3 The significant variations have been :
 - a) Unexpected work due to soft ground conditions, totalling \$166,845.77
Made up of:

- \$97,622.76 – for ground improvement under walls
 - \$38,622.40 – additional base course under aviaries
 - \$8,784.48 – provision of an adequate crane stand area
 - \$7,000 – dig out barrier soft spots
 - \$10,327.31 – temporary electrical cable (required because of additional depth of foundations affecting existing cable)
 - \$4,488.82 – fill a void under the walk through aviary footing.
- b) Plant sheds (for water reticulation pumps and filters) – revised design from sunken below ground level pits following detailed design coordination and review, \$24,661.64.
- c) Additional services :
- \$15,283.80 – design work
 - \$10,000 – drainage
 - \$10,000 – sewer pump requirements.
- d) Aviary pole changes due to redesign required cost totalling \$138,790.50
Made up of :
- \$84,541 – new and upsized poles including their install
 - \$29,250 – changes for day rates due to delays
 - \$25,000 – design costs
 - \$860.60 – building consent amendment work.
- e) Signage costs of \$80,000
- Some of which is expected to be offset by sponsorship, but values are still being determined so all of the cost has been factored in at this stage ie taking a conservative approach.

Funding update:

- 2.4 In March 2017 when Council approved the award of tender the fundraising total was still \$467,792 short of the total project budget.
- 2.5 Council approved an underwrite of \$440,000 (Resolution 40-17) so the construction could proceed on the basis this shortfall would be addressed as far as possible. Officers signalling they believed the majority could be covered through mesh specification changes and additional fundraising. That funding gap was successfully filled between specification changes to aviary mesh and education centre flooring as well as further fundraising.
- 2.6 Further support since the December 2017 report has been:
- *Winstone Wallboards* confirmed support for the GIB wall linings. The logistics of this support are still being worked through and a value will be in the low thousands.

- *Wildbase Recovery Community Trust* has received approximately \$5,900 in interest earned and a donation from a school.
- *Capture Signs* are currently considered the sum of their sponsorship now that they have the final designs for signage and quoted normal costs on those.

Timeframes

- 2.7 Some delays in the first 6 months of construction were incurred due to the poor weather over that period and the additional work required due to soft ground.
- 2.8 Furthermore the issue has arisen with the pole support structure for the alternative aviary mesh. This is currently being assessed by the design team in conjunction with the main contractor and his mesh supply subcontractor. That assessment will address areas of responsibility and cost implications. It may also lead to a time extension.
- 2.9 Construction is now expected to be complete at the end of June 2018.
- 2.10 Massey Vets note the need for a one month quarantine period where pest exclusion and elimination is undertaken along with any commissioning issues that need to be dealt with.
- 2.11 Opening Central Energy Trust Wildbase Recovery to the public is therefore likely to be in the end of August 2018.

3. DESCRIPTION OF OPTIONS

- 3.1 Option One: Approve additional funding of up to \$550,000 to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.
- 3.2 Option Two: Underwrite \$550,000 and continue to seek additional funding to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.

4. ANALYSIS OF OPTIONS

- 4.1 Option One: Approve additional funding of up to \$350,000 to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.
- 4.1.1 The Project Managers, Programme Managers and Cost Consultants have reviewed all possible remaining costs and estimated that up to \$550,000 may be required to complete the project as per the tendered specification.
- 4.1.2 The \$550,000 additional budget required includes an allowance of \$181,464 for further unforeseen variations if required to ensure the project can be completed without further funding requests.

- 4.1.3 The project is a significant and complex one. It appears a more conservative contingency allowance should have been made at the start of the project and several decision points would have benefited from taking additional time on investigation and coordination.
- 4.1.4 There is significant community support for the project evidenced by the donations, sponsors and in-kind contributions to the project.
- 4.1.5 Council contributing up to an additional \$550,000 would take the ratepayer contribution to construction from \$1.37 million to \$1.92 million. At \$1.92 million Councils contribution would 30% of the total build cost of \$6.446 million.
- 4.2 Option Two: Underwrite \$550,000 and continue to seek additional funding to complete construction to tendered specification for Central Energy Trust Wildbase Recovery.
- 4.2.1 The benefits compared to Option One is the potential for some supporter assistance to reduce the Council spend on the project.
- 4.2.2 The risk is that the Council underwrite will deter others from supporting the shortfall in funding.
- 4.3 It is noted that the option of halting work until the remainder of funding was secured was considered but assumed unrealistic. The contractual obligations to complete the work would mean the delays would increase the cost of the project requiring further fundraising. In addition it would have a negative effect on the numerous in-kind donors and sponsors, and the commitments made.

5. CONCLUSION

- 5.1 Central Energy Trust Wildbase Recovery has been a complex project in terms of design, build, project management and funding arrangements. Costs have overrun and along with them construction timeframes.
- 5.2 The shortfall in funding is estimated at \$550,000, including allowing an additional \$181,000 in contingencies for the remainder of the build.
- 5.3 It is recommended that Council approve the additional funding so that the project can be completed in a confident and timely manner.
- 5.4 It is also recommended that an in-depth debrief be conducted so that lessons can be applied to future projects.

6. NEXT ACTIONS

6.1 Continue with construction and opening plans.



7. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

7.1 No direct community consultation has occurred during the construction phase.

COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
If Yes quote relevant clause(s) from Delegations Manual	
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

ATTACHMENTS

1. CET Wildbase Recovery Project Financial Statement to 1 March 2018 [↓](#)
2.  Project Manager (Beca) Report period ending 16 February 2018 [↓](#) 

Aaron Phillips
Senior Property & Parks
Planner

RLBIRider Levett Bucknall

01 March 2018

PROJECT: Contract No. 3465
CENTRAL ENERGY TRUST WILDBASE RECOVERY

PRINCIPAL: PALMERSTON NORTH CITY COUNCIL

PROJECT FINANCIAL STATEMENT - No. 8

Description of Works	Project Budget	Updated Project Budget
A CONSTRUCTION CONTRACT		
A1 Construction Contract - Kynoch Construction (Adjusted Value)	3,957,240.00	3,951,740.00 *
A2 Monetary Allowances / Variations to Contract	(350,000.00)	(102,021.36)
A3 Principal Separate Works	0.00	4,000.00
A4 Camera Pole Allowance transferred from Audio Visual Separate Contract	0.00	(7,476.60)
Total of Construction Contract	3,607,240.00	3,846,242.04
B SEPARATE CONTRACTS / IN-KIND DONORS		
B1 Demolition / Removal of Buildings - Ramzee Demolition	22,926.00	27,486.34 *
B2.1 Tree Removal - Treescape	9,425.00	9,425.00 *
B2.2 Traffic Control / Security - PNCC	5,100.00	5,100.00 *
B3 Pools & Ponds Filtration - DwyerTech	110,861.00	115,860.96
B4 Security Services - Chubb NZ	58,000.00	58,000.00
B5 Upgrade Electrical TX LV Rack & New Mains Cable - NPE-Tech	35,000.00	29,936.75 *
B6 Fibre Optic Cable to Site - Inspire Net	29,115.00	29,115.00 *
B7 Display Perches	40,000.00	17,500.00
B8 Audio Visual (Stage 1)	206,660.00	195,000.00
B9 Garden & Sawdust Relocation	8,000.00	7,801.70 *
B10 Donation Box	0.00	2,500.00
B11 Foot Traffic Counter	0.00	5,500.00
B12 Precast Retaining Wall Panels Formliners - Makers / Jackson Electrical	0.00	21,740.50 *
B13 Supply of Plants - Horizons	2,500.00	2,004.40 *
B14 Supply of Concrete for PC Panels - Higgins	0.00	26,700.00 *
B15 Transport to Site / Craneage to Erect PC Panels - McIntosh Cranes	0.00	12,056.25 *
B16 Metal Roofing S&I Bid/Public Entry/Hide Wall - Metalcraft / Lance Berry Roofing	0.00	45,962.31 *
B17 Supply of Insulation - Premier Insulation	0.00	4,646.35 *
B18 Supply of PVC Conduit / Ducting/Pipes - Iplex Pipelines	0.00	8,726.43
B19 Structural Steel - Stevensons Steel	0.00	12,162.00 *
B20 Painting - Programme Maintenance Services	0.00	80,158.00 *
B21 Supply of 3 No. Silver Diamond Hand Driers - SPL Limited	0.00	2,082.90 *
B22 Precast Retaining Wall Panels Finish Rectification - Nawkaw	0.00	28,310.00
B23 Signage - Capture Signs	0.00	80,000.00
B24 Emergency Power Provision (Excluded)	0.00	0.00
Total of Separate Contracts	527,587.00	827,774.89
C INTERPRETIVE WORKS		
C1 Interpretive Works - External	255,000.00	298,500.00
C2 Interpretive Works - Internal	120,000.00	125,000.00
C3 Interpretive Media	100,000.00	100,000.00
Total of Interpretive Works	475,000.00	523,500.00
D CONSULTANTS CHARGES		
D1 Project Management - PNCC	69,000.00	70,915.07
D2 Project Management - Beca	265,000.00	265,000.00
D3 Aviaries & Landscaping - Studio Hanson Roberts	149,000.00	151,700.00
D4 Architectural - Chapple Consulting	115,000.00	145,000.00
D5 Structural - Silvester/Clark	42,500.00	42,500.00
D6 Electrical Services - B & M	10,120.00	25,000.00
D7 Mechanical Services - Beca	9,000.00	9,000.00
D8 Civil Works - Beca	17,000.00	17,000.00
D9 Interpretive Fitout Detailed Design	91,480.00	88,666.00
D10 Security Wall Pattern Design	5,000.00	15,000.00
D11 Quantity Surveying - RLB	123,250.00	135,250.00
D12 Cost Management - RLB	25,000.00	25,000.00
D13 Fire Report - Alpha	0.00	1,620.00
D14 Predator Proof Review - Xcluder Pest Proof Fencing	0.00	4,000.00
D15 Lighting Design - Stewarts Electrical Supplies	0.00	2,000.00 *
D16 Services Design - GHD	0.00	34,525.00 *
Total of Consultants Charges	921,350.00	1,032,196.07
E STATUTORY & CONSENT CHARGES		
E1 Statutory & Consent Charges - PNCC	35,000.00	35,000.00
Total of Statutory & Consent Charges	35,000.00	35,000.00
F PROJECT CONTINGENCIES		
F1 Project Contingencies	330,000.00	181,464.00
Total of Project Contingencies	330,000.00	181,464.00
PROJECT BUDGET / UPDATED PROJECT BUDGET	5,896,177.00	6,446,177.00

Notes to Financial Statement:

- (1) All values are exclusive of Goods and Services Tax
- (2) Values marked with an * are Tender / Final Values. All Other Values are Estimates
- (3) Section A Construction Contract - Refer to Attached Financial Statement for Anticipated Final Cost No.8 for Detailed Analysis
- (4) Excludes Conceptual/Option Design Costs, Website, Collateral Signs & Advertising, Events & Hospitality & PNCC Management

10341PFS-8

Central Energy Trust – Wildbase Recovery

Project Report for Central Energy Trust and Palmerston North City Council for the period ending 18 January 2018



1 Summary & Overview

Key Actions / Decisions achieved in the last period

- On Wednesday the 14th Kynoch did not attend site and would remain offsite until instruction was given about the future of the poles. On Thursday 15th the consent amendment was granted and this was given to Kynoch so they could re-mobilise and start the preparations for installation.
- Updated pole design has resulted in extra steel poles being installed in the walkthrough aviary, additional poles to Ground Dweller (External) and Breeder Aviaries/Duck Aviaries (External) and pole sizes have been increased on the existing pole design.
- An assessment of the remaining costs has been completed, please see RLB report indicating further monies will be requested to complete the project.
- The boulders are currently being kept onsite until the poles have been installed.
- Louvre posts have been installed, louvres are being manufactured offsite and will be installed once completed.
- Interior items remaining are, window to food-preparation area, operable doors between education space and meeting room, education room floor and kitchen cabinetry needs to be fixed as it hasn't been produced as per the drawings.

2 Health & Safety

- Kynoch's Site Specific Safety Plan continues to be updated as new task analysis are completed as new works start on site. Inductions will be required for any and all site visits going forward.
- The following near misses/ corrective actions have been undertaken over this period:
 - There has been no further health and safety incidents on site

3 Regulatory

- Building Consent Amendment has been submitted and approved for the poles
- A new flashing detail was required as part of the PNCC check, Chapple Consulting provided the detail and is being actioned accordingly.

4 Programme & Progress

Progress Key ■ On track ■ At Risk ■ Off Track

Key Milestone	Expected Date	Comments
Complete the front entrance	March 2018	On Track

Construction Completion Date	Outstanding, awaiting updated programme and following review	Due to the re-design of the poles work to the exterior pole installation has been put on hold and will delay completion date. We have had a review of the existing programme and we believe there will be a further delay of 2 months from the previous April end date.
Concrete Perimeter wall completion	April 2018	95% completed, remaining panels to be installed at the end of the project.
Installation of the remaining poles	April 2018	Work can now start on the installation of the remaining poles, including all the new poles

5 Works Being to be completed within the next period

- The below indicates the works to be completed on site through to the next period:
 - Pond membrane to be installed in the walkthrough aviary
 - Louvres to be completed off-site, to be installed by the end March
 - Aviary poles can now start to be installed
 - Boulders to be installed in the walk through aviary – can be re-programmed as amendment has been approved and exterior works can start
 - Tree perches to be installed in the walk through aviary – can be re-programmed as amendment has been approved and exterior works can start
 - Flooring to be laid except for the public area as this will be completed once OpenLab has finished their works
 - Trenching for electrical and plumbing to begin externally

6 Financial

Description	Contract Total	Invoiced to Date*
Project Cost		
Preliminary and General	\$491,000.00	\$244,518.00
Siteworks, Site Boundary and Infrastructure	\$845,579.40	\$264,767.20
Support and Interpretive Building	\$767,895.76	\$503,294.51
Aviary, Vestibule and Pool Structures	\$1,846,765.30	\$129,708.07
Variations	-	\$117,864.60
Construction – Sub Total	\$3,951,740.00	\$1,261,119.86
Materials Delivered to the Site		\$9,499.78
Advances for Materials		\$312,435.00
Overall – Sub total		\$1,583,054.64
Retentions		\$(79,152.73)
Total Paid		\$1,503,901.91
* Invoiced to date indicates certified payment claims, this includes up to payment claim 8, payment claim 9 will be received in early March		
Donated Funding Spend		
Infinity Foundation	\$20,000	\$20,000.00
Pub Charity	\$120,000	\$120,000.00

NZCT	\$30,000	\$30,000.00
Mainland Foundation	\$25,000	\$25,000.00
Lotteries Environment & Heritage	\$500,000	\$500,000.00
Eastern & Central Community Trust	\$250,000	\$250,000.00
Lotteries Significant Projects	\$450,000	\$450,000.00
Central Energy Trust	\$2,000,000	\$108,901.91
Sub-total	\$3,395,000.00	\$1,439,128.79

Variations	Estimated Costs	Confirmed Costs
Please see RLB Report for Updated Variation List		
Total Project Value	Original	Updated
Please see RLB Report – Values were being compiled at the time of the report.		

7 Issues / Risks

Risk to Project Key	Low	Medium	High	Extreme
Risk		Comment	Remediation	
Boulder Supply		Larger boulders have been brought to site and are ready to be placed when required.	Programme risk has been superseded by the aviary poles delays the boulder supply will not have any further programme implications.	
Aviary Poles		Aviary poles have been through a re-design this will affect both programme and cost.	Everyone has been made aware of the urgency that this problem needs to be dealt with. The overall implications to programme and cost are being reviewed	
Programme		Programme will be affected by the aviary poles re-design	Programme is being updated by Kynoch and will be reviewed once received	
Cost		Costs for the change in poles will result in the contingency being exhausted at this stage.	Costs have been provided, the extra costs have now put the project over-budget a request for further funding is underway	
Variations Outstanding		There is a number of Plumbing variations that are not being costed by Brokenshire.	Kynoch have received these variations and are compiling for RLB to review.	

Prepared by Michael Anderson
Reviewed by Saiful Islam



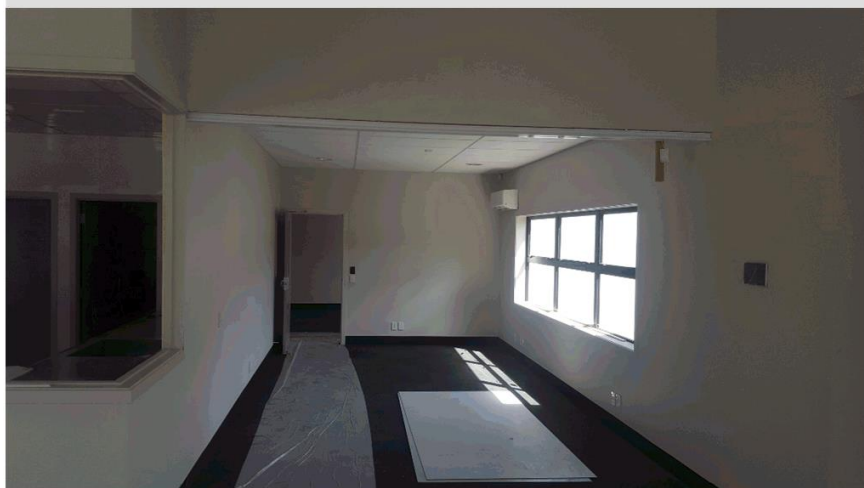
Treatment room bench installation – 15/02/2018



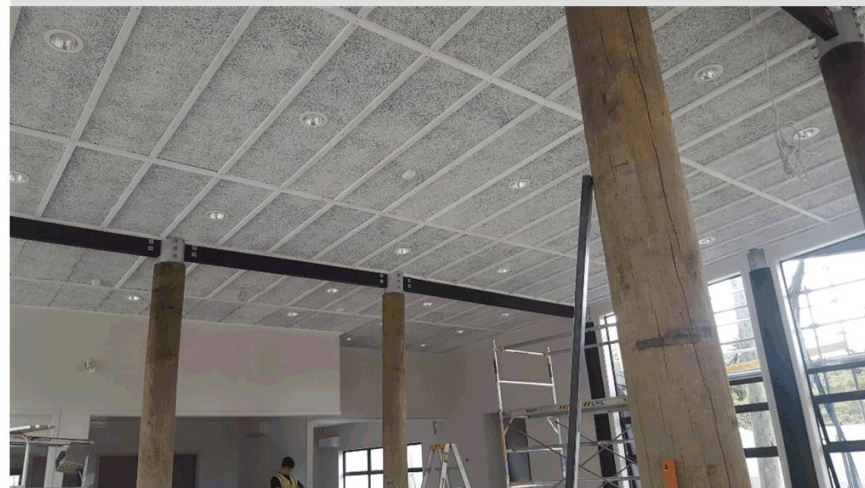
Operable doors to be installed, suspended ceiling installed – 15/02/2018



Last window to be installed awaiting kitchen sign off – 15/02/2018



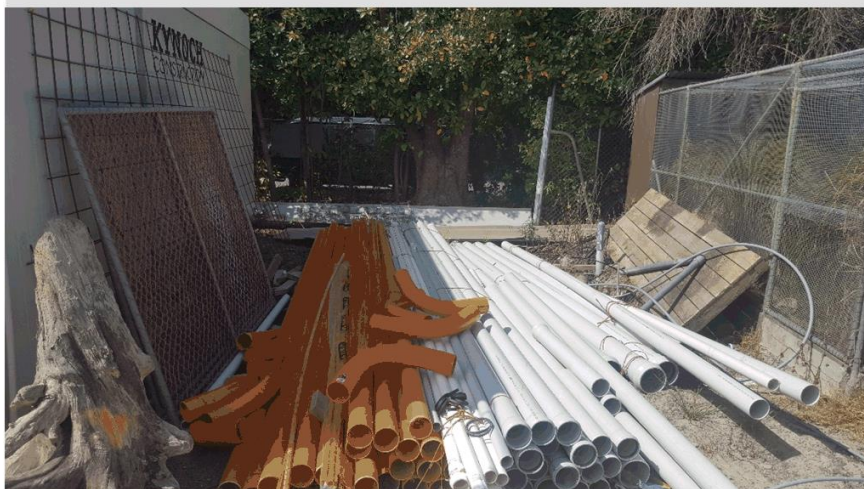
Carpet installed in meeting area and staff room – 15/02/2018



Woodtex panels installed and lights installed – 15/02/2018



Framing to front entrance– 15/02/2018



Iplex donated materials – 15/02/2018



Outdoor HVAC units installed and grounded – 15/02/2018



Cleanable surfaces have been installed – 15/02/2018

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 19 March 2018

TITLE: Water and Waste Capital New and Renewal 2017-18 Programme Adjustments

DATE: 9 March 2018

AUTHOR/S: Robert van Bentum, Water & Waste Services Manager, City Networks

RECOMMENDATION(S) TO COUNCIL

1. That the budget for the 2017/18 Water Capital New "Programme 593 – Water Safety and Security Mitigation" be revised from \$170,000 to \$407,000 by approval of additional unbudgeted funding of \$237,000.
2. That the budget for the 2017/18 Wastewater Capital New "Programme 630 – City Wide - Seismic Strengthening to Wastewater Structures" be revised from \$100,000 to \$200,000 by approval of additional unbudgeted funding of \$100,000.
3. That a new 2017/18 Rubbish and Recycling Capital New Programme called "Materials Recovery Facility – Air Quality Improvements" with a budget of \$50,000 be created by approval of unbudgeted funding of \$50,000.
4. That the budget for the 2017/18 Wastewater Capital Renewal "Programme 621 - Digester Lid Refurbishment" be revised from \$500,000 to \$555,000 by approval of additional unbudgeted funding of \$55,000.
5. That the budget for the 2017/18 Wastewater Capital Renewal Programme "1056 – Totara Rd Replacement of Inlet Screens be revised from \$1,300,000 to \$1,400,000 by approval of additional unbudgeted funding of \$100,000.

1. ISSUE

- 1.1 For a variety of reasons a number of 2017-18 water and waste capital new and renewal programmes are predicted to exceed their approved budgets. In addition Officers are faced with completing a number of urgent and critical projects for which there is either no approved funding or inadequate funds to address consent compliance and health and safety risks. Reasons for the additional funding requirements include:

- Higher costs associated with unforeseen asset condition which could not be confirmed prior to the work being undertaken
 - Higher tender prices associated with advancing work in the current very tight contracting environment
 - Public health and supply risks which have emerged since the programme budgets were developed
 - Health and safety risks uncovered following recent detailed project scoping
- 1.2 Further detail on the specific programmes and reasons for project budget increases are set out in more detail in the report.

2. CAPITAL NEW PROGRAMMES

- 2.1 Additional budget approvals are requested in respect of the following capital new programmes namely:

- Water Capital New Programme 593 – Water Safety and Security Mitigation, +\$237,000.
- Wastewater Capital New Programme 630 – City Wide - Seismic Strengthening to Wastewater Structures, +\$100,000
- Rubbish & Recycling Capital New – New Capital Programme – Materials Recovery Facility – Air Quality Improvements, +\$50,000

3. WATER CAPITAL NEW PROGRAMME 593 – WATER SAFETY AND SECURITY MITIGATION

- 3.1 Council approved Programme 593 – Water Safety and Security Mitigation in 2016-17 to undertake a range of water safety and security improvement projects to ensure Council was being pro-active in addressing supply risks which had emerged during the initial stages of the Havelock North Enquiry. The scope of work completed following a small carry forward into the 2017-18 year has included:

- purchase of a back-up pump for Roberts Line bore 2
- installation of on-line chloramine monitors at the bore pump stations
- minor capital improvements at the Turitea Water Treatment Plant to close off contamination pathways to the treated water lines

- 3.2 In December 2017 the government inquiry on the Havelock North water contamination event, released its stage 2 report which included more than 100 recommendations for action. The report is currently with government for consideration and the water industry is awaiting confirmation of which of the recommendations will be adopted and implemented. While officers consider it prudent to await the final decision of government, there are some clear indications of the likely areas for change in respect of Drinking Water Standards and compliance requirements including:

- tighter standards around the design and construction of bore heads to ensure they are safe from surface water contamination
- stronger powers for Drinking Water Assessors to ensure compliance with the Drinking Water Standards

- 3.3 Around the same time as the inquiry report release, Council incurred a number of technical non-compliances in respect of the NZ Drinking Water Standards (NZDWS) which were related to compliance with monitoring requirements. Several of these related to and were compounded by on-going problems with communication between the Turitea WTP and Council's main telemetry network and CAB server.
- 3.4 Reflecting on the inquiry recommendations and with a view to demonstrating a proactive approach to addressing recent technical non-compliances, Officers have identified some further immediate improvements to provide greater confidence that Council will comply at all times with the NZDWS and address a number of residual security and safety risks. The specific projects identified include:
- installation of the new bore pump purchased for Roberts Line Bore 2 to address supply constraints and cavitation risks
 - raising the bore head at the Takaro well to eliminate
 - upgrading the telemetry link to the Turitea WTP by moving the aerial to a location with a direct line of site to Council's network
- 3.5 The extended dry weather period which the city has experienced has highlighted the constraints of the current bore supply to the Kelvin Grove zone. Supply is reliant on the Roberts Line Bore 2 installation and recent heavy demand has identified the capacity limitation associated with the current bore pump and installation. The source constraints have necessitated careful control of delivery flows.
- 3.6 While installation of the new bore pump was planned to occur soon, the delay to development and commissioning of the Railway Road bore and the yield constraints at the Roberts Line Bore 2 have highlighted the need for this to occur earlier than anticipated. The new pump will allow for installation at a lower level in the bore, increasing the available yield from 260 m3/day to 400 m3/day i.e. a 50% increase. This will secure supply in the Kelvin Grove zone ahead of the completion of the new Railway Road bore.
- 3.7 The installation of the pump was budgeted to occur in the 2019/20 year following redevelopment of the Roberts Line Bore 2 once the new Railway Line bore and Keith Street bores are scheduled to be in operation. However, the work needs to be brought forward to ensure capacity is sufficient to meet periods of high demand. While peak summer conditions have passed temporary high demand periods are still considered likely. The yield of the bore has further deteriorated during the summer period resulting in the original bore pump being exposed to the risk of impellor cavitation.
- 3.8 A firm budget estimate of \$50,000 has been secured to lift the existing pump and install the new pump inclusive of new longer cables, a Hydrostatic level sensor and all the labour, machinery and telemetry programming required.

- 3.9 As already highlighted, the Havelock North enquiry reports identified one of the potential risks contributing to contamination of groundwater to be the construction of boreheads inside below ground chambers. The City currently has 3 bores in which the bore head is installed in a below ground chamber, namely Roberts Line bore 1, Papaioea Park bore 1 and Takaro Park bore. The Roberts Line and Papaioea Park bores will be retired following the commissioning of the new Railway Road and Papaioea Park bores in the next 6 months. Takaro Park bore being one of the best performing bores in the city is not scheduled for replacement or redevelopment in the near future. It is proposed therefore that the bore head be raised to ensure its design is best practice and minimises the risk of contamination.
- 3.10 A firm quote of \$120,000 has been obtained for the scope of work to raise the bore head inclusive of removal of the existing concrete manhole and base, bore riser and pump, extension of the bore casing and riser to above ground level and construction of backflow prevention and a new concrete pad to meet industry best practice security requirement. The scope of work will include new upgraded electrical connections and telemetry programming.
- 3.11 As highlighted Council has had a number of technical non-compliances with respect to the NZ Drinking Water Standards, which can be traced back to radio communication link outages at the Turitea WTP. Officers have had a number of assessments undertaken to identify the best and most durable solution. The recommended solution is to extend power and fibre cables from the current transmission site to a new location which is free from physical interference. The works will ensure telemetry data can be reliably and accurately transmitted at all times from the Turitea Water Treatment Plant to the nearest Inspire Network Access Point. The firm scope and cost estimate for the work including installation of the cables and power, moving of the transmitter tower, hard wiring and computer programming works has been received for the sum of \$67,000.
- 3.12 The total cost of additional capital expenditure under Programme 593 for the three initiatives outlined above is \$237,000. In all cases the scope of work has been confirmed, contractors identified and firm prices obtained. Officers are confident the works can be completed if the additional funding is approved within the 2017-18 financial year.

4. WASTEWATER CAPITAL NEW PROGRAMME 630 – CITY WIDE - SEISMIC STRENGTHENING TO WASTEWATER STRUCTURES

- 4.1 Council has been implementing a multi-year programme of work to seismically strengthen the wastewater structures across the city. The majority of this work has been associated with seismic assessment and strengthening of wastewater pump stations. To date upgrades of Massey Pump Station and Maxwell's Line have been completed.
- 4.2 The remainder of the strengthening of some of the smaller pump stations was programmed to be completed this year. An upgrade of Jickell Street Pump Station

will be completed in the next month, leaving College Pump Station as the one outstanding pump station facility requiring upgrading.

- 4.3 Initial seismic assessment two years ago indicated that the College Street Pump Station wet well achieved close to 60% of the new building standard in terms of earthquake resilience based on an importance level of IL2. As a result the strengthening work was scoped to cover only the upgrade to the above ground structure which was identified as earthquake prone.
- 4.4 As part of the engagement of a consultant to complete the design of the upgrade a review of the wet well structure's seismic performance was also completed. During the interim Officers have also revised their assessment of the target importance level for the major pump stations in the city and increased this to IL3. The consultant has assessed the wet well at only 45% of IL3 and therefore earthquake prone.
- 4.5 Officers are now concerned that money spent on addressing the above ground structure will be wasted if the wet well is not able to withstand the design earthquake. Officers now consider it prudent to upgrade the entire pump station and construct a new wet well. This approach would simplify completion of the overall project but unfortunately the currently allocated budget is insufficient.
- 4.6 Officers seek additional unbudgeted capital funding of \$100,000 to enable a new resilient pump station to be constructed. Options to fast track construction within the current financial year include using a prefabricated pump station chamber constructed from fibreglass. Completion of this project in the current financial year will conclude investment in strengthening of the major wastewater pump stations across the city.
5. **NEW CAPITAL NEW PROGRAMME – MATERIALS RECOVERY FACILITY – AIR QUALITY UPGRADE**
 - 5.1 An air quality assessment inside the Materials Recovery Facility was conducted late in 2017 in response to contractor concerns about staff welfare when working during hot summer periods. The assessment considered air quality issues within both the administration building and main MRF building. The report has recommended installation of a filtered fresh air system for the administration block at a cost of \$5,000.
 - 5.2 The recent extended hot summer has also identified that the air circulation within the sorting facility is inadequate to provide both comfortable and safe working conditions for the sort staff. The existing system is largely designed around extracting air in very isolated locations within the MRF to control dust. It provides inadequate air exchange and circulation.
 - 5.3 An upgrade of the existing system has been scoped and costed which will utilise the existing system, modify it from an air extraction system to a forced air ventilation

system and extend the zone of influence to cover all the working platforms with the facility. The upgrade will provide improved air exchange, suppress dust levels and improve working conditions for staff particularly during warm summer months. A firm quote of \$45,000 has been received for the work.

6. BUDGET SUMMARY FOR ADDITIONAL FUNDING FOR CAPITAL RENEWAL PROGRAMMES

6.1 The additional capital new funding is summarised in Table 1 below.

Table 1 Proposed Capital New Programme Budget Adjustments

Prog ID	Description	2017/18 Budget	Proposed 2017/18 Budget	Change
	Capital New			
	Additional Budget Requests			
TBA	Rubbish and Recycling – New Programme – Air Quality Upgrade	\$0	\$50,000	\$50,000
593	Water - Water Safety and Security Mitigation	\$170,000	\$407, 000	\$237,000
630	Wastewater - Seismic Strengthening to Wastewater Structures	\$100,000	\$200,000	\$100,000
	Totals	\$270,000	\$657,000	\$387,000

7. CAPITAL RENEWAL PROGRAMMES

7.1 Approval for additional unbudgeted expenditure is also requested in respect of the following two capital renewal programmes:

- Programme 621 - Digester Lid Refurbishment – additional \$55,000
- Programme 1056 – Totara Rd Replacement of Inlet Screens – additional \$100,000

7.2 In respect of Programme 621 – Digester Lid Refurbishment the budget increases are associated with:

- An additional \$15,000 in unforeseen costs associated with emptying sludge from the digester due to the presence of significantly more solids and rags than encountered in Digester 1. The costs are a combination of labour and equipment costs associated with emptying and the large landfill disposal costs.
- Higher than budgeted and anticipated costs due to the presence of greater corrosion than was present in Digester 1.
- Funding for some \$15,000 of additional costs associated with refurbishment of Digester 1 which were spend against the 2017-18 budget

7.3 In respect to Programme 1056 – Totara Rd Replacement of Inlet Screens the additional costs are associated with;

- The higher than anticipated cost of installation of the replacement overhead gantry due to the lack of contractor availability. The extremely tight supply situation in respect of civil contractors has meant that sourcing a competent

contractor who was available meant having to accept a substantially higher tender price than anticipated.

- A significant change in the scope of work relating to the gantry installation. It was originally envisaged that a gantry of similar design to the existing unit could be fitted, however it soon became apparent that it would not meet the lift and manoeuvrability requirements for the new screen. The re-design has required significant additional structural upgrading of the screen superstructure which has incurred significant additional design costs.
- The additional budget funding represent an increase of 7.6% over the overall project budget of \$1,300,000.

Table 1 Proposed Capital Renewal Programme Budget Increases

Prog ID	Description	2017/18 Budget	Proposed 2017/18 Budget	Change
621	Wastewater - Digester Lid Refurbishment	\$500,000	\$555,000	\$55,000
1056	Totara Rd – New Inlet Screens	\$1,300,000	\$1,400,000	\$100,000
	Totals	\$1,800,000	\$1,955,000	\$155,000

COMPLIANCE AND ADMINISTRATION

<Enter text>

Does the Committee have delegated authority to decide?	No
If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	
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

ATTACHMENTS

Nil

Robert van Bentum

Water & Waste Services

Manager

MEMORANDUM

TO: Finance and Performance Committee

MEETING DATE: 19 March 2018

TITLE: Process for Reallocating and Prioritisation of Underspending on Programmes

DATE: 5 March 2018

AUTHOR/S: Grant Elliott, Chief Financial Officer, City Corporate

RECOMMENDATION(S) TO FINANCE AND PERFORMANCE COMMITTEE

1. That the Committee receive the report

1. ISSUE

Whether the Council needs a process to prioritise any requests for additional expenditure.

2. BACKGROUND

The Operational and Capital Programme Budgets are approved by Council every year via the 10 Year Plan or Annual Budget process, and varied during the year by resolution of Council.

The current financial delegations from the Council to the Chief Executive allows for the Chief Executive to enter into any transaction provided the total amount of the Operating Budget or Capital Programme Budget in respect of an Activity (as defined in the 10 Year Plan or Annual Budget) is not exceeded.

The Chief Executive may authorise an increase in expenditure over the Operating Budget or Capital Programme Budget provided that:

- 1) Savings are made from other Operating Budgets or Capital Programme budgets to offset the increase.
- 2) The aggregate of budget variations do not exceed more than 50% of the Specified Sum or 30% of the Operating Budget or Capital Programme budget (whichever is the lesser), currently the max is \$800,000 pa.
- 3) Report the budget variations to Finance and Performance Committee.

For any expenditure requests that the Chief Executive receives that are outside the above parameters, the prior approval of Council is required. These requests mainly cover events or timing(s) that were not foreseen during the budgeting process.

3. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual	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

ATTACHMENTS

Nil

Grant Elliott
Chief Financial Officer

COMMITTEE WORK SCHEDULE

TO: Finance and Performance Committee


MEETING DATE: 19 March 2018

TITLE: Committee Work Schedule - March 2018

RECOMMENDATION(S) TO FINANCE AND PERFORMANCE COMMITTEE

1. That the Finance and Performance Committee receive its Work Schedule dated March 2018.

ATTACHMENTS

1. Work Schedule - March 2018 [!\[\]\(e492b5d52ab457a7a3c2826c4091dfee_img.jpg\)](#) 

FINANCE AND PERFORMANCE COMMITTEE

PART I

COMMITTEE WORK SCHEDULE – March 2018

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1	April 2018	Property Portfolio	GM, City Networks	Workshop has occurred.	21 February 2011 Clause 10-11
2	March 2018	That as part of the Library Refurbishment Project, the future access and use of the Heritage Staircase be assessed and restoration cost estimates be reported as part of the next Long Term Plan (LTP) review.	GM, Libraries and Community Services	To be added to the Library of the future project.	20 March 2017 Clause 14-17
3	March 2018	Process for reallocating and prioritisation of underspending on programmes.	CFO/GM, City Networks		18 September 2017 Clause 59-17
4	March April 2018	Solar Panel relating to the Wildbase Recovery Centre	GM, City Networks		18 December 2017 Clause 105-17
5	June 2018	Investigate the establishment of a shelter for walkers at Toko corner – Gordon Kear	GM, City Networks		19 February 2018 Clause 4.5
6	September 2018	Report back on the city water supply options using the Gordon Kear	GM, City Networks		19 February 2018 Clause 4.6
7	April 2018	A detail project plan an timeline around programme 357 Papaoea Place Redevelopment.	GM, City Networks/ GM, Libraries and Community Services		19 February 2018 Clause 5.3
8	April 2018	Present a budget/timeline update for the He Ara	GM, City Networks		26 February 2018

DMS # 1168529

- 2 -

Item No.	Estimated Date	Report	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
			Kotahi project			Council
9	April 2018		Artificial Football Turf			Part II 12 March 2018 Sport and Recreation