



PALMERSTON NORTH CITY COUNCIL

AGENDA

FINANCE & AUDIT COMMITTEE

9AM, WEDNESDAY 22 JUNE 2022

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

MEMBERS

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

Vaughan Dennison
Renee Dingwall
Lew Findlay QSM
Patrick Handcock
ONZM
Leonie Hapeta

Lorna Johnson
Bruno Petrenas
Aleisha Rutherford
Stephen Armstrong

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

Chris Dyhrberg

Acting Chief Executive | PALMERSTON NORTH CITY COUNCIL

FINANCE & AUDIT COMMITTEE MEETING

22 June 2022

ORDER OF BUSINESS

1. Apologies

2. Notification of Additional Items

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

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

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

3. Declarations of Interest (if any)

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

4. Public Comment

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

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

5. **Confirmation of Minutes** Page 7
"That the minutes of the Finance & Audit Committee meeting of 25 May 2022 Part I Public be confirmed as a true and correct record."

6. **Palmerston North Airport Limited - Final Statement of Intent for 2022/23** Page 11
Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

7. **June 2021 - Audit NZ Management Report & Action Plan** Page 39
Memorandum, presented by Masooma Akhter, Business Assurance Manager & Cameron McKay, Chief Financial Officer.

8. **Bunnythorpe Community Centre - Proposal to grant a lease on reserve land to Bunnythorpe Community Centre Association Incorporated** Page 79
Memorandum, presented by Bryce Hosking, Group Manager - Property.

9. **Awapuni Community Centre - Proposal to grant a lease on reserve land to Awapuni Park Community and Recreation Centre Incorporated** Page 83
Memorandum, presented by Bryce Hosking, Group Manager - Property.

10. **Committee Work Schedule** Page 87

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.	Minutes of the Finance & Audit Committee meeting - Part II Confidential - 25 May 2022	For the reasons setout in the Finance & Audit Committee minutes of 25 May 2022, held in public present.	

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

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

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

PALMERSTON NORTH CITY COUNCIL

Minutes of the Finance & Audit Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 25 May 2022, commencing at 9.01am

Members Present: Councillors Susan Baty (in the Chair), Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Mr Stephen Armstrong.

Non Members: Councillors Brent Barrett, Billy Meehan and Orphée Mickalad.

Apologies: The Mayor (Grant Smith) (early departure on Council business) and Councillors Rachel Bowen, Zulfiqar Butt (absent on Council business) and Aleisha Rutherford (early departure on Council business).

The Mayor (Grant Smith) entered the meeting at 9.33am during consideration of clause 37. He was not present for clauses 35 and 36.

35-22 Apologies

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee receive the apologies.

Clause 35-22 above was carried.

36-22 Confirmation of Minutes

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the minutes of the Finance & Audit Committee meeting of 27 April 2022 Part I Public be confirmed as a true and correct record.

Clause 36-22 above was carried.

37-22

Request for Financial Support for the Regent Theatre Trust

Report, presented by Anton Carter, Group Manager - Community Services, David Lea, Chair - Regent Theatre Trust Board and David Walsh, General Manager - Regent on Broadway.

After discussion Elected Members approved the amount of \$80,000 to be paid to the Regent Theatre Trust, to cover planned repairs and maintenance and to ensure their current reserves are not impacted greatly during ongoing difficult times.

The Mayor (Grant Smith) entered the meeting at 9.33am.

Moved Lew Findlay QSM, seconded Lorna Johnson.

The **COMMITTEE RECOMMENDS**

1. That Council approves financial support of \$80,000 to the Regent Theatre Trust Board in the 2021/22 Financial Year.

Clause 37-22 above was carried.

Moved Karen Naylor, seconded Susan Baty.

Note:

On a motion "That Council approves financial support of \$50,000 to the Regent Theatre Trust Board in the 2021/22 Financial Year", the motion was lost 3 votes to 11, with 1 abstention, the voting being as follows:

For:

Councillors Susan Baty, Karen Naylor and Billy Meehan.

Against:

The Mayor (Grant Smith) and Councillors Brent Barrett, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Orphée Mickalad, Bruno Petrenas and Aleisha Rutherford.

Abstained:

Mr Stephen Armstrong.

38-22

Health, Safety and Wellbeing Report - January to March 2022

Memorandum, presented by Alan Downes, Safety & Health Manager and Wayne Wilson, Acting Chief People & Performance Officer.

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the Committee receive the memorandum titled 'Health, Safety and Wellbeing Report – January to March 2022' presented to the Finance & Audit Committee on 25 May 2022.

Clause 38-22 above was carried.

39-22 Committee Work Schedule

Moved Susan Baty, seconded Patrick Handcock ONZM.

The **COMMITTEE RESOLVED**

1. That the Finance & Audit Committee receive its Work Schedule dated May 2022.

Clause 39-22 above was carried.

EXCLUSION OF PUBLIC

40-22 Recommendation to Exclude Public

Moved Susan Baty, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

"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
10.	TicketRocket Liability & Palmerston North Speedway Limited Claim against Council	Third Party Commercial, Material Loss, Legal Privilege and Negotiations	s7(2)(b)(ii), s7(2)(e), s7(2)(g) and s7(2)(i)
11.	Request for Additional Financial Support for the Regent Theatre Trust to Cover TicketRocket Claims	Third Party Commercial, Material Loss, Legal Privilege and Negotiations	s7(2)(b)(ii), s7(2)(e), s7(2)(g) and s7(2)(i)

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.

Clause 40-22 above was carried.

The public part of the meeting finished at 10.42am.

Confirmed 22 June 2022

Chairperson

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 22 June 2022

TITLE: Palmerston North Airport Limited - Final Statement of Intent for 2022/23

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Cameron McKay, Acting Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That the Statement of Intent for Palmerston North Airport Limited for 2022/23, presented to the Finance & Audit Committee on 22 June 2022, be agreed.
2. That it be noted one of the directors of Palmerston North Airport Limited has recently resigned; the Board has advised they believe the remaining five Board members collectively have the appropriate skill sets to deliver the Statement of Intent and that a replacement is not required at this time.

1. ISSUE

- 1.1 Palmerston North Airport Ltd (PNAL) has provided its final version of the Statement of Intent (SOI) for 2022/23 and this is attached for acceptance by the Council.

2. BACKGROUND

- 2.1 PNAL provided a first draft of its SOI for 2022/23 in February 2022. This was considered by the Finance & Audit Committee on 23 March 2022 and endorsed by the Council at its meeting on 6 April 2022.
- 2.2 The Local Government Act requires that the final versions of SOIs adopted by the Boards of council-controlled organisations be delivered to the shareholder by 30 June 2022. PNAL has met that requirement.
- 2.3 The final version (attached) has had a number of updates since the draft endorsed by the Council. These include:
 - A reduction in the budgeted surplus after tax due to updated assessments of maintenance, insurance, IT costs together with revised assumptions of interest rates and levels of borrowing offset by reductions in the provisions for depreciation due to better asset information.

- A net increase of \$7.45m in the planned three-year capital expenditure programme principally related to changes in the number and mix of the design/builds in the Ruapehu Business Park.
- An explanation of the new borrowing agreement between the Council and PNAL and the consequential introduction of two new long-term financial performance measures that relate to it.
- An explanation that the forecast borrowing requirements for years two and three are slightly higher than the present \$50m credit line in place with the Council, but that the underlying capital expenditure is still the subject of business case assessment and are not committed.

2.4 In December 2021 Council approved PNAL's request that a sixth director be appointed due to the Board's belief that there were skill gaps. A new director has been appointed. Recently one of the other directors has resigned and following a review the Board has determined that for the time being the remaining directors possess the collective skills to deliver the SOI. As a consequence, they have indicated a replacement will not be required at this time.

3. NEXT STEPS

3.1 The SOI will be published on websites of the Council and PNAL.

4. COMPLIANCE AND ADMINISTRATION

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

environmental and cultural well-being	
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ATTACHMENTS

1. PNAL - Final Statement of Intent for year ended 30 June 2023 [↓](#) 

FOR THE YEAR ENDING 30 JUNE 2023

26 May 2022



PALMERSTON NORTH
AIRPORT LIMITED

STATEMENT OF INTENT

INTRODUCTION

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

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

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

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

This Statement of Intent has been informed by PNCC's Statement of Expectation dated 6 December 2021.

The Statement of Intent has been prepared under the Public Benefit Entity (PBE) Standards based on International Public Sector Accounting (IPSAS) Standards.

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

CONTACT DETAILS

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

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

Phone: +64 6 351 4415
Email: info@pnairport.co.nz
Web: www.pnairport.co.nz



NATURE AND SCOPE OF ACTIVITIES

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

Palmerston North Airport is an asset of regional and national importance managed by PNAL. The airport services a regional catchment which includes Ruapehu District in the north, Whanganui, Rangitikei, Manawatu, and Horowhenua in the south, and across to Wairarapa, Tararua and Southern Hawkes Bay. A population base of close to one million live within two hours' drive of the airport.

PNAL enters the new financial year like the last with a sense of cautious optimism. A gradual rebound in passenger volumes is anticipated on the basis that the impacts of Covid-19 on travel demand gradually dissipate, with an associated greater continuity in flights to and from all key gateways.

The rebound of circa 149% in passenger movements to 459,000 in FY23 is achieved off a twenty year low in passenger volumes of 309,000 passenger movements forecasted for FY22. A moderate recovery in passenger movement volumes to 634,000 are projected by the third year of the SOL.

The associated improved financial performance in terms of aeronautical income and associated income levels will in turn provide PNAL with the confidence to focus on four key areas of activity:

1. The continued reinvestment in infrastructure, both airside and landside, including the further development of PNAL's Asset Management Plan.
2. Continuous improvement in customer experience with the commencement of the terminal re-development, ongoing carparking improvements, and a continued focus on building a greater understanding of our various customer groups.
3. The ongoing investment in Ruapehu Business Park and promotion of our location within the Central New Zealand distribution hub for core activities including freight & logistics.
4. Further enhancement of our community profile through a greater level of engagement with our communities, and through our demonstrated leadership in sustainability and specifically the achievement of Level 4 of the Airport Council International Airport Carbon

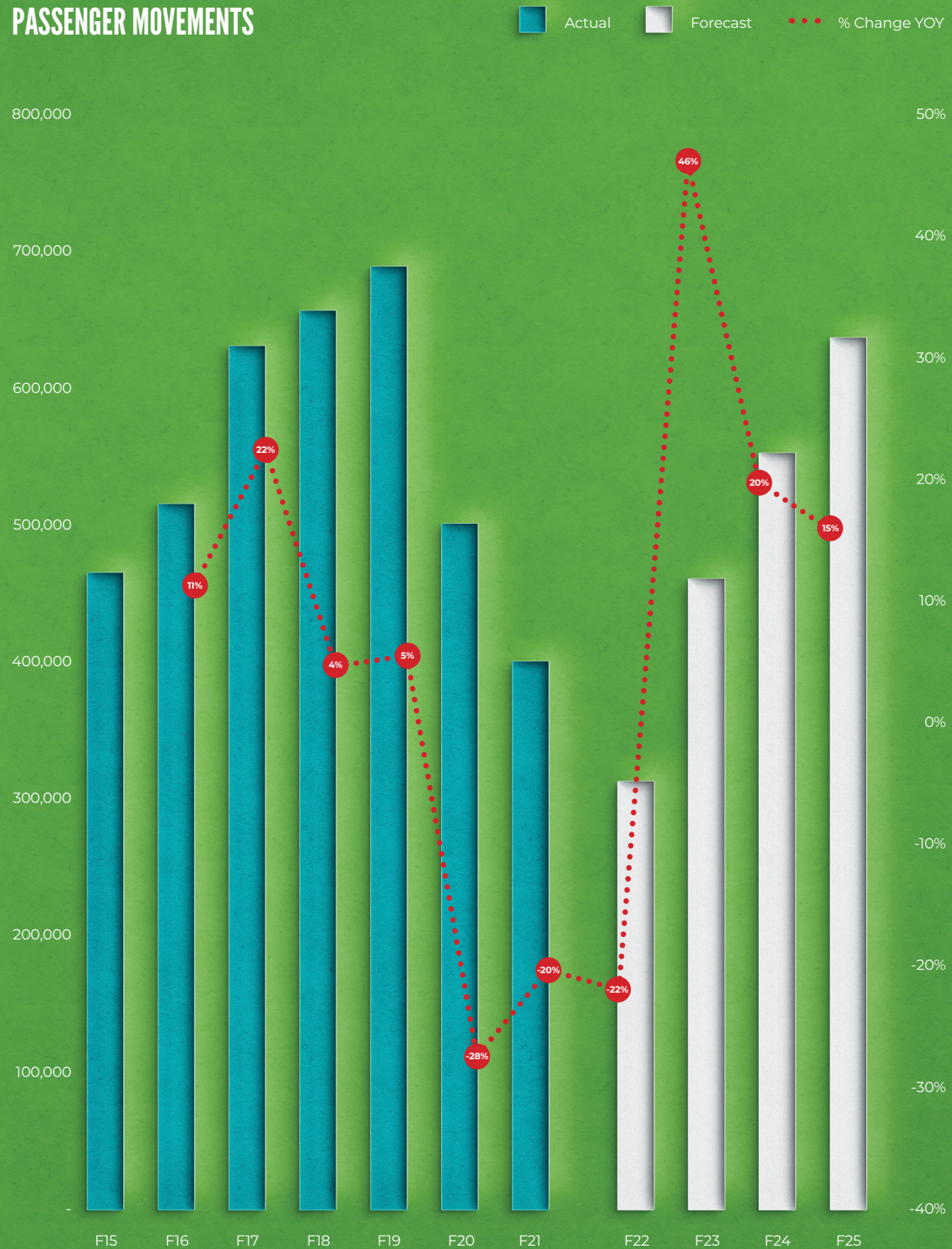
Accreditation program, and other sustainability initiatives.

Underpinning all activity is PNAL's continued focus on prudent financial management, health & safety, regulatory compliance and the wellbeing of our small but highly versatile team. With the threat of Covid-19 ever present PNAL will continue to invest in ways to keep our team safe and to ensure business continuity should widespread community transmission occur.

The following graph outlines the volatility in passenger volumes experienced during the past three years and the projected rebound assuming the impacts of Covid-19 on travel demand gradually dissipate. By Year 3 of the SOL passenger volumes are projected to recover to FY17 levels.

HISTORICAL VS FORECAST

PASSENGER MOVEMENTS



STRATEGIC FRAMEWORK

The aspirational vision of being “New Zealand’s leading regional airport” emphasises our airport’s leadership amongst regional peers in terms of many aspects of our airport business. These include asset management, our focus on safety, iwi engagement, environmental sustainability, customer experience, community engagement, freight & logistics, aviation tertiary training, property development and the wellbeing of our team.

In addition, our purpose statement “Launching our communities into a promising future” reflects our true reason for being and references our role as facilitating regional growth in social, economic, and environmental terms. It also reflects our service to a number of diverse communities whether defined by geographical location, ethnicity or socially and also includes mana whenua, Rangitāne and other local iwi.

OUR VISION

New Zealand’s leading regional airport.

OUR PURPOSE

Launching our communities into a promising future.

COMMERCIAL

We are a financially sustainable business enabling long-term success.

- We maintain and develop core infrastructure that is business critical.
- We diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical income activities.
- We operate a successful enterprise that enables us to provide a return to our shareholder when we have surplus funds to our on-going investment and operating requirements.
- We facilitate regional economic development by growing passenger and airfreight volumes.

COMMUNITY

We contribute to regional prosperity.

- We are kaitiaki for the environment by operating in a sustainable manner in all of our business activities.
- We recognise our community is multi-cultural and will engage with mana whenua and all ethnic groups.

CUSTOMER

We continue to improve the customer experience for all airport users.

- Our customers include all airport users; contractors, tenants, staff, passengers, meeters and greeters, and other airport visitors.
- We lead the way in terms of delivering a high quality and efficient regional airport experience.
- We promote Palmerston North Airport as the gateway and lower North Island commercial hub to our 90-minute drive market.

COMPLIANCE

We maintain a safe and secure operation.

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

CULTURE

We empower our team members and work as one-team.

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



OUR VISION

New Zealand's leading regional airport

OUR PURPOSE

Launching our communities into a promising future

STRATEGIC OBJECTIVES

CULTURE

We empower our team members and work as one-team.

COMPLIANCE

We maintain a safe and secure operation.

COMMUNITY

We contribute to regional prosperity.

CUSTOMER

We continue to improve the customer experience for all airport users.

COMMERCIAL

We are a financially sustainable business enabling long-term success.



**PALMERSTON NORTH
AIRPORT LIMITED**

TERMINAL DEVELOPMENT PLAN

Early planning for a major redevelopment of the terminal commenced in 2018. The project was suspended during the early stages of the Covid-19 pandemic and throughout 2020. In early 2021, the project recommenced with stakeholder engagement and consultation progressing to ensure the proposed concept plan would meet our customer and stakeholder needs.

PNAL took the opportunity to re-engage and test the market for an experienced and visionary architect who would design the terminal and coordinate all other design services. With several regional airports across Aotearoa, New Zealand developing their airport terminals in the last three years, high-quality and considered responses were received.

Studio Pacific Architecture was appointed in November 2021, ready to commence concept design in April 2022. Studio Pacific Architecture were formed in 1992 and are an award-winning design-led Wellington practice with diverse experience and track record in delivering landmark aviation and commercial buildings. They were the architect for Nelson Airport's low carbon sustainable building, Wellington Airport's iconic 'The Rock' and are currently designing an aircraft hangar in Auckland due to achieve the 6-Star Green Star rating from the New Zealand Green Building Council.

Forecast capital expenditure on the redevelopment is estimated to be \$21m-\$26m over the three year period of the SOI, reflecting an estimated 36month project duration and the current construction and material costs. The project timeline and estimated cost are to be confirmed at the end of concept design phase in June 2022, and further refined during detailed design phase in February 2023.

The terminal redevelopment has several goals, including:

- to streamline and facilitate the movement of customers through the terminal building,
- to enable and support future growth and operating requirements including passenger & hold bag security screening,
- to enhance the sense of place and pride in the airport for tangata whenua and our communities in general,
- to upgrade the seismic capability of the existing terminal; and
- to achieve sustainable design principles through low carbon, low energy, waste minimisation and biodiversity options.

The project includes a refresh of the terminal exterior, an estimated 1,550m² extension to accommodate baggage make-up and security screening, additional office accommodation for airlines and Aviation Security, and a refreshed terminal forecourt.

The project also provides for an enlarged retail area, relocation of the escalator, new and extended passenger departure lounge, and a dedicated cargo acceptance area outside of the passenger terminal.

As the redesign of the terminal develops and considers accessibility and intuitive ease of movement, it may influence other customer facing aspects of the terminal, such as the terminal entry and exit locations, with a flow on impact to planned carpark improvement projects.

The airport maintains a close relationship with local iwi Rangitāne and worked collaboratively in selecting and adopting the Legend of Haunui-a-Nanaia as the means to articulate our airport's sense of place. Collaboration will continue, with Rangitāne invited to partner with the airport company and Studio Pacific in the co-design of the new terminal.

RUAPEHU BUSINESS PARK

INCOME DIVERSIFICATION & PROPERTY STRATEGY



PALMERSTON NORTH AIRPORT
RUAPEHU
BUSINESS PARK

Palmerston North/Manawatu is positioning itself to be the centre of excellence for freight, logistics and goods distribution across the Lower North Island. A nationally focused stakeholder group are developing a comprehensive plan to create a cohesive, resilient, efficient, competitive and multi-modal transport system referred to as the Central New Zealand Distribution hub.

Palmerston North Airport is an active participant and stakeholder within the hub, especially given its significant value of being one of three key nodes on the national air freight network with a 24/7 operation, and with airfreight operations connecting Christchurch, Palmerston North, and Auckland on a nightly basis.

The scheduled overnight freight operation which connects express parcel networks across the country, combined with the significant existing investment in road and rail networks makes Palmerston North the ideal location for businesses seeking to leverage our central location and efficient connectivity to supply chains and end consumers.

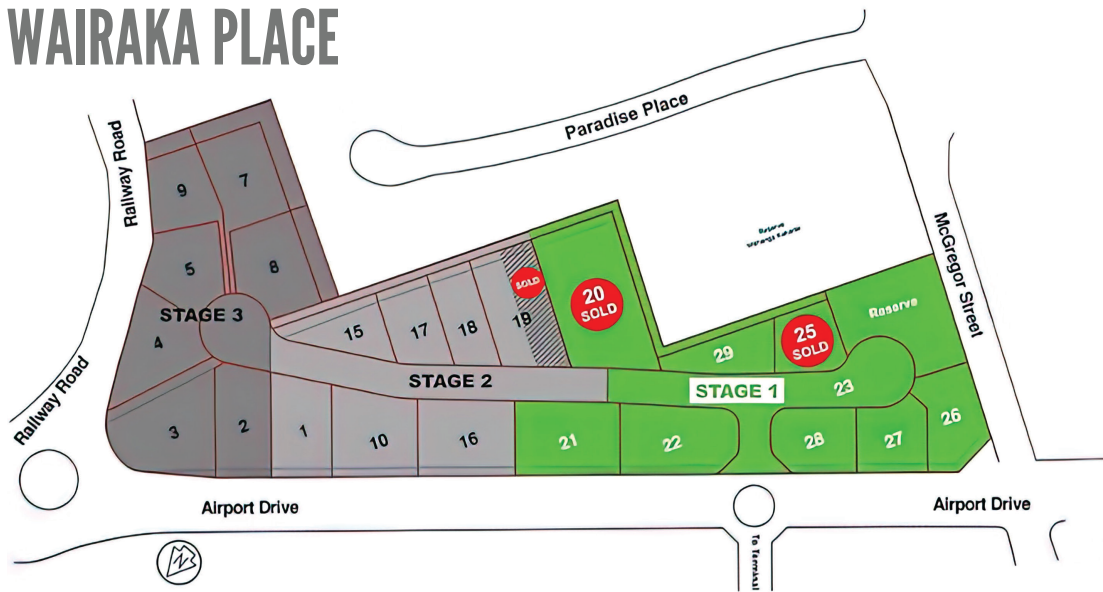
PNAL's planned development of Ruapehu Business Park, enhances and contributes to the activities within the Central New Zealand Distribution hub which is developing into one of the preferred locations for large scale distribution centres within the North Island.

The reality of aviation cycles has seen regional airports in recent times embark on commercial projects to diversify income away from reliance on aeronautical revenue sources such as passenger volumes. PNAL's decision to invest in the \$5.5 million Massey School of Aviation facility in 2017, provided a vital source of continued income during the Covid-19 multiple lockdowns. The growth of airfreight operations has also assisted to provide income diversification.

PNAL has considered strategic partnerships and working with like-minded partners to accelerate the development of Ruapehu Business Park. During December 2021, PNAL entered into general sales agency agreements to enable multiple agents across Palmerston North to promote Stage 1 of Wairaka Place, with the subdivision works almost complete opposite the entrance to the airport.

There are eight Lots available which range from 1,200m² to 4,000m², being sizes that are in increasing demand in Palmerston North City. The high-profile sites are being released to the market under a PNAL funded custom design-build program with facilities then available for lease.

WAIRAKA PLACE



Scheme Plan of Wairaka Place Stages of Development

The three-year SOI provides for capital expenditure of \$2.9m for Stage 2 of the development of Wairaka Place as shown in the above plan. Stage 3 will then follow in a later income year, as demand requires.

With PNAL focused on offering customers design-build and lease back options, PNAL is budgeting to spend an estimated \$14.8m on customised commercial facilities during the three-year SOI period.

OUR SUSTAINABILITY JOURNEY



PNAL is committed to doing all it can to minimise its impact on the environment by reducing its carbon emissions and energy consumption. This can only be achieved through long term planning, with a focus on continual improvement to achieve these aims, and by following a structured program.

In this regard, PNAL embarked on its sustainability journey back in 2017, with the first stage of our core work involving the benchmarking and the establishment of energy, water and waste reduction targets. Our priorities for our sustainability activities are based on the Airport Council International (ACI) Airport Carbon Accreditation (ACA) programme which we joined in 2019.

ACI is the only institutionally endorsed, global carbon management certification programme for airports. It independently assesses and recognises the efforts of airports to manage and reduce their carbon emissions through 6 levels of certification: 'Mapping', 'Reduction', 'Optimisation', 'Neutrality', 'Transformation' and 'Transition'.

In December 2021, PNAL took another major step in its commitment to becoming carbon neutral by achieving Level 2 'Reduction' of the ACI Programme. In order to achieve this, we fulfilled all the requirements of 'Mapping', provided evidence of effective carbon management procedures including target setting, and showed that a reduction in the carbon footprint has occurred by comparing our latest carbon footprint to the emissions of the previous years.

PNAL carbon reduction initiatives include the installation of LED lighting in the terminal and on aircraft apron areas, the ongoing installation of an energy efficient HVAC system, and most recently the commencement of the introduction of hybrid vehicles into the airport's fleet.

The next major steps are based on ACI Level 4 requirements and will involve the completion of the HVAC install resulting in the decommissioning of the terminal's aging and energy intensive natural gas-powered boiler system. PNAL will also embark on the selection of, and collaboration with, a third-party business operator (e.g., terminal tenant) in order to reduce their carbon emissions. Such collaboration is a key requirement for PNAL to achieve ACI Level 4 and demonstrates PNAL's leadership of going beyond just our core business in order to reduce overall carbon emissions.

In addition to carbon reduction this year alone, PNAL diverted 71% of its waste from landfill and the company continues to review opportunities to reduce water consumption.

PNAL has also announced its commitment to achieving net zero emissions by 2035 through the establishment of a science-based emission reduction target.

COMPLIANCE, COMMUNITY AND SAFETY



Historical firefighting and rescue fire training using aqueous film-forming foams resulted in small traces of poly fluorinated alkyl substances (PFAS) being found in isolated areas of the airport land in 2017. PNAL has worked collaboratively with PNCC, Horizons Regional Council, MidCentral Health, Rangitāne and our community in its response to the historical PFAS contamination. The process of monitoring residual contamination continues in conjunction with other stakeholders. With the upcoming terminal redevelopment and the construction including soil disturbance, PNAL is working on a soil contamination site management plan to ensure safety and compliance.

PNALs ability to offer 24/7 access for airfreight services provides our city and region with a comparative advantage in terms of attractiveness to freight & logistics operators PNAL therefore places significant focus on ensuring that existing and projected future air services are protected from the risk of reverse noise sensitivities from our community.

The District Plan provides the necessary safeguards to ensure air services are protected whilst also placing a requirement on PNAL to develop and comply a Noise Management Plan. This plan was developed in conjunction with Palmerston North City Council and Manawatu District Council and was finalised in August 2020. It includes performance standards on air and ground noise emissions, compliance monitoring, reporting, and stakeholder communication.

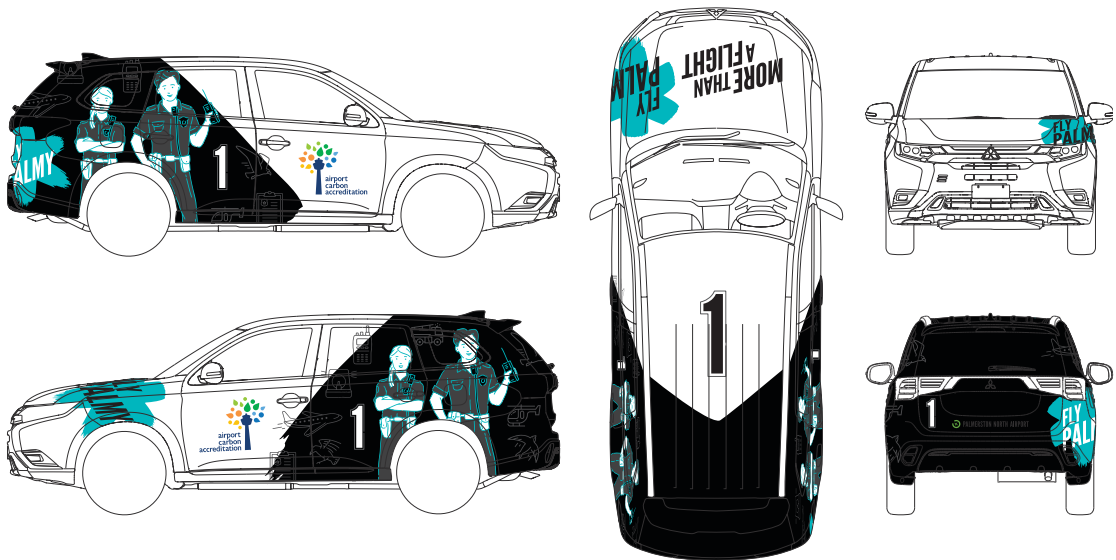
At present PNAL is in the process of finalising a process for the ongoing reporting and monitoring of air and noise emissions.

In September 2021, the Palmerston North Airport rescue fire service was fully insourced with eight personnel becoming PNAL employees. In addition two refurbished rescue fire appliance vehicles (Panther FL 6x6) were purchased. The Covid-19 lockdowns in Australia and New Zealand has delayed the delivery of the vehicles and their introduction to service.



PALMERSTON NORTH AIRPORT LIMITED | STATEMENT OF INTENT 2023

Supporting the sustainability plan, a plug-in Hybrid Mitsubishi Outlander operational vehicle is leased. This replaced a petrol SUV used by the rescue fire team daily to conduct perimeter patrols, attend to wildlife management requirements and any other operational matters.



PNAL's Safety Management System (SMS) was certified by the CAA in December 2020. In November 2021, an independent SMS auditor undertook an audit to assess the SMS effectiveness and compliance with CAA Rule Part 100 requirements.

The auditor awarded the SMS a rating of operating/effective, an improvement on the original classification of present/suitable. PNAL is aiming to achieve best practice in the next five years, this being the appropriate timeframe for regional airports to achieve maturity of their SMS. The continuous improvement of the SMS is a high priority for PNAL with the next audit scheduled in December 2022.

Concurrent with the SMS audit, an anonymous aerodrome safety culture survey was conducted by the auditor. The average score of 87% was well above the 72% industry benchmark. The comments included in the survey demonstrated that health and safety is an overriding priority and that it is embedded across the airport community.



COVID 19 IMPACT AND RESPONSE



PNAL continues to play a significant role within our regional economy by weathering the storm of further cyclical downturns in the aviation industry as highlighted by the Covid-19 pandemic. Uncertainty associated with Covid-19 has impacted on PNAL's ability to accurately predict and achieve Service Performance targets set within the Statement of Intent, including those relating to financial performance, customer loyalty, and passenger movement related targets.

As has been seen in early calendar 2022 with the rise of Omicron cases in the community, Covid-19 continues to have a significant impact on PNAL. This makes forecasting passenger numbers, and associated revenue, inherently difficult. The FY22 SOI passenger numbers were reported at 480,000. The latest forecast is 309,000 which has been a direct response to Covid-19 regionwide lockdowns and impact of Omicron on travel demand. Over the SOI period, PNAL anticipates a gradual rebound and moderate recovery to pre-Covid-19 levels while continuing to remain cautiously optimistic with the ever-looming threat of Omicron or other variants in the community.

The impacts of Covid-19 lock-downs in 2021 resulted in lost revenue of \$1.1m, which was partially offset by Covid-19 wage subsidy and resurgence support payments. Due to the effects of the August 2021 nationwide lockdown, PNAL undertook a review of its capital and operating expenditure plans for FY22 and, where possible, elected to defer or minimise costs. This assisted to preserve cashflow during a critical and uncertain time.

Underpinning these challenges PNAL remains focussed on the wellbeing and safety of its team and acknowledges each member's ongoing dedication and high level of morale and resilience displayed during a difficult operating period. The team has transitioned well during the threat of ongoing lockdowns to working remotely from home as necessary and continue to boost morale through our Wellness programme and associated initiatives. PNAL's Pandemic Response Plan has since been updated to reflect the ongoing threat of Covid-19 in the community and to the organisation as well as regular Status Updates to keep team members informed and supported.

KEY OBJECTIVES

	Strategic Project	Measure	Completion
COMPLIANCE	Medical Apron Evaluation	<ul style="list-style-type: none"> Evaluation completed Implementation of revised operational procedures 	FY 2022*
	Ongoing SMS development (audit recommendations adopted)	<ul style="list-style-type: none"> Audit recommendations adopted Continual improvements made on safety culture 	FY 2023
	Noise Management (Ground)	<ul style="list-style-type: none"> Noise Management Plan update completed 	FY 2023
	PFAS Management (Global consent, community engagement)	<ul style="list-style-type: none"> Global consent approved Community Engagement Plan implemented 	FY 2023
	Microsoft 365 transition project	<ul style="list-style-type: none"> Microsoft 365 transition complete Outsourcing 	June 2022*
	Fibre Relocation	<ul style="list-style-type: none"> Fibre Relocation completed 	June 2022*
	Cyber security	<ul style="list-style-type: none"> Zero down time due to cyber attacks 	Ongoing
CUSTOMER	Terminal Development Project (includes seismic)	<ul style="list-style-type: none"> Seismic work complete Terminal Development Project complete 	FY 2025
	Carpark Forecourt Cover Upgrade	<ul style="list-style-type: none"> Stage 1 Stage 2 Stage 3 	FY 2023 FY 2024 FY 2025
	Terminal Air Conditioning Upgrade	<ul style="list-style-type: none"> Upgrade complete 	June 2022*
	IT carparking systems and infrastructure	<ul style="list-style-type: none"> IT systems and infrastructure installed 	FY 2023
	Maintain a Net Promoter Score of 30 or above	<ul style="list-style-type: none"> Net Promoter Score of 30 or above achieved monthly 	Ongoing
	Customer experience review and roadmap	<ul style="list-style-type: none"> Review and roadmap created and complete 	June 2022*
COMMUNITY	Sustainability - Achievement of Airport Carbon Accreditation (ACA) Level 4	<ul style="list-style-type: none"> ACA Level 4 achieved Waste & water targets achieved 	June 2023
	Implement and refine Community Engagement Plan	<ul style="list-style-type: none"> Annual completion of objectives 	June 2022*
CULTURE	Continual improvement of safety culture	<ul style="list-style-type: none"> Zero lost time injuries 	Ongoing
	Wellness Plan rollout	<ul style="list-style-type: none"> Improved team engagement scores 	Ongoing
	Strategic Plan completed and communicated to team members	<ul style="list-style-type: none"> Completed 	June 2022*

COMMERCIAL	Ruapehu Business Park Design - Build projects	• Tenant(s) secured and construction complete	Ongoing
	Airport Drive upgrade Massey to McGregor	• Stage 1 • Stage 2 • Stage 3	March 2022 FY 2023 FY 2024
	IT Finance systems upgrade (Castaway, Xero)	• IT Finance systems upgraded	FY 2023
	Debt strategy and implementation	• Debt strategy finalised	June 2022*
	Development of Wairaka Place	• Stage 2 • Stage 3	FY 2024 FY 2026
	Air Service development strategy	• Air Service development strategy completed	FY 2023
	Asset Management Plan (Building, carpark, Airport Drive infrastructure and maintenance plan) version 1	• Asset Management Plan version 1 complete	FY 2023
	Freight precinct feasibility	• Freight precinct feasibility complete	FY 2023
	Passenger volumes	• 459,000 • 550,000 • 634,000	FY 2023 FY 2024 FY 2025
	Increase shareholder value	• \$69.7m • \$70.6m • \$73.1m	FY 2023 FY 2024 FY 2025

*The FY 2022 Strategic Projects aimed for completion by June 2022 are in progress at the time of writing the SOI and noted as they may provide for continuity in the SOI period.



PERFORMANCE METRIC TARGETS

For the 12 Months to 30 June

Performance Metric	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
I A ratio of surplus before interest/ tax/depreciation/revaluations to total assets	3%	3%	4%	6%
II A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve	1%	1%	1%	3%
III To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	76%	69%	54%	54%
IV To maintain an interest coverage ratio of EBITDA (excl revaluations) to interest of at least 2.5	6.1	4.9	3.1	3.5
V To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50 million	\$68.9 m	\$69.7 m	\$70.6 m	\$73.1 m
VI Net Debt* / EBITDA less than 4.5 (long term target)	4.4	6.9	10.2	6.5
VII Funds From Operations (FFO**) / Net Debt greater than 11% (long term target)	17%	10%	6%	9%

*Net Debt equals total borrowings less cash on hand.

** FFO equals EBITDA less interest less tax.

GOVERNANCE

GOVERNANCE OBJECTIVES

The Board's approach to governance of PNAL is to preserve and enhance shareholder value. The Board is committed to ensuring a high level of governance of company processes and policies, including health and safety and encouraging ethical and responsible decision making to ensure Management effectively achieve the Company's goals.

Due to the everchanging commercial environment of the aviation and airport industry, the Board is committed to ensuring regular reviews of all aspects of the business and the implementation of best practice.

REGULATORY FRAMEWORK AND STATEMENT OF EXPECTATIONS

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

SHAREHOLDER STATEMENT OF EXPECTATION

The Board is also responsible for ensuring it meets the requirements of the shareholder's Statement of Expectations dated 6 December 2021 for the three-year period of the Statement of Intent, with particular reference to Schedule 8, Part 2 LGA, Section 64B (1) and 64B (2). Importantly the Board will ensure alignment of the Company's objectives with the Shareholder's vision, goals and key strategies and the District Plan.

BOARD COMPOSITION AND FEES

The Board is comprised of up to six Directors appointed by the Shareholder in accordance with PNAL's Constitution. Director appointments are for a period of three years with retiring directors able to be reappointed by the Shareholder.

Appointment of a sixth director was approved by PNCC in December 2021. Subsequently one Board member has retired. The Board has considered the challenges facing the company in the medium term and believe that, collectively, the members possess the skillset to deliver the SOI. Therefore, a sixth director will not be required at the present time.

The Board normally meets eleven times per year with intervening meetings in person or by other means as required. To enhance efficiency, the Board may formally document and delegate some of its powers and authorities to the Chief Executive or other senior executives.

At the request of the Shareholder, a director intern has also been appointed, commencing from January 2022, as part of the Shareholder's Governance Internship Programme.

PNAL has an Audit & Risk Committee comprised of three directors of the PNAL Board. The Committee has a board-approved Charter, outlining its membership, authority, primary and secondary roles and reporting procedures.

The Committee meets three to four times each year and is responsible for overseeing the financial accounting, financial statements and audit activities of PNAL. This includes the adequacy and effectiveness of internal controls, external auditor performance, insurances, risk management and financial and accounting policies.

PNAL is establishing a Property & Development Committee comprised of three directors of the PNAL Board. A board approved Charter is being developed and it is anticipated that this Committee will focus on the Terminal Development Project together with oversight of commercial developments within Ruapehu Business Park.

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

SHAREHOLDERS EQUITY IN PNAL

PNAL's land, building, and airside infrastructure assets are revalued on a three yearly cycle, unless warranted earlier. PNAL's land and buildings were last revalued at 30 June 2019, while airside infrastructure was last revalued at 30 June 2020. Fair value assessments were last conducted on the above asset classes at 30 June 2021, which were not sufficiently material to require revaluations to be recognised. Fair value assessments and/or revaluations will be conducted annually at year-end.

PNAL's investment property is revalued annually, in line with accounting standards.

Shareholder equity as shown in the Statement of Financial Position as at 30 June 2021 is \$68.3 million.

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

INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

The Shareholder will receive:

- An Annual Report including audited financial statements within three months of balance date.
- A summary of PNAL's achievements of the Key Objectives and its performance against the metric targets as outlined in this SOI.

- An Interim Report including non-audited financial statements within two months of the end of the first half of the financial year.
- A Statement of Intent submitted for shareholder consideration in accordance with the Local Government Act 2002.
- Other interim reports as agreed with the Shareholder.

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

ACCOUNTING POLICIES

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

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

FORECAST FINANCIAL STATEMENTS

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

COMPENSATION SOUGHT FROM THE SHAREHOLDER

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

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

PNAL anticipates significant future capital investment within this SOI period and will be required to materially increase its debt levels in order to fund this investment. Refer to the separate debt funding section below for further details.

DEBT FUNDING VIA THE SHAREHOLDER

PNAL and the shareholder have agreed to changing how PNAL raises capital debt funds. Previously, in line with its treasury policy, PNAL was required to obtain capital debt from a registered New Zealand bank (currently BNZ) at their prescribed interest rates.

PNAL and the shareholder have agreed that this will be amended, such that PNAL may obtain capital debt lending from the shareholder at a fair market rate, who in turn will receive lending from the Local Government Funding Agency (LGFA), referred to as 'indirect LGFA funding'.

Indirect LGFA funding is anticipated to save PNAL-\$6m in financing costs over the next 10 years. PNAL will still require a 'business as usual' funding arrangement with a New Zealand bank.

An indirect LGFA funding arrangement will be in place with the shareholder prior to commencement of the FY23 financial year.

As a result of this agreement, two additional metrics have been added to the SOI. These are Net Debt / EBITDA less than 4.5 and FFO / Net Debt greater than 11%. These are not debt covenants or specific requirements of the PNCC/PNAL loan, but rather are long term, aspirational targets and may not be achieved in any one financial year.

During the period of the SOI, PNAL is not anticipated to achieve these targets, due to the significant capital investment planned. The third year of the SOI shows an improving trend towards achieving these targets, which is expected to occur after the SOI period.

PNAL recognise that the current loan agreement with PNCC allows for a maximum debt facility of \$50m, subject to annual review and that this SOI anticipates debt levels of \$23.1m in FY23, \$52.0m in FY24 and \$54.9m in FY25. The FY24 and FY25 levels are therefore above the current debt facility maximum of \$50m.

PNAL note that FY24 and FY25 capital expenditure is yet to be fully committed, will be subject to business case approval and will form part of the annual review of the loan facility with PNCC, when required. The FY24-FY26 SOI will be prepared (and approved) prior to PNAL reaching the forecast \$50m facility limit.

PNAL also note that the coming years represent 'peak debt', as we embark on the terminal redevelopment and Ruapehu Business Park development. Longer term forecasts anticipate this debt reducing from the FY25 peak.

DIVIDEND POLICY

Investment by PNAL in major capital projects for the long-term benefit of the airport and region is critical over the next three years. This includes airside infrastructure, terminal and car park redevelopment and progression with the development and commercialisation of Ruapehu Business Park.

PNAL's previous long-term focus was to pay 40% of NPAT as a dividend. With the ongoing disruption caused by COVID-19 and the level of upcoming capital expenditure projects, PNAL's current approach is to add value for the shareholder via investment in critical infrastructure and commercial developments.

PNAL will continue to add value to the shareholder and community, through the delivery of a new terminal, more diversified revenue streams and an increase in shareholder wealth (total equity) by \$4.2m over the three-year SOI period (excluding revaluation gains/losses). Further consideration of the reinstatement of dividends will be given consideration at the end of the FY23-FY25 SOI period.

STATEMENT OF FINANCIAL PERFORMANCE

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Revenue	10,035,463	7,761,268	9,919,610	11,842,891	15,450,920
Operating Expenditure	3,386,509	2,396,929	3,532,634	3,652,961	3,778,172
Administration and Employment Costs	2,679,497	2,663,764	2,989,504	3,038,934	3,120,292
Extraordinary Items*	20,000	59,460	50,000	51,250	52,531
Total Operating Expenditure	6,086,006	5,120,153	6,572,138	6,743,145	6,950,995
Profit from Sale of Assets	1,064,435	510,019	-	-	-
EBITDA	5,013,892	3,151,135	3,347,472	5,099,746	8,499,925
Depreciation	1,783,506	1,732,313	1,619,237	2,164,561	2,572,776
Amortisation	6,101	6,142	4,881	4,881	4,881
EBIT	3,224,285	1,412,679	1,723,354	2,930,304	5,922,269
Interest Expense	610,895	517,539	688,539	1,633,068	2,433,381
Profit before Income Tax	2,613,390	895,140	1,034,816	1,297,236	3,488,887
Income Tax Expense	732,029	250,642	289,748	363,226	976,889
Net Operating Surplus	1,881,361	644,498	745,067	934,010	2,511,999

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

The impact of revaluations or vesting of any assets to PNCC has not been included in the Statement of Financial Performance.

STATEMENT OF FINANCIAL POSITION

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Current Assets					
Bank Accounts	50,000	53,999	56,254	54,043	57,462
Receivables	875,109	811,153	1,008,143	1,318,611	1,586,324
Other Current Assets	(7,378)	390,904	399,904	409,132	30,904
Total Current Assets	917,730	1,256,055	1,464,301	1,781,786	1,674,689
Non Current Assets					
Tangible Assets*					
Land	31,470,289	29,010,130	29,010,130	29,010,130	29,010,130
Buildings	17,504,621	14,649,103	17,889,103	36,049,103	37,234,103
Infrastructural - Land	12,421,500	10,691,967	17,418,967	29,087,634	32,629,300
Infrastructural - Air	27,014,073	27,594,898	29,089,898	30,964,898	33,084,898
Plant & Equipment	1,908,056	3,280,613	3,700,613	3,920,613	4,040,613
Furniture & Fittings	122,304	364,199	404,199	424,199	444,199
Computers	56,358	212,334	237,334	262,334	287,334
Motor Vehicles	-	1,325,153	1,325,153	1,325,153	1,325,153
Investment Property	6,813,357	12,752,840	12,752,840	12,752,840	12,752,840
Accumulated Depreciation	-	(10,007,795)	(11,627,032)	(13,791,593)	(16,364,369)
Total Tangible Assets	97,310,556	89,873,442	100,201,204	130,005,310	134,444,201
Intangible Assets	23,843	17,551	12,670	7,790	2,909
Total Non Current Assets	97,334,399	89,890,992	100,213,875	130,013,100	134,447,110
Total Assets	98,252,130	91,147,047	101,678,175	131,794,885	136,121,799
Current Liabilities					
Payables	894,217	844,552	1,924,711	2,255,348	634,841
GST/VAT	-	275,843	(174,796)	(178,360)	124,774
Income Tax	93,879	90,608	95,748	119,974	325,863
Loans Payable	-	-	-	-	-
Provisions	325,000	397,646	397,646	397,646	397,646
Other Current Liabilities	252,826	103,284	103,284	103,284	103,284
Total Current Liabilities	1,565,921	1,711,933	2,346,593	2,697,893	1,586,408
Non Current Liabilities					
Loans Payable	19,759,756	14,008,573	23,159,973	51,991,373	54,917,773
Deferred Tax	6,542,668	6,516,634	6,516,634	6,516,634	6,516,634
Total Non Current Liabilities	26,302,424	20,525,207	29,676,607	58,508,007	61,434,407
Total Liabilities	27,868,345	22,237,140	32,023,200	61,205,900	63,020,815
Net Assets	70,383,784	68,909,908	69,654,975	70,588,985	73,100,984
Capital and Reserves	71,341,932	68,909,908	69,654,975	70,588,985	73,100,984
Total Equity	71,341,932	68,909,908	69,654,975	70,588,985	73,100,984

*Tangible assets in the 2021/22 SOI are shown at net book value. FY22 forecast and FY23 SOI onwards are shown at cost price level (accumulated depreciation shown separately).

The impact of revaluations or vesting of any assets to PNCC has not been included in the Statement of Financial Position.

STATEMENT OF CHANGES IN EQUITY

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Equity at the Beginning of the Year	69,994,632	68,265,410	68,909,908	69,654,975	70,588,985
Asset Revaluation Reserve Movement	-	-	-	-	-
Total Comprehensive (Loss) Income	1,881,361	644,498	745,067	934,010	2,511,999
Dividends Paid	-	-	-	-	-
Equity at the End of the Year	71,341,932	68,909,908	69,654,975	70,588,985	73,100,984

STATEMENT OF CASHFLOWS

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Cash Inflow					
Sales	9,910,277	8,707,039	11,210,561	13,308,856	17,500,845
Income Tax Refunds	-	1,967	-	-	-
Non-Current Asset Sales	2,123,834	2,029,789	-	-	-
Loans Received	8,661,796	8,160,073	9,455,000	29,135,000	3,770,000
Other Assets/Liabilities	-	1,087,726	-	-	-
Total Cash Inflows	20,695,906	19,986,594	20,665,561	42,443,856	21,270,845
Cash Outflow					
Costs	5,379,110	4,514,104	5,525,847	5,643,154	5,409,312
Wages	1,541,487	1,503,611	1,758,825	1,802,795	1,847,865
Provisions	-	(121,070)	-	-	-
Interest Paid	610,895	429,855	-	-	-
Income Tax Paid	457,695	361,352	284,608	339,000	771,000
GST/VAT Paid	-	(134,013)	(566,436)	(3,745,692)	267,768
Non-Current Asset Purchases	10,537,000	4,711,729	12,668,323	36,470,142	9,694,500
Loan Repayments Made	2,168,484	6,939,183	992,139	1,936,668	3,276,981
Other Assets/Liabilities	-	2,090,302	-	-	-
Net Cash Flow From Investing Activities	20,694,672	20,295,053	20,663,306	42,446,068	21,267,427
Net Cash Inflow/(Outflow)	1,234	(308,459)	2,255	(2,211)	3,418
Opening Bank	46,253	362,458	53,999	56,254	54,043
Net Cash Movement	1,234	(308,459)	2,255	(2,211)	3,418
Closing Cash Balance	47,487	53,999	56,254	54,043	57,462

CAPITAL EXPENDITURE PROGRAMME

For the 12 Months to 30 June

	2021/22 SOI	2021/22 Forecast	2022/23 SOI	2023/24 SOI	2024/25 SOI
Capital Expenditure Programme					
Land	-	-	-	-	-
Buildings	395,000	162,093	410,000	650,000	45,000
Terminal Development	680,000	365,877	2,830,000	17,510,000	1,140,000
Infrastructure - Landside	1,315,000	126,155	905,000	975,000	1,030,000
Infrastructure - Airside	2,625,000	1,523,126	1,495,000	1,875,000	2,120,000
Plant and Equipment	545,000	437,019	400,000	200,000	100,000
Furniture and Fittings	20,000	20,000	40,000	20,000	20,000
Computers	25,000	25,000	25,000	25,000	25,000
Fire Appliances	112,000	317,290	20,000	20,000	20,000
Ruapehu Business Park And Airport Dr Development	4,820,000	2,024,031	5,822,000	10,693,667	2,511,667
Intangible Assets	-	-	-	-	-
	10,537,000	5,000,590	11,947,000	31,968,667	7,011,667
Capital Sales Programme					
Total Sales Proceeds of Zone A, B & C land	2,154,760	2,224,260	-	-	-



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MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 22 June 2022

TITLE: June 2021 - Audit NZ Management Report & Action Plan

PRESENTED BY: Masooma Akhter, Business Assurance Manager & Cameron McKay, Chief Financial Officer

APPROVED BY: Sheryl Bryant, Assistant Chief Executive

RECOMMENDATION(S) TO COUNCIL

1. That the memorandum titled 'June 2021 – Audit NZ Management Report & Action Plan' and attachments be received for information.
 2. That Council adopt either:
 - a) Option 1 – To await DIA guidance and maintain status quo;
 - OR
 - b) Option 2 – To develop a business case to substantiate the resource requirements to comply with current DIA guidance before determining next steps.
-

1. ISSUE

Audit NZ undertook the Statutory Financial Statement Audit for Year End 30 June 2021.

On 11 April 2022 Audit NZ released the final management report to the organisation that highlighted internal weaknesses and recommendations (Attachment 2).

On 18 May 2022, Management finalised an action plan to address the findings that Audit NZ had highlighted (Attachment 1).

2. BACKGROUND

In response to the Audit NZ reports, the Business Assurance division facilitated the preparation of an action plan that was subsequently endorsed by Management.

It should be noted that through successful discussions and our ability to defend our procedures, there were no new weaknesses highlighted from this audit round. A few of the previous points were still outstanding however the reason for a lack of progress on that front can be attributed to resourcing and system constraints. We have therefore updated the previous action plan to reflect up-to-date target dates.

3. GOVERNANCE DIRECTION REQUIRED

A modification to the audit report was noted due to PNCC not recording all complaints per DIA's current definition of a 'Complaint' for the mandatory measures.

Similar to 2020 and 2021, PNCC will continue to receive modified audit opinions until either DIA provide updated guidance or we change our internal processes and systems to meet the requirements of the current guidance in place.

The DIA are currently reviewing their guidance regarding mandatory measures, consequently, it is uncertain when this will be completed or what the expected changes will be.

Therefore, we require direction from Governance on what the next steps should be in response to the mandatory measures that we fail to meet.

Our two options currently are:

Option 1 (Status Quo): We wait for DIA guidance before determining what actions we should undertake to resolve the audit opinion modification.

High Level Benefits: Efficient use of resources and certainty before actions are taken to address the issue. With changes in 3 Waters currently due to commence on 1 July 2024, any work done to remedy the issue now may not be realised, as the new waters entity may have solutions in place already.

Challenges: An audit modification stands and the risk is that DIA may continue with current guidance and therefore we will still need to make these changes. Other Council call centres that our Council services after hours are also at risk of a modified audit opinion, which will in turn heighten reputational and financial risk for PNCC.

Option 2 (Business Case): The Chief Executive develop a business case to determine the resources that would be required to comply with the current guidance which would then be presented to Council to determine whether we commit to meeting the current DIA guidance and thus resolving the audit modification OR continue waiting for the updated guidance from the DIA to be released.

High Level Benefits: Have a better understanding of the resource requirements to having the audit modification removed and meeting compliance with DIA and Audit NZ.

Challenges: An investment of significant resources for what may be a temporary requirement. Some challenges that the business case will highlight are that it is expected that it could take longer than a year to implement the system changes which would cause another 1-2 audit modifications regardless, and in that time DIA guidance may change. Implications of the 3 Waters Reform on this guidance is still unclear.

4. NEXT STEPS

- 4.1 We require direction from Governance on what the next steps should be in response to the mandatory measures that we fail to meet.

Option 1: Maintain status quo and await updated DIA guidance.

OR

Option 2: Instruct Chief Executive to develop a business case highlighting the resource requirements to meet current DIA guidance. This business case will then be reported back to Council to determine whether we await updated DIA guidance or commit to meeting the current DIA guidance.

- 4.2 The action plan that has been developed will be followed up on by our division every 6 months and will be reported back to Finance & Audit Committee through our accountability reporting.

5. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven & Enabling Council	
The recommendations contribute to the achievement of action/actions in (Not Applicable)	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Business Assurance aims to help the Council succeed by building trust and confidence in the core controls relied on by management and governance.

ATTACHMENTS

- June 2021 - Management Action Plan [↓](#) 
- June 2021 - Audit NZ Final Report [↓](#) 

Audit NZ: Statutory Financial Audit 30 June 2021

Management Action Plan

Business Assurance Division

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Executive Summary

Objective & Scope

To develop an action plan to address the findings and recommendations raised by Audit NZ in the following Statutory Financial Statement Audit for Year End **30 June 2021**.

Background & Findings

Audit NZ is PNCC's LTP and statutory financial statement audit provider. As part of the undertaking of their annual statutory audit, they highlighted some internal weaknesses through their management report to PNCC.

When the draft report was received, our division assessed the findings and recommendations to ensure they were reasonable and fair. To ensure a consistent and centralised response, our division coordinated with other divisions and either accepted the findings as valid, or challenged Audit NZ on their rationale. In this process, Audit NZ either successfully defended their findings, removed it or they noted it as an area of uncertainty that would need to be reassessed in the following audit.

We echo Audit NZ's view and are pleased that through discussion and clarifications there were no new issues raised for the 2020-21 management report. There were also no items where Management have accepted the risk of not addressing the points identified by Audit NZ.

As all the issues were raised in prior years, the existing action plan was utilised and updated. We have amended the status and due dates along with a management comment where applicable. It should be noted that a lack of progress was noted on some actions from the prior year that are a result of resource, external or system constraints, and on that basis, Management has decided to review and update the target dates on the action plan.

Next Steps

The action plan that has been developed will be followed up on by our division every 6 months and will be reported back to Finance & Audit Committee through our accountability reporting.

General

We would like to extend our appreciation to staff for their assistance in completing this Action Plan.

Prepared By:



Yui-teng Chan
Internal Auditor
11 May 2022

Reviewed By:



Masooma Akhter
Business Assurance Manager
18 May 2022

Statutory Financial Audit for the year ending 30 June 2021 Proposed Action Plan

Items to be Completed:

First Raised	Recommendation / Action	Priority	Person Responsible	Target Date (per last Action Plan)	Updated Current Due Date
2017	Business continuity plan Business Continuity Plan (BCP) should be finalised and retested. Plans be regularly updated and tested.	Medium	Head of Risk and Resilience	June 2022	Remains at June 2022
2018	Policy Review: Review the following management policies which are overdue for review: i) Expenses ii) Gifts, inducements and rewards iii) Conflict of Interest Policy iv) Use of Council vehicles	Medium	i) Finance Manager ii) Finance Manager iii) Legal Counsel iv) Parks & Reserves Manager	i) Dec 2022 ii) Dec 2022 iii) June 2022 iv) June 2022	i) Oct 2022 ii) Oct 2022 iii) June 2022 iv) June 2022
2017	Financial statement reconciliations We recommend that all financial statements reconciliations be independently reviewed. We recommend timely preparation of all reconciliations.	Medium	Finance Manager	Required Audit NZ clarification on what is required to complete this.	July 2022
2020	Expenditure systems To review the expenditure system, consider one up approvals and creditor Masterfile changes.	Medium	Finance Manager	To be considered when Expense Policy is reviewed.	June 2023
2020	High annual leave balances Monitor leave balances and encourage staff to take leave regularly to ensure staff wellbeing is maintained, reduce fraud risk and to reduce the leave liability owed by the Council.	Medium	Chief People & Performance Officer	Ongoing - This is unlikely to reduce while Covid Travel Restrictions are in place.	

Items where Governance direction is required:

Ref	Recommendation / Action	Priority	Person Responsible	Comments
2017	<p>Mandatory performance measures The following recommendations were raised for improvement:</p> <ul style="list-style-type: none"> Document any calls that are excluded as DIA service requests or complaints. This may require additional fields to be added to the existing RFS if this information is not already captured. Continue to review Department of Internal Affairs' guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting. 	Medium	Business Manager Contact Services	While preparing this action plan we have engaged with the contact centre and the IT division to understand the effort that would be required to meet these requirements of the DIA. Unfortunately, with resourcing challenges and other priorities, this work was not completed as it required some effort. We therefore require Elected Members to either endorse status quo (await DIA guidance), or to request the preparation of a business case to meet these requirement.
2017	<p>Mandatory performance measures The following recommendations were raised for improvement:</p> <ul style="list-style-type: none"> Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented, and regular training provided to all staff involved. Perform a regular weekly quality review of data entered the Request for Service (RFS) system in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should focus on following up unclosed jobs, ensuring all data fields are updated and reviewing any unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature. Ensure data fields include information to clearly show why data has been amended or re categorised with a clear audit trail of any changes made and who authorised these. Ensure there is a system in place to check contractor times recorded are accurate instead of relying solely on the time that the contractor/staff noted. 	Medium	Transport and Infrastructure Manager (TIM)	<p>Option 1: Await DIA guidance (status quo).</p> <p>or</p> <p>Option 2: Commission CEO to prepare a business case on what the detailed costs and resources it would take.</p>

2020	Recording of complaints Ensure all complaints are recorded in the system based on the DIA guidance and formalise the procedural guidance. <i>Note: This is the recommendation that is causing the Audit Opinion Qualification. PNCC have liaised with Department of Internal Affairs (DIA) on the matter and waiting for DIA guidance before proceeding.</i>	High	Business Manager Contact Services	
2020	Attendance and resolution times Upgrade the current system and processes to ensure that all attendance and resolution times are accurately recorded in the Knowledge base system in accordance with DIA guidance.	High	Transport and Infrastructure Manager (TIM)	

Items to be looked at by Audit NZ in June 2022 Audit:

The following items were queried when we received the draft report for the 2019-20 audit, we were advised by Audit NZ that these items would be considered in detail during the 2020-21 audit. However, as Audit NZ are currently facing resourcing challenges this has not yet materialised.

Audit NZ have expressed that this will be followed up in the June 2022 audit. As such we have kept the same status as previously presented to the Finance and Audit committee in Nov 2021.

Ref	Recommendation / Action	Priority	Person Responsible
2017	Contract management We recommend you ensure completeness and accuracy of data information on the contract management system. Also, review the data that is being placed there. We recommend ensuring consistency of what is retained on the contract management system by formally documenting the required documents that are needed on the system.	Medium	Chief Financial Officer
2017	Procurement <ul style="list-style-type: none"> We recommend that conflict of interest declaration forms be completed; including being signed off, as soon as a person becomes involved in the procurement process. The continued involvement of a person who has not sufficiently completed the declaration process creates a potential risk to the integrity of the procurement. We recommend staff who are involved in procurement be made aware of the different types of conflict of interest and how these should be managed (for example, considering the relationship with the incumbent going for the tender as a potential conflict of interest). Regardless of whether there is an actual conflict or bias, it is important to consider perceptions in order to maintain market confidence. 	Medium	Chief Financial Officer

	<ul style="list-style-type: none"> We recommend declaration forms be treated as a live document and they are updated numerous times throughout the procurement. We recommend a procurement strategy or plan to be completed for every significant project prior to tendering which includes maintenance or operations contracts. This is important to ensure that Council resources are being used effectively and the best approaches to the market are taken 		
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Items Completed Since 2020 Report:

Action	Priority	Person Responsible
Fair Value/Impairment Assessment of Assets Perform and document a robust assessment as to whether there is a material difference between the fair value and the carrying amount of the operational assets in a non-revaluation year.	Medium	Chief Financial Officer
Incorrect GST treatment on Land Purchase Recognise GST on residential property purchases, where that property will be used as a taxable supply, to claim a second-hand goods input tax credit.	Medium	Chief Financial Officer
Land and buildings revaluation - instructions to valuer We recommend the City Council review and update its instructions to its valuers to ensure that the valuation report reflects current reporting content and expectations and is more informative and provides value add to the City Council.	Medium	Chief Financial Officer
Actual renewals and capital expenditure programme and spend We recommend the City Council: Continue to implement the action plan, internal audit's findings from 2015/16, our review recommendations on procurement, contract management, and project management; and review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes.	Medium	Transport and Infrastructure Manager (TIM)
Building Consent Fees Ensure that fees loaded into the system are correct and they are reviewed for accuracy.	Medium	Building Services Manager
Sensitive expenditure testing and practices Overseas travel be pre-approved on a one - up basis, and the expenditure approved on the same basis with reference to the pre-approval The Mayor's expenses, these should be pre-approved by the Council, and expenses incurred approved by the Chair of the Audit and Risk Committee with reference to the pre-approval.	Medium	Chief Financial Officer
Policy Review Review the Management Fraud Policy	Medium	Business Assurance Manager

Report to the Council on the audit of

Palmerston North City
Council

For the year ended 30 June 2021

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Key messages

We have completed the audit for the year ended 30 June 2021. This report sets out our findings from the audit and draws attention to areas where the City Council is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified opinion for the City Council's financial statement and a modified opinion for the City Council's Statement of Service Performance for the year ended 30 June 2020, on 20 December 2021. We qualified the Statement of Service Performance because our work was limited with respect to the verification of the number of complaints for some services and the verification of the attendance and resolution times for water supply and wastewater faults.

In common with all other Councils, the audit opinion included an "emphasis of matter" paragraph to draw the users' attention to the relevant notes in the annual report that describe the impact of the governments three waters reform programme announcement.

Matters identified during the audit

The following significant issues were considered during the audit:

- **Statement of service performance.** We found that recording of complaints were not in line with Department of Internal Affairs (DIA) guidance. We were also unable to determine whether the City Council's reported results for the attendance and resolution times were materially correct.
- **Revaluation of land and buildings.** Overall, we found the revaluation of land and buildings were carried out in accordance with PBE IPSAS 17 *Property, Plant and Equipment* and that the revaluation movements were correctly accounted for and supported.

It is pleasing to note that there were no new issues that needed to be brought to your attention. There were some minor issues that were discussed during the audit with management.

Thank you

We would like to thank the Council, management and staff for the assistance given to the audit team over the course of the audit.



Debbie Perera
Appointed Auditor
11 April 2022

1 Recommendations



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

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

1.1 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	6	-	7
Implemented or closed	-	6	-	6
Matters that will be followed up during our next year's audit	-	2	-	2
Total	1	14	-	15

2 Our audit report

2.1 We issued a modified audit report



We issued a qualified opinion on the statement of service performance for incomplete information about the number of complaints and the attendance and resolution times the City Council has recorded. Complaints received related to water, wastewater and stormwater, and the attendance and resolution times relate to water supply and wastewater. We were unable to determine whether the Council's reported results for these measures were materially correct.

For the year ended 30 June 2021 and the comparative year, we were unable to determine whether the Council's reported results for these measures were materially correct.

We issued an unmodified opinion over the financial statements. This means we were satisfied that the financial statements present fairly the City Council's activity for the year and its financial position at the end of the year and that the financial statement comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Without modifying our audit opinion, we included an emphasis of matter paragraph to draw the users' attention to the relevant notes in the annual report that describe the impact of the governments three waters reform programme announcement.

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

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that required correcting.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. The corrected misstatements are listed in Appendix 2.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required

to management via AuditDashBoard. This included the dates we required the information to be provided to us.

AuditDashboard was used during the 2020/21 audit for the first time. This worked well and we will continue to use the tool going forward.

The Council staff provided us with most of the documents and information requested on a timely basis and by the due dates set. This allowed the resourced phase of the audit to proceed more efficiently and reduced the level of interruption to council staff.

3 Matters raised in the Audit Plan



In our Audit Plan we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Complaints and response time performance measures	
<p>An important part of the City Council's service provision is the number of complaints it receives over the water, wastewater and stormwater networks and the response times to these complaints. This is important because the number of complaints and the response time for them are indicative of the quality of services received by ratepayers.</p> <p>For the year ended 30 June 2020, and its comparative information for 2019, we were unable to determine whether the Council's reported results for these measures were materially correct. The City Council only recorded the first call received about an issue in its system. This does not comply with guidance from the Department of Internal Affairs (DIA). Which says: "Where there is more than one complaint per event, each complaint is counted separately, not each event or occurrence."</p> <p>The City Council updated its processes part way through the previous financial year. However, in order for the City Council to avoid a qualification on the 2021 results, the system and processes for recording all complaints needed to be in place for the entire year.</p> <p>The City Council also did not maintain sufficient appropriate evidence to support the time taken to attend and resolve water supply and wastewater faults.</p>	<p>Complete records for all calls made to the Council were not available and we were unable to determine whether the Council's reported results for these performance measures were materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the number of complaints reported against these three performance measures.</p> <p>Complete records for all callouts made by the Council were not available and we were unable to determine whether the Council's reported results for these performance measures were materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the number of complaints reported against these three performance measures.</p> <p>Conclusion</p> <p>A qualified audit opinion was issued over the incomplete performance measure information.</p> <p>We have made detailed recommendations in our 2020 Report to Council about how to rectify this. Refer also to our open urgent recommendation on page 17.</p>

Audit risk/issue	Outcome
Management override	
<p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. • Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the Council and its environment, and other information obtained during the audit. <p>Conclusion</p> <p>From our testing we did not identify any issues that indicated management override.</p>
Fair value/impairment assessment of assets	
<p>Fair value assessment</p> <p>The City Council revalued its land and buildings as at 30 June 2019 and its Infrastructural Assets as at 30 June 2020. Therefore, it is not scheduled to perform any revaluations this year.</p> <p>In a non-revaluation year the District Council must consider whether there has been any significant movement in the fair value of the assets, in accordance with the accounting standards.</p> <p>Accounting standard, PBE NZ IPSAS 17, Property, Plant and Equipment, requires that valuations be carried out with enough regularity to ensure that the carrying amount of property, plant and equipment does not differ materially from the fair value.</p>	<p><i>Land and buildings</i></p> <p>Although the land and buildings were not scheduled for a revaluation in the current year through the work completed on the fair value assessment it was determined that a full revaluation of land and buildings needed to be undertaken in the current year.</p> <p>The City Council uses fair value for some of the assets and depreciated replacement cost methodology to determine fair value for others due to the nature of the assets in the classes. The valuation was based on a number of significant assumptions, including the useful lives and costs of the assets. The high level of estimation uncertainty resulting from the need to apply these assumptions in the valuation created a risk that the value could be materially misstated.</p>

Audit risk/issue	Outcome
<p>Impairment assessment</p> <p>On a yearly basis the City Council must review its property, plant and equipment for impairment indicators in accordance with accounting standards, PBE IPSAS 21 Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 Impairment of Cash Generating Assets.</p> <p>We expected that:</p> <ul style="list-style-type: none"> the City Council will have done a comprehensive analysis to determine, for both land and buildings and infrastructure assets, whether there is a significant variance between the carrying value and the fair value as at 30 June 2021 that would trigger the need for the Council to revalue or impair the assets; and an annual impairment assessment of the City Council's assets be performed, including performing an regular assessment, over the period of the project, of the value of work in progress (WIP) on projects that span an extended period of time. 	<p>We:</p> <ul style="list-style-type: none"> reviewed how the City Council ensured completeness over the asset data; tested the integrity of the underlying data used for the valuations; tested the validity of the significant judgments and assumptions applied and whether they have been applied consistently; reviewed the revaluation of the City Council's land and buildings and ensured that revaluation movements are correctly accounted for and supported; reviewed the City Council's explanations of variances between the latest and prior years' valuations for reasonableness; and obtained confirmation from the Independent peer review Valuer. <p><i>Infrastructural assets</i></p> <p>In the current year the City Council consulted with their valuer who said that there had been no material movement in the value of infrastructural assets and also referenced the industry indices. It was determined that there was no requirement to revalue the assets and that they are fairly stated in the annual report.</p> <p>We performed our own analysis and gained confidence that there were no material movements that needed to be taken into account in the annual report.</p> <p>Conclusion</p> <p>We were satisfied that the value of the assets that were not revalued in the current year are appropriate from the work that we completed and that the assets that weren't scheduled for a revaluation but were required to be revalued have been.</p>

Audit risk/issue	Outcome
Impact of three waters reform	
<p>The three waters reform programme is one of the most significant policy programmes affecting local authorities. This is a three-year programme of work in three tranches.</p> <p>During 2020/21, the City Council signed a non-binding Memorandum of Understanding (MOU) with the Crown. By signing this MOU, the City Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.</p> <p>On signing of the MOU, the City Council subsequently received a share of \$761 million Crown stimulus funding, which was the first tranche of funding that was provided under the reform programme. It is important that the City Council is appropriately accounting for its share of the funding and is meeting the obligations of the funding agreement.</p> <p>Much of the policy is still to be developed, with significant announcements about the form of future water services entities expected in year one (1) of the 2021-31 long-term plan (LTP) period (2021/22). The City Council will then need to decide whether to opt out of the proposed new service delivery model. There is still considerable information to come as to what these reforms may mean for the City Council before this decision will be made.</p>	<p>We expected the City Council had taken steps to:</p> <ul style="list-style-type: none"> consider the implications of any government announcements about three waters reform up to the date of authorisation of the financial statements. This includes the impact on financial statements and disclosures, including subsequent events disclosures; and ensure any crown stimulus funding resulting from the three waters reform programme received by the City Council has been appropriately accounted for in accordance with PBE accounting standards and the terms of the agreement. <p>Conclusion</p> <p>The City Council has appropriately disclosed the announcement by the Government on the three waters reform in the subsequent events note and this has been included as an emphasis of matter in the audit opinion as per section 2.1 above.</p> <p>The crown stimulus funding was appropriately included in the financial statements in line with the accounting standards and the signed agreements</p>

4 Other matters identified during the audit



In this section we outline the issues we have identified through the audit work we have performed.

4.1 Verbally Discussed Matters

During the 2021 audit process we raised a number of issues with Council management which were verbally discussed.

For completeness we have summarised these matters below:

- We recommended the review of the payroll deduction reconciliations and Payroll Masterfile Report to be reviewed in a timely manner (e.g. within 5 working days of the date of preparation). Management have noted the recommendation and every effort will be made to complete the review within the 5 days.
- We had recommended that the date of approval of payroll reports be noted on the Deskbank sheet. However, we accept that the dating of the approvals can be viewed online.
- We identified that there were self-approvals of timesheets for certain call centre staff timesheets. We have recommended that the Call Centre Manager approve staff timesheets. It has been agreed that the Call Centre Manager will be copied into the spreadsheet of time sent through to payroll by the Team Leader to ensure that he has appropriate oversight.
- We found a portion of the Awapuni Landfill improvements were not captured in the IPS Asset Management System (AMS) as the information had not been provided to the Asset Information Analyst from the Asset Information team. The impact of not capturing new assets is that they may not be valued or insured and the underlying AMS will not reconcile to the Finance Asset Register. Management have noted that this recommendation is currently on the Asset Management Improvement Plan to work on this.
- We had noted that there was no one-up approval of journals by accountants. Management accept the risk around this as there is sufficient month-end analysis and reconciliations which would pick up any unusual transactions. The time and cost of implementing a one up review requirement outweighs the benefits.

5 Public sector audit



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

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

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

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

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

6 Group audit



The group comprises:

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

We have not identified any of the following during our audit for the year ended 30 June 2021:

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

7 Useful publications



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

Description	Where to find it
Consulting matters: Observations on the 2021-31 consultation documents	
<p>This report provides our observations on the 2021-31 long-term plan consultation documents. Councils, as a whole, have realistically confronted the challenges they face and, for the most part, produced clear consultation documents. This is no small achievement at the best of times. In the middle of a pandemic and in a sector focused on significant reforms, this is even more significant.</p> <p>Areas covered:</p> <ul style="list-style-type: none"> • Preparing long-term plans in a challenging environment • The audit reports we issued on the consultation documents • Engaging effectively with communities • The types of issues councils consulted on in the 2021-31 consultation documents 	<p>On OAG's website under 2021 publications</p> <p>Link: Summary of Consulting matters: Our observations on the 2021-31 (oag.parliament.nz)</p>
Local government risk management practices	
<p>The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.</p>	<p>On OAG's website under 2021 publications</p> <p>Link: risk management practices</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the Chief Executive and staff, are managed.</p>	<p>On OAG's website under 2021 publications.</p> <p>Link: council employees</p>
The Auditor-General's report on the results of recent audits of local government	
<p>The OAG publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Link: 2019/20 audits</p>

Description	Where to find it
What good looks like: Lessons for public organisations	
<p>A presentation to our central government Audit and Risk Committee Chairs' Forum.</p> <p>The presentation contained important findings from our recent work, including our performance audits, inquiries, and good practice guidance. We also highlighted areas that we will be focusing on over the next six months, including our Covid-19-related work.</p>	<p>On OAG's website under 2021 publications</p> <p>Link: what-good-looks-like</p>
The problems, progress, and potential of performance reporting	
<p>Performance reporting is a fundamental part of providing effective public accountability.</p> <p>This discussion paper explores five areas for improvement:</p> <ul style="list-style-type: none"> • ensuring that performance information is focused on the issues that matter to New Zealanders; • ensuring that performance information is tailored to different audiences to make it more accessible; • better integrating and aligning performance information so it is clear how the activities of public organisations contribute to outcomes; • improving monitoring and scrutiny of the performance information that is produced to encourage continuous improvement; and • building demand for good quality performance information, strengthening system leadership, and investing in the capability to do it well. 	<p>On OAG's website under 2021 publications</p> <p>Link: performance-reporting</p>
Building a stronger public accountability system for New Zealanders	
<p>Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources.</p> <p>This discussion paper looks at how well New Zealand's public accountability system is working in practice</p>	<p>On OAG's website under 2021 publications</p> <p>Link: public-accountability</p>
The Government's preparedness to implement the sustainable development goals	
<p>In 2015, all United Nations members signed up to Transforming our world: the 2030 Agenda for Sustainable Development (the 2030 Agenda). It sets out 17 sustainable development goals to be achieved by 2030.</p> <p>We looked at what arrangements are in place and how the Government is encouraging stakeholders and the public to engage with efforts to achieve the sustainable development goals by 2030.</p>	<p>On OAG's website under 2021 publications</p> <p>Link: sdgs</p>

Description	Where to find it
Client updates	
<p>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement. They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p>	<p>On the OAG's website under publications.</p> <p>Links:</p> <p>Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>
Good practice	
<p>The OAG has made it easier to find good practice guidance, including resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Performance reporting - recording of complaints and attendance and resolution times Record all complaints, and attendance and resolution times in the City Council's Knowledge Base system in accordance with the DIA guidance and formalise the procedural guidance.	2020	In progress The City Council have adjusted their systems for recording the afterhours services but the Council does not record all complaints in line with DIA guidance. The recording of attendance and resolution times has not been addressed. This led to a modified opinion on the statements of service performance.

Necessary														
Expenditure systems Ensure that all expenditure is subject to one-up approval and that the creditor masterfile changes are reviewed on a timely basis (at least monthly).	2020	Outstanding From the work completed in the current year there has been no change.												
Council policies overdue for review We recommend the following policies (which are overdue for review) be reviewed against current accepted good practice in the public sector: <table border="1"> <thead> <tr> <th>Ref</th><th>Policy</th><th>Due for review</th></tr> </thead> <tbody> <tr> <td>MT 75</td><td>Fraud</td><td>July 2015</td></tr> <tr> <td>MT 18</td><td>Expenses</td><td>August 2017</td></tr> <tr> <td>MT 57</td><td>Gifts, inducements and rewards</td><td>October 2017</td></tr> </tbody> </table>	Ref	Policy	Due for review	MT 75	Fraud	July 2015	MT 18	Expenses	August 2017	MT 57	Gifts, inducements and rewards	October 2017	2018	In progress Of the listed policies only the Fraud policy was updated.
Ref	Policy	Due for review												
MT 75	Fraud	July 2015												
MT 18	Expenses	August 2017												
MT 57	Gifts, inducements and rewards	October 2017												

Necessary				
MT 54	Use of Council vehicles	October 2017		
MT 79	Conflicts of interest	August 2018		
Financial statement reconciliations We recommend that all financial statements reconciliations be independently reviewed. We recommend timely preparation of all reconciliations.			Prior to 2017	Outstanding We note that independent reviews of reconciliations performed by accountants are still not occurring. Due to an issue with the OZONE accounting system software, we noted there is a consistent variance in the bank reconciliation that has been rolling forward. Due to the Council undertaking the revaluation at 30 June 2021, the year end June 2021 Fixed assets register reconciliation was not prepared in a timely manner and not reviewed.
High annual leave balances Monitor leave balances and encourage staff to take leave regularly to ensure staff wellbeing is maintained, reduce fraud risk and to reduce the leave liability owed by the Council.			2020	Outstanding The number of leave balances over 25 days in 2021 is 220.
Business continuity plan Business Continuity Plan (BCP) should be finalised and retested. Plans be regularly updated and tested.			Prior to 2017	Outstanding This recommendation is still to be implemented.
Procurement We recommend: <ul style="list-style-type: none"> That conflict of interest declaration forms be completed; including being signed off, as soon as a person becomes involved in the procurement process. The continued involvement of a person who has not sufficiently completed the declaration process creates a potential risk to the integrity of the procurement. 			2017	To be followed up in the next audit Due to audit staff availability this will be followed up during the next audit.

Necessary		
<ul style="list-style-type: none"> Staff who are involved in procurement be made aware of the different types of conflict of interest and how these should be managed (for example, considering the relationship with the incumbent going for the tender as a potential conflict of interest). Regardless of whether there is an actual conflict or bias, it is important to consider perceptions in order to maintain market confidence. Declaration forms be treated as a live document and they are updated numerous times throughout the procurement. A procurement strategy or plan to be completed for every significant project prior to tendering which includes maintenance or operations contracts. This is important to ensure that Council resources are being used effectively and the best approaches to the market are taken. 		
Contract management We recommend: <ul style="list-style-type: none"> Ensure completeness and accuracy of data information on the contract management system. Also, review the data that is being placed there. Ensure consistency of what is retained on the contract management system by formally documenting the required documents that are needed on the system. 	Prior or 2017	To be followed up in the next audit Due to audit staff availability this will be followed up during the next audit.
Mandatory performance measures We made the following recommendations for improvement: <ul style="list-style-type: none"> Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is 	Prior to 2017	Outstanding See section 2.1 above and also the uncleared urgent issue above.

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

Necessary		
against the City Council's key performance targets.		

Implemented or closed recommendations

Recommendation	First raised	Status
Fair value and impairment assessments Perform and document a robust assessment as to whether there is a material difference between the fair value and the carrying amount of the operational assets in a non-revaluation year.	2020	The City Council performed robust assessments in the current year.
Incorrect GST treatment on Land Purchase Recognise GST on residential property purchases, where that property will be used as a taxable supply, to claim a second-hand goods input tax credit.	2020	There were no issues noted with GST treatments in the current year.
Land and buildings revaluation - instructions to valuer We recommend the City Council review and update its instructions to its valuers to ensure that the valuation report reflects current reporting content and expectations and is more informative and provides value add to the City Council.	2019	There were no issues noted with the instructions issued for the land and buildings revaluation undertaken in the current year.
Actual renewals and capital expenditure programme and spend We recommend the City Council: continue to implement the action plan, internal audit's findings from 2015/16, our review recommendations on procurement, contract management, and project management; and review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes.	November 2017	The City Council are well aware of the issues in this space and are actively working to manage them. The City Council is comfortable with where they are at and therefore we have cleared this issue
Building consent fees Ensure that fees loaded into the system are correct and they are reviewed for accuracy	2020	Cleared through verbal discussion. We are satisfied that the fees are accurately loaded into the system. The variances that we identified relates to the system calculating a consent valued at \$1,000 or below as having a zero value for the building accreditation fee. We are satisfied that this does not cause a risk of material misstatement.

<p>Sensitive expenditure testing and practices</p> <p>Overseas travel be pre-approved on a one-up basis, and the expenditure approved on the same basis with reference to the pre-approval The Mayor's expenses, these should be pre-approved by the Council, and expenses incurred approved by the Chair of the Audit and Risk Committee with reference to the pre-approval.</p>	2019	<p>The City Council is happy that this has been resolved. They now have the following controls:</p> <ul style="list-style-type: none"> • Chair of Finance and Audit Committee (FAC) approves all expenses prior to payment. • Budget is approved by Council. • An expense report is presented to FAC highlighting Mayor and Deputy Mayor expenditure.
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Appendix 2: Corrected misstatements

Corrected disclosure deficiencies

Detail of disclosure deficiency
The FISs needed to be updated to treat the items correctly in relation to the new subdivision at Whakarongo. The FISs also needed to be updated to include all the rows required by the regulations.
The annual report needed to be updated to ensure that Clause 35 was covered appropriately in the disclosures.
FTE numbers were incorrectly stated in the disclosures and needed to be updated to match the underlying records.
The salary bandings needed to be updated to ensure that they met the requirements of the legislation.
There were several disclosures that needed to be updated in the annual report to match the budgets and disclosures in the annual plan.
There were several disclosures that needed to be updated in the annual report to match the prior years audited annual report.

Corrected performance reporting misstatements

Detail of misstatement
The water supply percentage of real water loss needed to be updated to include a description of the methodology as required by the regulations.
Some reported results of measures needed to be updated to ensure that they correctly reflected whether they were met or not.

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have audited the City Council's 2021-2031 long-term plan and performed a limited assurance engagement related to the City Council's debenture trust deed. These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$238,972, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$5,500, for the assurance engagement related to the debenture trust deed and \$121,800 for the audit of the City Council's 2021-31 long-term plan.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are aware of two former Audit New Zealand staff members who have accepted positions at Council, one as the Senior Rates Officer in December 2019 and the other an Internal Audit position in December 2020.</p> <p>We are not aware of any other situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>

AUDIT NEW ZEALAND
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MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 22 June 2022

TITLE: Bunnythorpe Community Centre - Proposal to grant a lease on reserve land to Bunnythorpe Community Centre Association Incorporated

PRESENTED BY: Bryce Hosking, Group Manager - Property

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council grant a lease for Bunnythorpe Recreation Community Centre, which occupies part of Bunnythorpe Recreation Ground, Richmond Street, Bunnythorpe, Palmerston North, being part of Lot 82 DP217, to Bunnythorpe Recreation Centre Association Incorporated in accordance with Section 54 of the Reserves Act 1977.
-

1. ISSUE

- 1.1 Council completed construction of the new 254m² Bunnythorpe Community Centre on the Bunnythorpe Recreation Ground in October 2021.
- 1.2 Bunnythorpe Community Centre Association (BCCA) wish to lease the Bunnythorpe Recreation Community Centre, and by default the land under the building. For clarity the BCCA have been occupying the Centre without a lease of either the building or the land, since November 2021.
- 1.3 A report to the February 2022 Finance and Audit Committee assessed the proposal and as a result Council resolved:
 1. *That the Council approves notifying the public of the proposal to grant a lease at Bunnythorpe Recreation Ground, Raymond street, Palmerston North to Bunnythorpe Community Centre Association incorporated, in accordance with Section 54 of the Reserves Act 1977.*
 2. *That the Council notes the land area affected by the lease for Bunnythorpe Community Centre Association incorporated is described as part of Lot 82 DP217. The lease area is shown in Figure One of this report.*
- 1.4 Consultation was completed in April 2022. No submissions or objections were received.

1.5 As such, this report requests Council approval to grant the lease in accordance with Section 54 of the Reserves Act 1977.

1.6 The proposed lease will commence on 1 July 2022 and will have an initial term of three (3) years. The BCCA will then have a right of renewal of an additional three (3) year term.

2. ASSESSMENT OF LEASE PROPOSAL

2.1 The report dated 23 February 2022 to the Finance and Audit Committee assessed the lease proposal against the Support and Funding Policy 2022, the impact on the locality and reserves operations, and the purposes of recreation reserves and the consideration under sections 17(2) of the Reserves Act.

2.2 The assessment concluded that the lease proposal could proceed to public consultation.

3. RESERVES ACT CONSULTATION AND CONSIDERATION OF OBJECTIONS

3.1 Council has consulted the community on the proposal to lease as required by Section 54 of the Reserves Act 1977.

3.2 Public notice, as required by Sections 54(2) and 119 of the Reserves Act 1977, was published on 5 March 2022 in the Manawatu Standard and on Council's website.

3.3 No objections or submissions were received and there were no requests to be heard. As such the requirement of Section 120 of the Reserves Act has been met.

4. DESCRIPTION AND ANALYSIS OF OPTIONS

Option One: Grant a lease to Bunnythorpe Community Centre Association for the Bunnythorpe Community Centre and the land it occupies

4.1 This option sees Council granting a lease to the BCCA for the Bunnythorpe Community Centre.

4.2 Entering a formal lease agreement is good stewardship of Council property and enables compliance with the Reserves Act.

4.3 A Management Agreement will also be put in place alongside the lease agreement to articulate the expectations of both parties for matters that do not relate directly to the building.

Option Two: Do not grant a lease to Bunnythorpe Community Centre Association for the Bunnythorpe Community Centre and the land it occupies

- 4.4 The Bunnythorpe Community Centre Association co-funded the construction of the new facility and has been operating from the site without a lease since November 2021.
- 4.5 To allow a group to occupy Council land and/or building without a lease does not represent good stewardship of Council property. Option Two is therefore not deemed to be a valid option.

5. CONCLUSION

- 5.1 The proposal is consistent with the purposes of recreation reserves as the BCCA supports recreation on the reserve.
- 5.2 The requirements of the Reserves Act for public notice, opportunities to be heard and consideration of objections or submissions, have been met.
- 5.3 It is recommended Council proceed to grant a new lease.

6. NEXT STEPS

- 6.1 A new lease is prepared for execution.

7. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual ss 173,174	Yes
Are the decisions significant?	No
If they are significant do, they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 3: A Connected and Safe Community	
The recommendations contribute to the achievement of action/actions in Connected Communities	
The action is: Support the provision of community centres	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Community centres provide opportunities for the community to connect, celebrate and recreate.

ATTACHMENTS

Nil

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 22 June 2022

TITLE: Awapuni Community Centre - Proposal to grant a lease on reserve land to Awapuni Park Community and Recreation Centre Incorporated

PRESENTED BY: Bryce Hosking, Group Manager - Property

APPROVED BY: Sarah Sinclair, Chief Infrastructure Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council grant a lease of the Awapuni Community Centre and the land it occupies at Awapuni Park, 22 Newbury Street, Palmerston North, being part of Lot 97 DP20548, to Awapuni Park Community and Recreation Centre Incorporated, in accordance with Section 54 of the Reserves Act 1977.
-

1. ISSUE

- 1.1 Awapuni Park Community and Recreation Centre Incorporated wish to lease the Awapuni Community Centre, which they have been operating out of since the 1990s.
- 1.2 A report to the February 2022 Finance and Audit Committee assessed the proposal and as a result Council resolved:
 1. *That Council approves notifying the public of the proposal to grant a lease at Awapuni Park, 22 Newbury Street, Palmerston North to Awapuni Park Community and Recreation Centre Incorporated, in accordance with Section 54 of the Reserves Act 1977.*
 2. *That the Council notes the land area affected by the lease to Awapuni Park Community and Recreation Centre Incorporated is described as part of Lot 97 DP20548. The lease area is shown in Figure One of this report.*
- 1.3 Consultation was completed in May 2022. No submissions or objections were received.
- 1.4 This report requests Council approval to grant the lease in accordance with Section 54 of the Reserves Act 1977.

2. ASSESSMENT OF LEASE PROPOSAL

- 2.1 The report dated 23 February 2022 to the Finance and Audit Committee assessed the lease proposal against the Support and Funding Policy 2022, the impact on the locality and reserves operations, and the purposes of recreation reserves and the consideration under sections 17(2) of the Reserves Act.
- 2.2 The assessment concluded that the lease proposal could proceed to public consultation.

3. RESERVES ACT CONSULTATION AND CONSIDERATION OF OBJECTIONS

- 3.1 Council has consulted the community on the proposal to lease as required by Section 54 of the Reserves Act 1977.
- 3.2 Public notice, as required by Sections 54(2) and 119 of the Reserves Act 1977, was published on 24 March 2022 in the Manawatu Standard and on Council's website.
- 3.3 No objections or submissions were received and there were no requests to be heard. As such the requirement of Section 120 of the Reserves Act has been met.

4. DESCRIPTION AND ANALYSIS OF OPTIONS

Option One: Grant a lease to the existing tenant, Awapuni Park Community and Recreation Centre Incorporated, at Awapuni Park, 22 Newbury Street, in accordance with Section 54 of the Reserves Act 1977

- 4.1 This option sees Council granting a lease to the Awapuni Park Community and Recreation Centre Incorporated for the Awapuni Community Centre and by default the reserve land it occupies.
- 4.2 Entering a formal lease agreement gives certainty of tenure, clearly sets out the responsibilities of both parties and enables compliance with the Reserves Act.
- 4.3 A Management Agreement will also be put in place, alongside the lease agreement, to articulate the expectations of both parties for matters that do not relate directly to the building.

Option Two: Do not grant a lease to Awapuni Park Community and Recreation Centre Incorporated

- 4.4 Awapuni Park Community and Recreation Centre Incorporated has been operating from the site without a lease. To allow a group to occupy Council land and/or building without a lease is not reflective of good property stewardship. Option Two is therefore not deemed to be a valid option.

5. CONCLUSION

- 5.1 The proposal is consistent with the purposes of recreation reserves as the Awapuni Park Community and Recreation Centre supports recreation in the community centre and on the reserve.
- 5.2 The requirements of the Reserves Act for public notice, opportunities to be heard and consideration of objections or submissions, have been met.
- 5.3 It is recommended Council proceed to grant a new lease.

6. NEXT STEPS

- 6.1 A new lease is prepared for execution.

7. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual ss173,174	Yes
Are the decisions significant?	No
If they are significant do, they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 3: A Connected and Safe Community	
The recommendations contribute to the achievement of action/actions in Connected Communities	
The action is: Support the provision of existing community centres	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Community centres provide opportunities for the community to connect, celebrate and recreate.

ATTACHMENTS

Nil

COMMITTEE WORK SCHEDULE

TO: Finance & Audit Committee

MEETING DATE: 22 June 2022

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the Finance & Audit Committee receive its Work Schedule dated June 2022.

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Clause number
1.	June August 2022	Procurement Review	Business Assurance Manager		15 December 2021 Clause 95
2.	June August 2022	Financial delegation of Authority Policy Review	Business Assurance Manager		15 December 2021 Clause 95
3.	August 2022	Business Assurance six-monthly accountability report	Business Assurance Manager		16 December 2020 Clause 68.2
4.	August 2022	Quarterly Performance & Financial Report (quarter ending 30 June 2022)	Chief Financial Officer		Terms of Reference
5.	August 2022	Asset Management Review	Business Assurance Manager		15 December 2021 Clause 95
6.	August 2022	Sustainable Practices Review	Business Assurance Manager		15 December 2021 Clause 95
7.	August 2022	Review of Rating System	Chief Financial		15 December 2021

			Officer		Clause 91
8.	September 2022	Annual Report	Chief Financial Officer		Terms of Reference
9.	September 2022	Health and Safety quarterly update	Safety & Health Manager		Terms of Reference
10.	November 2022	Review of Project Planning and Budgeting	Business Assurance Manager		15 December 2021 Clause 95
11.	November 2022	Enterprise Risk Management Framework review	Business Assurance Manager		15 December 2021 Clause 95
12.	December 2022	Waka Kotahi Recreation Pathways Fund Associated with Te Ahu a Turanga Highway - report on the outcome of the funding application, including any financial implications for consideration as part of the draft 2023/24 Annual Budget process	Chief Infrastructure Officer		27 April 2022 Clause 30
13.	February 2023	Benefits Realisation Framework and Strategic Prioritisation Review	Business Assurance Manager		15 December 2021 Clause 95

ATTACHMENTS

Nil