



# Far North District Council



## **AGENDA**

### **Assurance, Risk and Finance Committee Meeting**

**Wednesday, 12 February 2020**

**Time:** 1.00 pm  
**Location:** Council Chamber  
Memorial Avenue  
Kaikohe

**Membership:**

Councillor John Vujcich - Chairperson  
Mayor John Carter  
Member Bruce Robertson  
Councillor Ann Court  
Councillor Mate Radich  
Councillor Kelly Stratford  
Councillor Moko Tepania

**ASSURANCE, RISK AND FINANCE COMMITTEE - MEMBERS REGISTER OF INTERESTS**

<b>Name</b>	<b>Responsibility (i.e. Chairperson etc)</b>	<b>Declaration of Interests</b>	<b>Nature of Potential Interest</b>	<b>Member's Proposed Management Plan</b>
<b>Hon John Carter QSO</b>	Board Member of the Local Government Protection Programme	Board Member of the Local Government Protection Program		
	Carter Family Trust			
<b>John Vujcich (Chair)</b>	Board Member	Pioneer Village	Matters relating to funding and assets	Declare interest and abstain
	Director	Waitukupata Forest Ltd	Potential for council activity to directly affect its assets	Declare interest and abstain
	Director	Rural Service Solutions Ltd	Matters where council regulatory function impact of company services	Declare interest and abstain
	Director	Kaikohe (Rau Marama) Community Trust	Potential funder	Declare interest and abstain
	Partner	MJ & EMJ Vujcich	Matters where council regulatory function impacts on partnership owned assets	Declare interest and abstain
	Member	Kaikohe Rotary Club	Potential funder, or impact on Rotary projects	Declare interest and abstain
	Member	New Zealand Institute of Directors	Potential provider of training to Council	Declare a Conflict of Interest
	Member	Institute of IT Professionals	Unlikely, but possible provider of services to Council	Declare a Conflict of Interest
	Member	Kaikohe Business Association	Possible funding provider	Declare a Conflict of Interest
<b>Bruce Robertson (Deputy)</b>	No Form Received			
<b>Deputy Mayor Ann Court</b>	Waipapa Business Association	Member		Case by case
	Warren Pattinson Limited	Shareholder	Building company. FNDC is a regulator and enforcer	Case by case
	Kerikeri Irrigation	Supplies my water		No
	Top Energy	Supplies my power		No other interest greater than the publics
	District Licensing	N/A	N/A	N/A
	Top Energy Consumer Trust	Trustee	Crossover in regulatory functions, consenting economic development and contracts such as	Declare interest and abstain from voting.

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
			street lighting.	
	Ann Court Trust	Private	Private	N/A
	Waipapa Rotary	Honorary member	Potential community funding submitter	Declare interest and abstain from voting.
	Properties on Onekura Road, Waipapa	Owner Shareholder	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.
	Property on Daroux Dr, Waipapa	Financial interest	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.
	Flowers and gifts	Ratepayer 'Thankyou'	Bias/ Pre-determination?	Declare to Governance
	Coffee and food	Ratepayers sometimes 'shout' food and beverage	Bias or pre-determination	Case by case
	Staff	N/A	Suggestion of not being impartial or pre-determined!	Be professional, due diligence, weigh the evidence. Be thorough, thoughtful, considered impartial and balanced. Be fair.
	Warren Patteinson	My husband is a builder and may do work for Council staff		Case by case
<b>Ann Court - Partner</b>	Warren Pattinson Limited	Director	Building Company. FNDC is a regulator	Remain at arm's length
	Air NZ	Shareholder	None	None
	Warren Pattinson Limited	Builder	FNDC is the consent authority, regulator and enforcer.	Apply arm's length rules
	Kurbside Rod and Custom Club (unlikely)	President NZ Hot Rod Association	Potential to be linked to a funding applicant and my wife is on the decision-making committee.	unlikely to materialise but would absent myself from any process as would Ann.
	Property on Onekura Road, Waipapa	Owner	Any proposed FNDC capital work in the vicinity or rural plan change. Maybe a link to policy development.	Would not submit. Rest on a case by case basis.

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
<b>Mate Radich</b>	No form received			
<b>Kelly Stratford</b>	KS Bookkeeping and Administration	Business Owner, provides book keeping, administration and development of environmental management plans	None perceived	Step aside from decisions that arise, that may have conflicts
	Waikare Marae Trustees	Trustee	Maybe perceived conflicts	Case by case basis
	Bay of Islands College	Parent Elected Trustee	None perceived	If there was a conflict, I will step aside from decision making
	Karetu School	Parent Elected Trustee	None perceived	If there was a conflict, I will step aside from decision making
	Maori title land – Moerewa and Waikare	Beneficiary and husband is a shareholder	None perceived	If there was a conflict, I will step aside from decision making
	Sister is employed by Far North District Council			Will not discuss work/governance matters that are confidential
	Gifts - food and beverages	Residents and ratepayers may 'shout' food and beverage	Perceived bias or predetermination	Case by case basis
<b>Kelly Stratford - Partner</b>	Chef and Barista	Opua Store	None perceived	
	Maori title land – Moerewa	Shareholder	None perceived	If there was a conflict of interest, I would step aside from decision making
<b>Moko Tepania</b>	Teacher at Te Kura Kaupapa Māori o Kaikohe.	Potential Council funding that will benefit my place of employment.		Declare a perceived conflict
	Chairperson at Te Reo o Te Tai Tokerau Trust.	Potential Council funding for events that this trust runs.		Declare a perceived conflict
	Tribal Member – Te Rūnanga o Te Rarawa	As a descendent of Te Rarawa I could have a perceived conflict of interest in Te Rarawa Council relations.		Declare a perceived conflict
	Tribal Member - Te Rūnanga o Whaingaroa	As a descendent of Te Rūnanga o Whaingaroa I could have a perceived		Declare a perceived conflict

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
		conflict of interest in Te Rūnanga o Whaingaroa Council relations.		
	Tribal Member – Kahukuraariki Trust Board	As a descendent of Kahukuraariki Trust Board I could have a perceived conflict of interest in Kahukuraariki Trust Board Council relations.		Declare a perceived conflict
	Tribal Member – Te Rūnanga ā-lwi o Ngāpuhi	As a descendent of Te Rūnanga ā-lwi o Ngāpuhi I could have a perceived conflict of interest in Te Rūnanga ā-lwi o Ngāpuhi Council relations.		Declare a perceived conflict



**Far North District Council**  
**Assurance, Risk and Finance Committee Meeting**  
**will be held in the Council Chamber, Memorial Avenue, Kaikohe on:**  
**Wednesday 12 February 2020 at 1.00 pm**

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**Order Of Business**

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## **1 APOLOGIES AND DECLARATIONS OF INTEREST**

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Committee and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a Member thinks they may have a conflict of interest, they can seek advice from the Chief Executive Officer or the Team Leader Democracy Support (preferably before the meeting).

It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

## **2 DEPUTATION**

No requests for deputations were received at the time of the Agenda going to print.

### 3 INFORMATION REPORTS

#### 3.1 AUDIT MANAGEMENT REPORT FOR JUNE 2019

**File Number:** A2823691

**Author:** Janice Smith, Chief Financial Officer

**Authoriser:** William J Taylor MBE, General Manager - Corporate Services

#### PURPOSE OF THE REPORT

To present the final Audit Management Report for the Annual Report process for June 2019.

#### EXECUTIVE SUMMARY

- Audit New Zealand prepares an Audit Management report upon the closure of each Annual report audit. This contains issues that require management response as well as issues that remain outstanding from previous reports.

#### RECOMMENDATION

**That the Assurance, Risk and Finance Committee receive the report “Audit Management Report for June 2019”.**

#### 1) BACKGROUND

Audit New Zealand prepares an Audit Management report upon the closure of each Annual report audit. This contains issues that require management response as well as issues that remain outstanding from previous reports. The current report for June 2019 identifies five new issues which are deemed “necessary” with 17 issues from prior audits of which three are now closed with 14 remaining “active” as part of this report.

#### 2) DISCUSSION AND OPTIONS

The report was approved for release to Council by the Audit Manager on the 28<sup>th</sup> November 2019.

The one “urgent” item that remains open from prior audits relates to project management. The Project Management Framework has now been rolled out in the IAM team and it is anticipated that this issue will be either closed completely or reduced to a lower level in the next audit management report.

The report contains management’s response on all issues raised.

#### Reason for the recommendation

The actions required in relation to this report are covered separately in the Audit and Assurance reports to this committee.

#### 3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no specific financial implications associated with this report.

#### ATTACHMENTS

1. **Audit Management Report June 2019 - A2823685**  

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the Council on the audit of

Far North District Council

For the year ended 30 June 2019

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## Key messages

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

### Audit opinion

We issued our audit report on 3 October 2019. Our report included an unmodified opinion on the financial statements and statement of service provision. This means we were satisfied that these statements present fairly the Council's activities for the year and its financial position at the end of the year.

### Matters identified during the audit

There is a small number of new recommendations following this year's audit. There continue to be a number of outstanding recommendations that need to be addressed and closed, however we have identified a number of areas where Council is currently undertaking a process to address outstanding recommendations with a view of closing these matters in the subsequent year.

### Impairment assessment

We identified that a number of asset classes were revalued with an effective date of the valuation occurring during March and April 2019. While bringing the valuation process forward did allow Council to process the valuations earlier, and for us to commence our valuation work prior to year-end, there was still a need to consider the existence of impairment from the date of valuation up to balance date. We were satisfied from our conversations with management that there were no indicators for these asset classes, however, we do recommend that impairment be formally considered for this period as part of preparing next year's financial statements.

### Thank you

We would like to thank the Council, management and staff for their assistance throughout the audit.



David Walker  
Appointed Auditor  
28 November 2019

## 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 recommendations.

Priority	Explanation
<b>Urgent</b>	<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes Far North District Council to significant risk or for any other reason need to be addressed without delay.
<b>Necessary</b>	<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
<b>Beneficial</b>	<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where Far North District 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 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<b>Carrying value of assets subject to periodic valuation</b> We recommend that Council prepare an impairment assessment to cover the period between valuation date and years end to ensure any indicators of impairment are considered as part of preparing the financial statements.	3	Necessary
<b>Kerikeri Civic Centre Trust loan guarantee</b> Council should seek up to date financial information from the Trust to determine whether Council continues to have a financial guarantee liability or if the Trust has sufficient resources to service the loan without Council's assistance.	3	Necessary

Recommendation	Reference	Priority
<b>Conflict of interest management</b> A documented approach should be introduced detailing how declared conflicts of interest for staff members are reviewed and mitigations are implemented. The mitigations put in place for each declared interest by staff should be recorded in the Interests Register. We also recommend that all conflict of interest management plans are signed off by staff to confirm that they understand and accept the required mitigations.	4.1	Necessary
<b>Periodic review of network logon accounts</b> We recommend that the Active Directory is regularly reviewed to verify that user network logon accounts comply with Council password rules and that the accounts have not become redundant.	4.2	Necessary
<b>Disclosure of agriculture assets</b> Council should consider the disclosure requirements for agriculture assets applicable to the group financial statements and ensure that appropriate systems are in place to obtain this information from Far North Holdings Limited as part of the consolidation process.	4.3	Necessary

## 1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	10	3	14
Implemented or closed	0	3	0	3
<b>Total</b>	<b>1</b>	<b>13</b>	<b>3</b>	<b>17</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 3 October 2019. This means we were satisfied that the financial statements and statement of service provision present fairly the District Council's activity for the year and its financial position at the end of the year.

### 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. All significant misstatements identified during the audit have been corrected, other than the item below.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Rate and rate penalty revenue	1				1,954,000
Impairment of rates receivable expense					(1,954,000)
<b>Total parent and group</b>					<b>0</b>

#### Explanation of uncorrected misstatements

- At the point the revenue is recognised, the Council should only be recording the rates and rates penalties that it expects to receive. This "day zero impairment" should not be recognised as an impairment expense. Rather, the revenue balance should be reduced accordingly. Based on current collection rates, revenue and expenses are overstated by an estimated \$1,954,000.

#### Management comment for not adjusting

*This adjustment has not been made to the accounts as it requires significant analysis of data in relation to Maori freehold land.*

*As arrears on Maori Freehold Land is a significant issue that is being worked on constantly the level of tracking and adjustments required to give effect to this standard are prohibitive, not repeatable and the quantum can move given the fluid nature of the arrears.*



*It should be acknowledged that Council are unique in the level of Maori Freehold Land arrears and hence have such a misstatement. This has been discussed with Audit NZ to ensure that the \$1.954 million does not exceed their significance level.*

### 2.3 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had an effect on the disclosure between two current asset classes as reflected in the table below.

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Cash and cash equivalents		2,625,801			
Sundry debtors		(2,625,801)			
<b>Total parent and group</b>		<b>0</b>			

#### Explanation of corrected misstatements

- At year-end an amount was received by the District Council after the close of business but before balance date. This was not initially recorded as part of Council's year-end processing and was recorded in the draft financial statements as a sundry debtor and a reconciling item in the Council's bank reconciliation as at 30 June 2019. Given the quantum of the receipt this was subsequently adjusted by Council in the Annual Report adopted by Council.

### 2.4 Corrected disclosure deficiencies

Detail of disclosure deficiency
A number of disclosure misstatements were identified which were all adjusted prior to the completion of the audit. The most significant disclosure deficiencies related to capital commitments, amounts in the notes that did not agree to the amounts on the face of the financial statements and prior year amounts that did not agree to the prior year annual report.

### 2.5 Corrected performance reporting misstatements

Detail of misstatement
A number of performance reporting misstatements were corrected during the course of the audit, these mainly related to the prior year reported figures being incorrectly disclosed.

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

Management are responsible for providing information for audit relating to the annual report of Far North District Council. This includes the draft annual report with supporting working papers.

We continue to see improvements in the quality and timeliness of information provided to us for audit. We are working with management on further improvements that can be made to the process and plan to hold a debrief session during November 2019 to identify improvements that can be made as we head into next year.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 17 April 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Carrying value of assets subject to periodic valuation</b>	
<p>Far North District Council recognises a range of asset classes at fair value in its financial statements.</p> <p>The Council is required to carry out valuations with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Given the ongoing movements in construction costs, there is a risk that the fair value is materially different from carrying value. These have been addressed during the course of the audit.</p> <p>The Council has revalued certain classes of roading, storm water, community facilities and land under roads as at 30 June 2019, as well as its maritime and heritage assets.</p>	<p>We have assessed whether any material valuations have been performed in accordance with PBE IPSAS 17, Property, Plant and Equipment. In particular, we have:</p> <ul style="list-style-type: none"> <li>obtained assurance that the valuation methodology complies with accounting standards;</li> <li>assessed whether the fair value reasonably reflects the condition of assets (professional assistance was sought (valuers)) and therefore their remaining useful lives; and</li> <li>checked that the Council has correctly accounted for the revaluation in its financial statements.</li> </ul> <p>We have reviewed the Council's fair value assessment for assets which are not revalued at balance date and agree with management's assessment that the value of these asset classes has not moved materially to require a full revaluation.</p> <p>We have also reviewed any disclosures made by the District Council for compliance with PBE IPSAS 17.</p> <p>Council have performed this year's valuations with an effective date ranging from March to April 2019. While impairment has been considered as part of the valuation process there was no formal impairment assessment performed following the completion of the valuation process up to balance date. From enquiries made we were satisfied that there were no known indicators of impairment that would materially affect this year's financial statements.</p>

Audit risk/issue	Outcome
	<p>Going forward we recommend that Council prepare an impairment assessment to cover this period and ensure any indicators of impairment are considered as part of preparing the financial statements.</p> <p><b>Management comment</b></p> <p><i>This was the first attempt by Council to bring the adoption date forward. The impairment assessments were not provided for the dates between valuation and year end as there were no material changes in circumstances that would result in impairment. This was notified to Audit and it is noted that the impairment review needs to be completed if the timeframe adopted for this set of accounts is retained going forward.</i></p>
<b>Carrying value of property, plant and equipment measured at cost and intangible assets</b>	
<p>For property, plant and equipment (PPE) held at cost and intangible assets, Council is required to undertake an annual assessment for indicators of impairment in accordance with the accounting standards. The bar is even higher for intangible asset work in progress, which is required to be tested for impairment.</p>	<p>We have considered Council's impairment assessment for assets carried at costs and confirmed that the conclusions reached by management appear reasonable. Council has recognised \$1.534 million of impairment in relation to the Russell wharf which Council has agreed to transfer to Far North Holdings Limited for the value of \$1 following the completion of a public consultation process.</p> <p>We have reviewed the recognised impairment and confirmed it has been accounted for in line with PBE IPSAS 21, <i>Impairment of Non-cash Generating Assets</i>.</p>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>As part of our audit we have:</p> <ul style="list-style-type: none"> <li>the testing of appropriateness of selected journal entries;</li> <li>reviewed accounting estimates for indications of bias; and</li> <li>evaluated any unusual or one-off transactions, including those with related parties.</li> </ul> <p>No issues were noted from the work performed.</p>

Audit risk/issue	Outcome
<b>Accounting for controlled entities</b>	
<p>The wider Council Group is made up of a number of entities. As Council is the ultimate parent entity in the group, there is a need for determining what entities need to be accounted for in Council's group financial statements as well as ensuring there are appropriate processes in place with these entities to get relevant information for inclusion in Council's parent and group financial statements.</p> <p>At balance date we noted there were several new entities such as the Pou Herenga Tai Twin Coast Cycle Trail Charitable Trust (100% owned subsidiary) and Northern Adventure Experience Limited (49% owned directly (24%) and indirectly the Twin Coast Cycle Trail Charitable Trust (25%)) This is in addition to Far North Holdings Limited and Te Ahu Charitable Trust, which have been consolidated by Council for a number of years.</p>	<p>We have considered the financial information for both new entities and noted that neither entity is material to the Group financial statements. Pou Herenga Tai Twin Coast Cycle Trail Charitable Trust has commenced trading and has been consolidated into the Council's group financial statements while Northern Adventure Experience Limited has recently been established and is yet to commence trading.</p>
<b>Kerikeri Civic Centre Trust loan guarantee</b>	
<p>In 2003, the Council agreed to be a guarantor for the loan that the Trust had obtained from Westpac. A Memorandum of Understanding (MoU) was put in place between the Council and the Trust.</p> <p>The Council has recognised this financial guarantee at fair value in its financial statements.</p> <p>We understand that the Trust may have received a significant bequest in recent years which could enable the Trust to repay the loan and that the likelihood of the Council's guarantee being called on may therefore have reduced, however it was unclear whether there were conditions attached to the bequest that would restrict the use of these funds.</p>	<p>We have considered whether the Council has measured the financial guarantee in accordance with PBE IPSAS 29, Financial Instruments: Recognition and Measurement, which requires financial guarantees to be measured, after initial recognition, at the higher of the:</p> <ul style="list-style-type: none"> <li>• present value of the estimated amount to settle the guarantee obligation if it is probable that there will be an outflow to settle the guarantee; and</li> <li>• amount initially recognised less, when appropriate, cumulative amortisation as revenue.</li> </ul>

Audit risk/issue	Outcome
<p>The Council needed to re-measure the financial guarantee at balance date to ensure it remains appropriate to recognise each year.</p>	<p>We found that the Council has reduced the carrying value of the financial guarantee by \$113k which reflects the reduction in the loan balance between years. The Council has not been able to obtain sufficient information from the Trust to determine if there are conditions attached to the bequest which would prevent it from being used to make repayments on the loan. The Council has therefore been reluctant to further adjust the carrying value of the financial guarantee at this point in time.</p> <p>We reviewed the disclosures made by the Council in the financial instruments note included in the financial statements and were satisfied that these complied with the accounting standards in all material respects.</p> <p>We recommend that Council seek up to date financial information from the Trust to determine whether Council continues to have a financial guarantee liability or if the Trust has sufficient resources to service the loan without Council's assistance.</p> <p><b>Management comment</b></p> <p><i>Council will be reviewing the financial position of the Kerikeri Civic Centre Trust during the 2019/20 financial year. The outcome of that review will be used to determine whether this liability remains on the Council balance sheet going forward.</i></p>

## 4 Matters identified during the audit



During the audit we identified the following matters not specifically identified as part of our planning.

### 4.1 Conflict of interest management

The Council does not have a formal approach for ensuring that conflicts of interest that exist for staff are properly managed. Any declared interests are currently referred through to the staff member's manager who is responsible for ensuring a management plan is put in place. There is a risk that either the staff member's manager does not make a decision as to how the conflict is to be managed or that the staff member declaring the conflict is not aware of, or does not understand what mitigations are to be put in place to manage that conflict.

We recommend that Council has a documented approach as to how declared conflicts of interest for staff members are reviewed and mitigations are implemented. The mitigations put in place for each declared interest by staff should be recorded in the Interests Register. We also recommend that all conflict of interest management plans are signed off by staff to confirm that they understand and accept the required mitigations.

#### Management comment

*The Council now uses SharePoint to record all conflicts of interest and management plans are stored within this system. The Manager – People & Capability and the General Manager – Corporate Services are discussing the possible transfer of the monitoring and update of the register to the Financial Services team.*

### 4.2 Periodic review of network logon accounts

A formal process has been established to regularly review Council's "Active Directory" (AD) to ensure that user network logon accounts are current. Council policy is that user's passwords must expire and be changed every 35 days.

We obtained a current listing of network user accounts and reviewed these exceptions with Information Services operational staff.

We noted there is a high number of user network logon accounts that have no requirement for a password change and additionally that there are many accounts that have not been used for a period longer than six months.

The risk of unauthorised access to Council systems is increased if the control procedures around user logon accounts, such as account creation and maintenance, are not in place and operationally effective. Redundant user accounts are often used as a target for unauthorised access to an organisation's network.

We recommend that the Active Directory is regularly reviewed to verify that user network logon accounts comply with Council password rules and that the accounts have not become redundant.

**Management comment**

*Following the Audit in April 2019, Council officers have undertaken to update the management tool used to create and maintain the user accounts in Active Directory. Council is also in the process of moving to Office365 and this process is being used to update and validate accounts that are in use and comply with the Council network password policy requirements.*

*Council internal QA will also be completing a review of the existing processes to ensure all components are completed.*

*Council will be reviewing the amount of accounts used as well as reviewing the on-boarding and cessation process to ensure accounts are disabled correctly.*

*Several the accounts that were highlighted were external contractor accounts. This process is also being reviewed so that IT is notified when the contractor's engagement has been completed.*

*Council is planning to have completed a review of the new policy process by the next Audit in 2020. This will be used by all Council staff.*

**4.3 Disclosure of agriculture assets**

During the year Far North Holdings Limited (FNHL) acquired assets from a local Honey Bee business through a business acquisition. We were satisfied that these assets were correctly disclosed in FNHL's financial statements in line with the Tier 2 reporting requirements of NZ IAS 41 – *Agriculture*. When FNHL is consolidated into the Council's group financial statements (applying Tier 1 reporting) there are additional disclosure requirements under PBE IPSAS 27 – *Agriculture*, which does not have the Tier 2 disclosure concessions.

We recommend that Council consider the disclosure requirements for agriculture assets applicable to the group financial statements and ensure that appropriate systems are in place to obtain this information from FNHL as part of the consolidation process.

**Management comment**

*Council will include this issue in the checklist of information required from CCOs for consolidation of accounts.*



## 5 Public sector audit



The Council is accountable to their local community and to the public for its use of public resources. Everyone who pays rates has a right to know that the money is being spent wisely and in the way Far North District 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 Far North District 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 Council carrying out its activities effectively and efficiently;
- the Council incurring waste as a result of any act or failure to act;
- any sign or appearance of a lack of probity as a result of any act or omission, either by Far North District 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.

No issues were identified based on the work we performed as part of this year's audit.

## 6 Group audit



The group comprises:

- Far North District Council;
- Far North Holdings Limited;
- Te Ahu Charitable Trust; and
- Pou Herenga Tai Twin Coast Cycle Trail Charitable Trust.

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

- 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 Far North District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
<b>Client updates</b>	
<p>In March 2019, we hosted a series of client updates. The theme was "Improving trust and confidence in the public sector".</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Model Financial Statements</a></p>
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>

Description	Where to find it
<b>Severance payments</b>	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	On the OAG's website under 2019 publications. Link: <a href="#">Severance payments</a>
<b>Matters arising from the 2017/18 audits</b>	
The OAG has published a report on the results of the 2017/18 audits for the sector.	On the OAG's website under publications. Links: <a href="#">Local Government</a>
<b>Good practice</b>	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	On the OAG's website under good practice. Link: <a href="#">Good practice</a>
<b>Post-implementation reviews</b>	
The OAG have recently completed a review of Auckland Council's post-implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post-implementation review checklist.	On the OAG's website under publications. Link: <a href="#">Post-implementation review process</a>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Urgent</b>		
<p><b>Significant projects</b></p> <p>We recommended that the Council make sure that, for each project:</p> <ul style="list-style-type: none"> <li>• robust project governance and management structures are in place;</li> <li>• a project plan is developed;</li> <li>• a procurement plan is documented;</li> <li>• a comprehensive risk register is maintained;</li> <li>• regular project reporting is undertaken; and</li> <li>• adequate systems and controls are in place for: <ul style="list-style-type: none"> <li>○ recording and appropriately classifying expenditure;</li> <li>○ ensuring the business benefits are identified, planned, implemented, managed and monitored through appropriate change management; and</li> <li>○ identifying commitments for disclosure in the Council's financial statements.</li> </ul> </li> </ul> <p>We also recommended that the Council consider obtaining independent assurance over significant projects to provide the Council with comfort that appropriate project management practices are being applied.</p>	2016 or earlier	<p>The Council is making good progress with this and there is some improvements in this area have been sighted in the conducting of the 2019 audit.</p> <p>The Project Management Office is working on a Council-wide project management framework which will be based on best practice guidelines. This framework will be approved and rolled out in the 2020 financial year.</p> <p><b>Management comment</b></p> <p>1) <i>Project Management Framework for Infrastructure released:</i></p> <ul style="list-style-type: none"> <li>• <i>Infrastructure delivery processes now in use. Adopted Aug 2019.</i></li> <li>• <i>Resource Consents processes in development. Due for adoption Jan 2020.</i></li> </ul> <p>2) <i>Project Management training:</i></p> <ul style="list-style-type: none"> <li>• <i>IAM Project Management Framework briefing presentations and key staff training. Complete Oct 2020.</i></li> <li>• <i>Organisation wide roadshow. Due Feb 2020.</i></li> </ul> <p>3) <i>Infrastructure Portfolio Management processes:</i></p> <ul style="list-style-type: none"> <li>• <i>Organisation wide usage of the PMF for early planning and development of the capital works programme. Due April 2020.</i></li> </ul>

Recommendation	First raised	Status
		<p>4) <i>Business Case Framework:</i></p> <ul style="list-style-type: none"> <li>Decision-making process to support investment decisions by Council and senior management. Utilised by Portfolio, Programme and Project management processes. Due Feb 2020.</li> </ul> <p>5) <i>Project Management Framework for Business Projects refresh:</i></p> <ul style="list-style-type: none"> <li>Update processes in line with Business Case Framework. Due March 2020.</li> </ul> <p>6) <i>Project Portfolio Management system – automated software.</i></p> <p><i>Business case due Dec 2019 to provide support of project planning, prioritisation and management enterprise wide.</i></p>
<b>Necessary</b>		
<p><b>Resource management deposits</b></p> <p>We recommend management reviews resource management deposits and makes an assessment as to whether they still meet the definition of a liability.</p> <p>If not, they should be released to revenue.</p>	2018	<p>The Environmental Services Manager has advised that FNDC will address these bond payments by preparing a case file for each bond payment and assessing whether the bond payment should be released. FNDC implemented this review in May 2019 and have completed the first 12 case files. FNDC expects that this review will be completed by the end of the 2019 calendar year.</p> <p>We will follow up on progress made as part of next year's audit.</p> <p><b>Management comment</b></p> <p><i>Noted. Regular updates will be sought from the team on this issue.</i></p>
<p><b>High annual leave balances</b></p> <p>We recommended that annual leave balances are regularly reviewed and action is taken to actively manage the leave liability and mitigate the associated risks.</p>	2017	<p>Leave balances continue to be high.</p> <p><b>Management comment</b></p> <p><i>Managers are required to work on leave management plans with staff that have high leave balances.</i></p>

Recommendation	First raised	Status
<b>Cashing up on annual leave</b>  We recommend that Council's leave policy is updated to reflect the legal limits and approval processes for cashing up annual leave balances.	2018	The policy is currently under review and that there is a plan to get employees to either take the annual leave or to allow employees to cash up outstanding annual leave.  We will follow up on progress made as part of next year's audit.  <b>Management comment</b>  <i>Council have updated their policy and reflected the current cashing out of leave to match legislation.</i>
<b>Segregation of duties – Journal entries</b>  We recommend that management investigate whether changes can be made to the settings in TechOne to prevent the same person from being able to prepare and approve a journal.	2018	Management advised that the Accounting software does not allow for this automated control and manual controls are being implemented. During the audit instances were still identified where journals were raised and approved by the same user.  We will follow up on progress made as part of next year's audit.  <b>Management comment</b>  <i>Noted. Staff are reminded regularly that they are not allowed to process journals they have created. A monthly report will be reviewed and any instances where this has occurred will be dealt with. If necessary, staff breaching this control will have access removed.</i>
<b>User access within TechOne accounting software</b>  We recommend that management reviews user access rights within TechOne on a regular basis to make sure that they are consistent with the Council's policy.	2018	During the audit we identified an instance where an Accounts Payable officer posted and approved an invoice instead of this being approved by the Manager Transactional Services. We consider this matter to still be outstanding and will follow up on progress as part of next year's audit.  <b>Management comment</b>  <i>Noted.</i>

Recommendation	First raised	Status
<p><b>Valuation of land under roads</b></p> <p>We recommended that the Council consider the appropriateness of the methodology used for valuing land under roads.</p>	2017	<p>We have worked with management to determine an approach going forward to resolve this matter. As the valuation of land under roads was already completed at the time of determining the approach this will be implemented in preparing next year's financial statements.</p> <p>We will review this as part of next year's audit with a view of closing this once the relevant changes are incorporated.</p> <p><b>Management comment</b></p> <p><i>This has been addressed as part of Council's valuation processes for the 2019/20 year.</i></p>
<p><b>Consolidated financial statements</b></p> <p>Issues noted with the group financial statements in the prior years that could result in material misstatements going forward are as follows:</p> <ul style="list-style-type: none"> <li>Revaluation cycles - we found that not all assets in a class are revalued at the same time by all entities in the group. For example, FNHL revalues their land and buildings annually and the District Council does not.</li> <li>The District Council currently accounts for FNHL land, buildings and runways as separate asset classes for revaluation purposes in the group financial statements. Unless the FNHL assets are entirely different asset classes from the District Council's, the revaluation reserve that relates to assets owned by FNHL should be included in the same revaluation reserve line for the relevant asset class in the group financial statements (whether that is land, buildings etc).</li> </ul>	2018	<p>Some improvements were noted during this year's audit such as similar asset classes from component entities being grouped into the same asset class in the consolidated financial statements.</p> <p>One part of this issue has been closed during the 2019 year as follows:  <i>"Inconsistent application of group accounting policies - some accounting policies are not applied consistently across the group. We found that airport assets are carried at cost by the District Council (Kaitia airport) and are revalued by FNHL (Kerikeri airport). Accounting standards require consistent accounting policies to be applied by the District Council in preparing the group financial statements."</i> FNDC do not own the airport assets anymore.</p> <p>While progress has been made there is still some areas that need to be addressed before this matter can be closed.</p> <p><b>Management comment</b></p> <p><i>Council are taking steps to ensure that outstanding areas of concern are addressed.</i></p>



Recommendation	First raised	Status
<p><b>Deferral of capital expenditure</b></p> <p>We recommended that the Council give consideration to the impact of deferred capital expenditure on asset condition and any potential impact this may also have on Council's asset valuations and impairment assessments for future reporting cycles.</p>	2016 or earlier	<p>Council continues to experience issues in delivering the full capital plan detailed in the Council's 2018-28 Long-Term Plan.</p> <p>We understand this is an area of focus for Council with a longer term plans of building a better understanding of Council's assets which will assist with asset planning processes in future years.</p> <p><b>Management comment</b></p> <p><i>Council has commenced programme Darwin which is aimed at addressing a group of issues with asset management. Delivery of the capital programme being one of these issues. Council is reviewing the capital programme for future plans to ensure that it is achievable from inception and is limited to what can reasonably be delivered.</i></p>
<p><b>Conflict of interest</b></p> <p>We recommend that:</p> <ul style="list-style-type: none"> <li>improvements are made to policies and procedures in connection with the management of conflicts of interest as a matter of priority; and</li> <li>perceived conflicts are proactively managed. This could include making a proactive disclosure to the market to give participants a level of comfort about the District Council's management of perceived conflicts of interest.</li> </ul>	2016 or earlier	<p>This has been raised for a number of years and remains outstanding. While not considered an urgent recommendation it does fall short of expected good practice for an entity of Council's size and complexity. Given the reputational risk this could give rise to if Council gets this wrong we have raised this again in section 4.1 of our report.</p> <p><b>Management comment</b></p> <p><i>See response in 4.1 of the report.</i></p>

Recommendation	First raised	Status
<b>Payroll masterfile changes</b> We recommended a payroll master file changes report is generated on a regular basis and reviewed by someone independent of the person making the changes and who does not have access to make changes to the master data themselves.	2016 or earlier	Council is in the process of recruiting for a staff member who will help address this and the overall controls within Council's payroll system. We understand Council's current payroll staff do not have capacity to address this issue.  <b>Management comment</b> <i>This has been actioned and is undertaken by our People &amp; Capability Coordinator Lead.</i>
<b>Beneficial</b>		
<b>Information security policies</b> The information security policies were reviewed as part of the Information Security Audit and while due for review, were found to be adequate in terms of content as were the processes sitting in behind these policies and adherence to both.  An Internal Policy review was also undertaken by FNDC's Internal Auditor in 2018 and a review programme is underway (these policies scheduled for March 2019 – there were no urgent issues identified with these policies through the audit therefore the updating has been prioritised against other commitments the IS Team have).	2016 or earlier	At the time of the audit, the Kaon/MPA Policy System framework has been purchased and the IT related policies were being reviewed, approved and published.  <b>Management comment</b> <i>The Kaon/MPA Policy System framework has been purchased and will be reviewed in February/March 2020 with a view to roll out across the organisation.</i>
<b>Property, plant and equipment disclosure</b> We recommended that management reviews the PPE disclosures in the financial statements in advance of the next annual reporting cycle and considers whether changes can be made so that these more fully comply with the accounting standards.	2017	We understand that this matter will be considered as part of preparing next year's financial statements.  <b>Management comment</b> <i>Council will review this for the next Annual Report.</i>

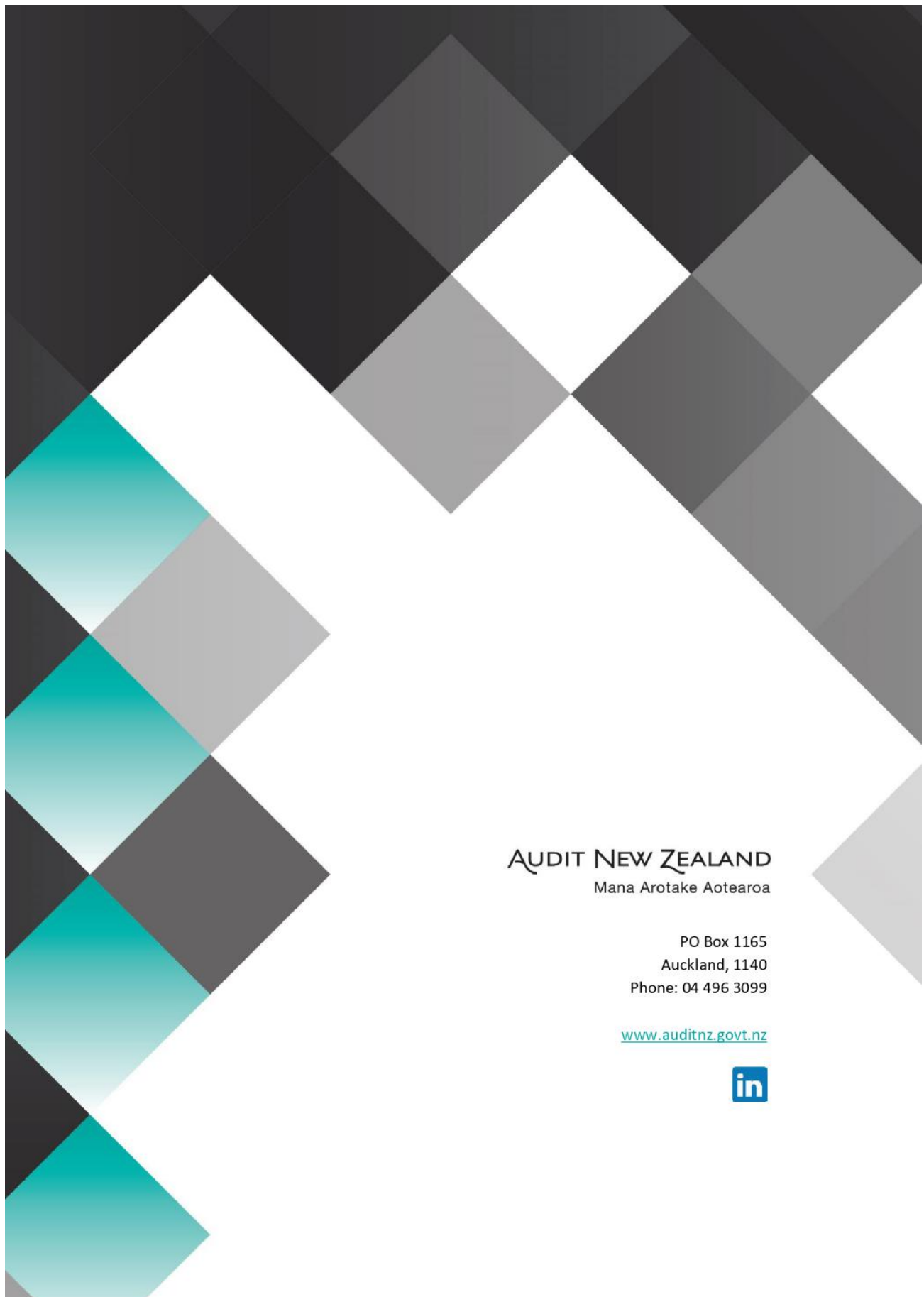
Recommendation	First raised	Status
<b>Carbon credits</b>  We recommended that the Council recognise the carbon credits that it acquired at fair value at the date of acquisition.	2017	<p>The carbon credits that were presented to Council in relation to forestry are deemed to have no value as Council has not yet determined a harvesting policy and it is not clear if the credits would need to be surrendered if replanting was not an option.</p> <p>This matter remains outstanding and will be considered again next year.</p> <p><b>Management comment</b></p> <p><i>The IAM team have been asked to review forestry holdings with the aim of creating a harvesting strategy so that this issue can be addressed.</i></p>

**Implemented or closed recommendations**

Recommendation	First raised	Status
<p><b>Supporting documentation for leave entitlements</b></p> <p>We recommended that management ensures all personnel files are kept up to date with appropriate supporting documentation for any changes made to employee entitlements.</p>	2017	<p>During our audit we did not identify any of the issues around the supporting documentation for leave entitlements.</p> <p>This issue have been closed.</p>
<p><b>New supplier set up process and review</b></p> <p>We recommended that the Council formalises the process of setting up a new supplier, including ensuring that appropriate supporting documentation is received before a change is made to the Masterfile.</p> <p>We also recommended that a system generated report which includes all changes to the Masterfile is extracted on a monthly basis and independently reviewed by a staff member who does not have edit access to the Masterfile.</p> <p>The process for setting up a new supplier should also include making enquiries to determine whether a related party relationship exists between new suppliers and the staff member requesting the supplier be set up. This check should be documented before a new supplier is set up.</p>	2016 or earlier	<p>We have sighted the new supplier form and noted improvements made by the Council.</p> <p>The new form requires supporting documentations to be attached by the supplier otherwise the account will not be set up. A conflict of interest declaration is also required from the requester.</p> <p>This issue is now closed.</p>
<p><b>Payroll controls</b></p> <p>We recommended that consideration is given to implementing an independent review of timesheet data entered into the payroll system. Such a review should be evidenced to show that it is being carried out.</p>	2016 or earlier	<p>A manual control has been implemented during the year where someone with no payroll access reviews the summary of what has been recorded in payroll system to the timesheet data.</p> <p>This issue is now closed.</p>

## Appendix 2: 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 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 Far North District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have performed a limited assurance engagement related to the District Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$173,875 as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$6,875, for limited assurance engagement related to the District Council's debenture trust deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with Far North District Council or its subsidiaries and controlled entities that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with Far North District Council or its subsidiaries and controlled entities during or since the end of the financial year.</p>



### 3.2 REVENUE RECOVERY REPORT - FEBRUARY 2020

**File Number:** A2825732

**Author:** Margriet Veenstra, Manager - Transaction Services

**Authoriser:** William J Taylor MBE, General Manager - Corporate Services

#### PURPOSE OF THE REPORT

The purpose of this report is to provide regular reporting to the Far North District Council Assurance, Risk and Finance Committee.

#### EXECUTIVE SUMMARY

- This is the first report for the financial year 2019/20 and provides information on action taken to collect the current and arrears balances for rates, water and sundry debt, and to provide information on how collection is tracking against targets.

#### RECOMMENDATION

**That the Assurance, Risk and Finance Committee receive the report “Revenue Recovery Report - February 2020”.**

#### BACKGROUND

This document has been prepared to outline current and arrears balances for rates, water and sundry debtors as at 31 December 2019 and the actions taken by the Debt Management Team for the collection of the debt.

This information is part of the standing items reported to the Committee on a regular basis.

#### DISCUSSION AND NEXT STEPS

The information has been identified for general title and Māori Freehold Land rates and water accounts. Sundry debtors, which is another revenue stream for council, is shown in a separate table.

The total arrears balance for general title rates has reduced by 21% since 31 July 2019 and water by 35%. Māori Freehold Land rates has reduced by 1% since 31 July 2019 and water by 8%.

Below are the actions and focus areas for the first half of the rating year for the Debt Management Team for the collection of the **general title** rates and water.

- Continuing from last rating year, there are 64 properties currently with an external Law Firm to proceed with legal action for rates and water arrears.
  - Action commenced on 45 properties;
    - Judgment by default was received for one property and another 6 have been submitted this month. A further 14 to be submitted in January 2020 once the deadline has passed.
    - 5 were paid in full and 11 have a Deed of Settlement agreement in place
    - Owners for 3 properties are to officially abandon the land
    - 5 require additional action, including serving of substituted service.
  - The remaining 19 properties were withdrawn from legal proceedings as they were deemed to be Māori Land or subject to the 1967 Act.
  - Next action(s) for properties where default judgment has been obtained, is to be discussed and agreed with Council.

- First phase of mortgage demand for general title properties commenced in December for 194 accounts with another 300 identified for the second phase for which mortgage demand will be issued in February to ensure payment by the end of the rating year.
- Continuous audit of existing Arrangements to Pay to ensure the agreements are being met.
- Ongoing promotion of the Internal Affairs Rates Rebates Scheme in day to day communications with Ratepayers.

Of the total number of accounts marked as 'Balance to be collected by other means':

- 56% of the arrears balance is made up of last year's outstanding rates and 65% of the last two years.
- Of the 65%, we are due to commence the next tranche of Mortgage Demand for another 35% in February 2020.
- For the remaining 35%, the arrears balance is split across several years. Those with the highest debt balance, will have received Final Demand letters and are waiting to be referred for Legal proceedings once the first groups have been completed.

The Te Hono team relations and development initiatives have opened communications about payment of rates for Māori Freehold Land.

- Debt Management have been asked to provide and discuss payment options for some property owners in the past months.
- A list of 57 Māori Freehold land properties with Mortgages with a debt totalling \$373K have been passed to the Te Hono team to initiate conversations prior to mortgage demand which is due to take place 20 February 2020.

Focus for the second half of the rating year for general title rates and water will be:

- Mortgage demand to be issued for a further 300 properties on 20 February 2020, together with 57 Māori Freehold Land properties.
- A letter to be sent to the remaining properties with mortgages but with low arrears balances, notifying them that they will be included in mortgage demand next rating year if the arrears balance is not addressed.
- Final mortgage demand for the 1<sup>st</sup> phase of 194 accounts will be issued on the 20<sup>th</sup> of March 2020.
- Details for all identified Abandoned Land properties will be passed for feedback in February 2020 to Council, Community Groups, Iwi, the NRC and Māori Land Court.
- Direct Debit switch/set up offer supported by ASB to be introduced with option for another offer next rating year to promote the Online Services launch.
- An article has been prepared in cooperation with the Communications team for publication in all local papers in January/February to explain Council is getting tougher on debt, outlining the options available to rate payers who have arrears.

The total sundry debtors aged debt has been reduced by 61% since 30 June 2019. The Debtors ledger was split alphabetically between Debt Management Officers at the start of the rating year, with each team member focussing on aged debt. Additionally, the team have:

- Regular monthly meetings with Compliance Support and Building Consents Support teams to resolve outstanding issues and implement process improvement where applicable.
- Continued collaboration with Council Legal team for advice and support for aged debt collection.
- Closed current accounts in Pathway without any activity for more than a year to avoid incorrect invoicing.



**FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION**

Provision is made annually for doubtful debts in relation to the arrears owed to council. A higher provision for Māori Freehold land rates and water is made in comparison to General Title rates and water due to the difference in collection options available to Council.

**ATTACHMENTS**

1. **2020-02-12 ARF Revenue recovery Report attachment - A2825313**  

**General Title rates and water rates analysis by age at 31 December 2019**

<b>General Title Rates and Water Arrears 2019-20</b>							
<b>General Title Rates December 2019</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014+</b>	<b>Total</b>	<b># accounts</b>
Abandoned Land	69,209	69,451	68,373	67,519	187,824	462,375	48
Payment Arrangement	73,854	18,302	7,215	4,364	146	103,881	156
Deceased Rate Payer	84,474	76,342	65,639	56,117	133,628	416,200	64
Mortgage Run 2019-2020	398,193	283,596	7,989	-	50	689,828	159
Legal Action Commenced	142,126	137,165	131,157	107,731	217,082	735,261	62
Liquidation	4,101	3,845	3,958	3,725	11,112	26,742	3
Direct Debit - no REP	50,636	18,844	15,498	12,637	18,361	115,975	4,890
Direct Debit - REP	47,852	19,043	8,468	2,622	1,621	79,606	5,211
Balance collected by other means	2,089,071	994,324	618,172	427,041	659,023	4,787,631	19,862
<b>Rates Total</b>	<b>2,959,516</b>	<b>1,620,912</b>	<b>926,468</b>	<b>681,755</b>	<b>1,228,847</b>	<b>7,417,498</b>	<b>30,455</b>
<b>General Title Water December 2019</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014+</b>	<b>Total</b>	<b># accounts</b>
Abandoned Land	185	313	296	263	708	1,765	1
Payment Arrangement	7,894	1,633	364	273	-	10,164	19
Deceased Rate Payer	23,170	13,779	12,581	5,033	10,892	65,455	12
Mortgage Run 2019-2020	51,552	49,609	7,892	18	-	109,071	15
Legal Action Commenced	6,879	3,750	4,325	4,650	10,425	30,029	8
Liquidation	-	-	-	-	-	-	-
Direct Debit - no REP	22,616	5,999	1,533	1,859	2,959	34,966	87
Direct Debit - REP	25,948	6,522	3,429	1,114	913	37,926	195
Balance collected by other means	339,119	142,050	62,261	48,916	70,124	662,470	1,244
<b>Water Total</b>	<b>477,363</b>	<b>223,655</b>	<b>92,682</b>	<b>62,127</b>	<b>96,020</b>	<b>951,847</b>	<b>1,581</b>

**Māori Freehold Land rates and water analysis by age at 31 December 2019.**

<b>MFL Rates and Water Arrears 2019-20</b>							
<b>MFL rates December 2019</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013+</b>	<b>Total</b>	<b># accounts</b>
Payment Arrangement	2,816	685	-	-	-	3,501	22
Deceased ratepayer, recovery to be investigated	24,112	22,633	20,585	18,167	38,763	124,260	16
Paying via direct debit	36,594	30,685	26,081	20,439	19,501	133,299	169
Rates Easy Pay	6,707	2,081	2,063	1,803	415	13,069	241
Abandoned Land	5,235	5,247	5,091	4,902	13,832	34,307	3
Balance collected by other means	3,901,099	3,603,540	3,515,282	3,520,334	7,263,198	21,803,453	3,088
<b>Rates Total</b>	<b>3,976,563</b>	<b>3,664,870</b>	<b>3,569,101</b>	<b>3,565,646</b>	<b>7,335,708</b>	<b>22,111,888</b>	<b>3,539</b>

<b>MFL water December 2019</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013+</b>	<b>Total</b>	<b># accounts</b>
Payment Arrangement	2,506	1,891	-	-	-	4,397	2
Rates Easy Pay	477	353	46	1,054	816	2,746	4
Balance collected by other means	55,523	53,616	34,905	17,513	65,994	227,550	48
<b>Water Total</b>	<b>58,505</b>	<b>55,860</b>	<b>34,951</b>	<b>18,567</b>	<b>66,810</b>	<b>234,693</b>	<b>54</b>

**Sundry Debtors by age for 31 December 2019.**

<b>Sundry Debtors Aged Period Report as at 31 December 2019</b>					
<b>Category</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>90 Days +</b>	<b>Total</b>
Sundry	53,666	15,808	271	82,545	152,289
Bookings	240	150	-	420	810
Septage	-	13,441	-	104	13,545
Refuse	2,676	1,062	179	3,713	7,629
Building	83,096	54,257	10,960	70,729	219,041
Resource	56,519	24,167	42,646	86,648	209,980
Liquor	9,116	7,241	2,707	368	19,432
Health	11,915	12,008	4,438	20,947	49,307
<b>Total</b>	<b>217,227</b>	<b>128,133</b>	<b>61,200</b>	<b>265,474</b>	<b>672,034</b>

### 3.3 INTERNAL AUDIT AND ASSURANCE REPORT

**File Number:** A2826403

**Author:** Lisa Huria, Audit and Assurance Specialist

**Authoriser:** William J Taylor MBE, General Manager - Corporate Services

#### PURPOSE OF THE REPORT

To provide an update on work completed within the Far North District Council Assurance Programme 2019.

#### EXECUTIVE SUMMARY

- This report provides an update on work completed within the FNDC Assurance Programme 2019.
- Update on the number of internal and external audit recommendations that have been completed or are currently underway.

#### RECOMMENDATION

**That the Assurance, Risk and Finance Committee receive the report Internal Audit and Assurance Report.**

#### BACKGROUND

The Audit, Risk, and Finance Committee approved the FNDC Assurance Programme 2019 at its March 2019 meeting.

This programme covered several areas requiring assurance such as TechnologyOne User Access, Conflict of Interest Management and the development and implementation of a Legislative Compliance Framework.

##### TechnologyOne User Access

As per Audit New Zealand recommendation, a review was undertaken to ensure Chief Executive financial delegations to staff were entered correctly into the TechnologyOne system.

The review found there were some minor inconsistencies such as job titles that had changed slightly or had become obsolete. These inconsistencies had occurred mainly because of department and/or team realignments. In the future steps will be taken to ensure the Register of Delegations and TechnologyOne is updated when necessary.

##### Conflict of Interest Management

As per Audit New Zealand recommendation, a review was undertaken to ensure conflicts of interest are being managed for new and existing staff.

This review found that Employee Interest Declaration forms had been completed and received for 97% of 298 current staff employed before 2019. Management plans for staff that declared any perceived, potential or actual conflicts have been put in place for a number of these staff but there are still some to be completed.

43% of 103 staff that commenced employment during 2019 have yet to complete the Employee Interest Declaration form which has highlighted the need to improve this process. This improvement is now in progress. A follow up internal audit is scheduled for 2020.

##### Legislative Compliance Framework

A Legislative Compliance Framework is an essential part of managing risk in any organisation. It enables Council to carry out its statutory functions and duties by establishing and maintaining a system for monitoring and reporting on compliance with all relevant legislation.

Research to look at what other Councils are doing in this area has been completed. There are a variety of systems in place such as:

- Responsibility lies with departmental managers to manage themselves with no formal system or process.
- A document, spreadsheet or SharePoint list is created that lists all relevant legislation, who is responsible and whether they comply or not. This list also needs to be manually kept up to date with all legislation changes.
- An online system which is kept up to date with legislation changes by the vendor; maps responsibilities; translates law into plain English; identifies compliance, corrective actions and legal risks; and provides high-level overview infographics reporting.

Stakeholder interviews to provide insight and feedback have been undertaken with relevant managers during January 2020. A business case containing a recommendation will be going to the Strategic Leadership Team for their approval in February/March 2020.

### **FNDC Assurance Programme 2020**

This programme is currently being finalised and will be presented to the Assurance, Risk and Finance Committee for their endorsement once approved by the Strategic Leadership Team.

### **Audit Recommendations**

Good progress has been made implementing recommendations from internal and external audits. There are plans in place to complete outstanding recommendations.

<b>Audit Name</b>	<b>Total Number of Recommendations</b>	<b>Recommendations Completed</b>	<b>Recommendations Underway</b>
External Audit - KPMG - Procurement 2017	34	29	5
External Audit - Audit NZ - Annual Management Report - Interim 2017	18	15	3
Internal Audit - Information Security 2018	15	12	3
Internal Audit - Contract Management Review 2018	4	3	1
External Audit - Audit NZ - Annual Management Report - Final 2018	5	4	1
External Audit - Audit NZ - Annual Management Report - Final 2019	6	1	5
External Audit - Three Waters Interim Alliance Agreement Review	6	4	2
External Audit - MPI Council Food Act Recognised Agency Audit 2019	3	3	N/A
External Audit - LGOIMA Compliance and Practice Report - 2019	30	13	17
External Audit - IANZ – Building Consent Authority Accreditation Assessment Report 2019 <i>*nb: significant actions have been taken on the audit recommendations – these are currently being considered by IANZ and expect to be cleared before 14 February 2020</i>	11	*0	11

**FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION**

This report is for information only.

**ATTACHMENTS**

**Nil**

### 3.4 RISK MANAGEMENT REPORT

**File Number:** A2826762

**Author:** Tanya Reid, Manager Transformation, Risk and Audit (Acting)

**Authoriser:** William J Taylor MBE, General Manager - Corporate Services

#### PURPOSE OF THE REPORT

To provide the organisation's top 12 risk dashboard, risk progress reports and group risk up-date.  
No decision required.

#### EXECUTIVE SUMMARY

- Risk progress updates are provided for four of the top 12 risk treatment plans.
- Excellent progress has also been made on group risk.

#### RECOMMENDATION

**That the Assurance, Risk and Finance Committee receive the report Risk Management Report.**

#### BACKGROUND

The Transformation and Assurance team has facilitated the development of treatment plans for the organisation's top 12 risks. We are now in the phase where regular reporting of the organisation's top 12 risks, and treatment plans, is in place.

A programme of deep dive workshops is planned for these risks. The first of two deep dive workshops for ARF005 Affordability Risk has been completed, with the second workshop to be scheduled.

The Transformation and Assurance team is working through the organisation to refresh / establish Group Risk registers, with treatment plans, and regular reviews.

#### DISCUSSION AND NEXT STEPS

Four risk progress reports, with treatment plans, are attached. Risk ARF002, BCA Status Risk, is the subject of a separate report.

The ARF005 Affordability deep dive workshop has been split into two parts with the second part to be scheduled. At the end of this workshop members will agree the next risk "deep dive."





An elected member workshop is to be scheduled to cover the FNDC Risk Management Framework.

Nine group (District Services, IAMs and Corporate Services) risk development workshops have been completed with a further eight workshops scheduled for these groups, including Strategic Planning & Policy. Further workshops are to be scheduled with the CEO Office.

#### FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

At this stage no additional budgetary provision has been identified for the treatment plans.

#### ATTACHMENTS

1. **2020 01 ARF003 Health Safety and Wellbeing Vulnerabilities Risk Progress Report - A2827712**  
2. **2020 01 ARF006 Projects Priorities Delivery Delays Risk Progress Report - A2826766**  



3. **2020 01 ARF009 Customer Service Delivery Progress Report - A2827520** [↓](#) 
4. **2020 01 ARF012 Contract Management Risks Progress Report - A2827432** [↓](#) 

## ARF003 Health Safety and Wellbeing Vulnerabilities

### Risk Status Progress Report January 2020

#### Description of risk and impact

Health, Safety and Wellbeing Vulnerabilities are those elements defined in the Health and Safety at Work Act (2015).

Far North District Council (FNDC) has a duty to ensure, so far as is reasonably practicable, that the workplace is without risks to the health and safety of any person and has controls in place to eliminate or minimize those risks.

Vulnerabilities:

- Lone Worker safety
- Health Monitoring for high risk staff
- Non-compliance against Asbestos regulations across our assets
- Quarry safety deficiencies are a WorkSafe focus
- Contractor Management
- Wellbeing programs to address our changing workforce
- Threatening behavior from members of the public

#### What has been done so far?

5 Year strategic plan has developed and approved, including a regular yearly calendar of core HS&W activities including training, policy development, volunteer engagement plans, wellbeing initiatives and emergency management across the sites.

WorkSafe Quarry notification actions completed and closed out. This work is now scheduled under IAM's asset management programme.

Vehicle GPS and Lone Worker Project has been approved by the Strategic Leadership Team.

Council Generic Hazards have been identified. Generic controls/treatments are to be developed through further worker engagement and the FNDC Health and Safety Committee.

#### Existing Treatments

High level treatment plan:

- CouncilMARK Improvement #6. Health and Safety Improvement
- Health and Safety Committee engagement
- Health and Safety focused KPI for all staff
- Horizon 2 (years two and three) of 5 year strategy well underway
- Vehicle GPS and Lone Worker Project – tender to go out in February 2020
- Health Monitoring programme to be established for critical roles at Council in quarters 3 and 4 of FY20

**Where are the gaps? / what more could we be doing?**

- Reporting to Assurance, Risk and Finance committee (ARF) to reviewed and re-scoped in 2020 once new committee formed
- Worker engagement is developing and ongoing
- Meeting legislative requirements (e.g. Asbestos, Lone Worker)

<b>Inherent Risk:</b>	<b>Trend</b>	<b>Residual Risk:</b>	<b>Accountable:</b>	CEO	<b>Date raised:</b>	29/11/18	<b>Report frequency:</b>
	—		<b>Responsible:</b>	Mgr. P&C	<b>Date accepted:</b>	30/05/19	2 monthly

## ARF006 Projects / Priorities Delivery Delays

### Risk Status Progress Report January 2020

#### Description of risk and impact

Project / Priority delivery risks start with the elements of the project life-cycle (conception and business casing through delivery and ongoing management / maintenance) and involve having robust capabilities to support each stage of this life-cycle. Deficiencies in any one of these stages have flow on effects including costs, quality and delays.

- The PMO's Project Management framework, policy, methodology and guidelines is now rolled out. The framework was fully developed with the assistance of PM Team and Championed by a member of the Team.
- Robust business casing and expertise has been sub optimal. A team of business case writers has been working in the team for 7 months developing scopes and business cases.
- A review of the Asset Management frameworks is also under review. This review will help to identify current short comings in the Asset Framework so that it can be further developed to produce better quality business cases and scopes.
- Project governance and project role training was needed for those involved in projects to effectively perform their duties. The Project Delivery Team is undergoing Project Management and Commercial training
- Council and business units have a tendency to initiate lots of new projects – These project are now fully reviewed before initiation to ensure they are valid.
- Project resourcing challenges affect quality – another symptom of doing too many projects / juggling BAU responsibilities. A review of future year plans is underway with a view to making the programme of works more achievable for delivery

#### Existing Treatments

High level treatment plan:

- A business case specialist role has been approved to support project business case owners
- SLT involved in a project prioritization process
- CouncilMark improvements:
  - 18. Asset Management Improvement
  - 20. Compliance Framework Improvement
  - 34. Process Management Framework Improvement
  - 29. Capital Project Life Report Improvement
  - 12. Contract Management Improvement
  - 10. Annual Report Improvement
  - 3. LTP Improvement

<b>Inherent Risk:</b>	<b>Trend</b>	<b>Residual Risk:</b>	<b>Accountable:</b>	CEO	<b>Date raised:</b>	29/11/18	<b>Report frequency:</b>
	—		<b>Responsible:</b>	GM IAMs	<b>Date accepted:</b>	30/05/19	Two monthly



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## ARF009 Customer Service Delivery

### Risk Status Progress Report December 2019

#### Description of risk and impact

Customer Service Delivery is the efficient and cost-effective delivery of required District Council services to residents, ratepayers, visitors and the community. This includes timely processing and communication with the public around services.

In some cases, ineffective and inefficient processes, and information, cause delays in processing requests and affects timely communication with customers.

Frustrated customers often call elected members who need to escalate or facilitate information back to the individual.

Customer satisfaction is linked to CEO KPI 6.2

#### Existing Treatments

High level treatment plan:

- Customer Experience Lead has been re-appointed and commenced in September 2019
- Delivery of the Customer Experience Improvement Programme:
  - Analysing and understanding our customers' requirements to informed review Customer Experience Strategy and associated procedures;
  - Customer centric culture business engagement;
  - Review of customer satisfaction continuous improvement systems to maximise performance;
  - Review and refinement to systems, processes to improve customer journeys and staff knowledge.
- CouncilMark improvements:
  - 21. Customer Experience Programme Improvement
  - 24. Online Services Improvement;
  - 27. BCA Accreditation Improvement;
  - 28. Resource Consents Renovation Improvement;
  - 34. Process Management Framework Improvement;
  - 30. Communications Strategy Improvement;
  - 31. Engagement Strategy Improvement.
  - 5. Targeted Onboarding Programme Improvement;
  - 8. Organisational Culture Improvement;
  - 23. Strategic Workforce Planning Improvement.

#### Where are the gaps? / what more could we be doing?

- RFS Redesign Project

<b>Inherent Risk:</b>	<b>Trend</b>	<b>Residual Risk:</b>	<b>Accountable:</b>	CEO	<b>Date raised:</b>	29/11/18	<b>Report frequency:</b>
	↓		<b>Responsible:</b>	Mgr P&C	<b>Date accepted:</b>	30/05/19	Two monthly



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## ARF012 Contract Management Risks

### Risk Status Progress Report January 2020

#### Description of risk and impact

Contract management is the process of managing contract creation, execution and ongoing operational and financial performance of contract deliverables, to reduce financial and delivery risk, and enhance the contract outcomes.

Local Government organisations work on complex, costly and often politically and socially sensitively multi-faceted issues requiring multiple parts of the organisation to work together effectively.

Breakdowns in cohesion can lead to costly delays and additional impacts such as communication overheads, lower morale, trust and churn.

Current/recent operational contract activity:

- awarding a new swimming pool contract
- awarding a new Ferry contract
- developing a register of district facilities contracts and key terms
- recruitment commenced for new District Facilities contract management specialist to manage the swimming pool contract service delivery, relevant relationships and contract administration.

#### Existing Treatments

High level treatment plan:

- Appointment by Corporate Services of a Corporate Contract Management Specialist.
- Increasing the commercial expertise through-out FNDC
  - recruiting commercial expertise e.g.: Manager Infrastructure Operations, Manager Infrastructure Capital Development
- CouncilMARK improvements:
  - 12. Contract Management Improvement
  - 13. Conflicts of Interest Improvement
  - 34. Process Management Framework Improvement
  - 19. Three Waters Alliance Improvement

#### Where are the gaps? / what more could we be doing?

<b>Inherent Risk:</b>	<b>Trend</b>	<b>Residual Risk:</b>	<b>Accountable:</b>	CEO	<b>Date raised:</b>	29/11/18	<b>Report frequency:</b>
	—		<b>Responsible:</b>	GM IAMs	<b>Date accepted:</b>	30/05/19	2 monthly

**3.5 FINANCIAL REPORT FOR THE PERIOD ENDING 31 DECEMBER 2019****File Number:** A2827848**Author:** Angie Thomas, Manager - Accounting Services**Authoriser:** William J Taylor MBE, General Manager - Corporate Services**PURPOSE OF THE REPORT**

To provide an overview and information on the current financial position and performance of the Far North District Council as at 31 December 2019.

**EXECUTIVE SUMMARY**

- Provide a summary overview, Statement of Financial Performance, Capital Performance and Borrowing and Investment reports.

**RECOMMENDATION**

That the Assurance, Risk and Finance Committee receive the report “Financial Report for the period ending 31 December 2019”.

**1) BACKGROUND**

This reports financial information as at 31 December 2019.

**2) DISCUSSION AND OPTIONS**

The report is for information only.

**Reason for the recommendation**

The report is for information only.

**3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION**

There are no financial implications or budgetary provisions required as a result of this report.

**ATTACHMENTS**

1. Council Financial Report December 2019 - A2831718  



Far North District Council

## Council Financial Report

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for the period ending **31-December-2019**

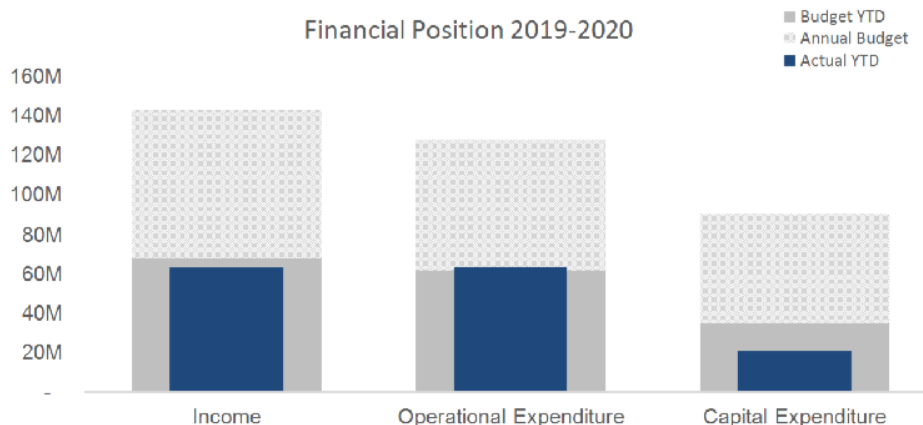


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## Financial Overview

Key financial metrics from the Statement of Financial Performance for the Far North District Council as at 31-December-2019.



### Year to Date

Actual Position as at 31-December-2019

	Actual YTD	Budget YTD	Variance to Budget YTD	% Variance Actual to Budget YTD
Total Income	63.0M	67.8M	- 4.8M	-7%
Operational Expenditure	63.6M	61.7M	1.9M	3%
<b>Net Operating Position</b>	<b>- 0.6M</b>	<b>6.1M</b>	<b>- 6.8M</b>	<b>-110%</b>
<b>Capital Expenditure</b>	<b>20.4M</b>	<b>34.8M</b>	<b>- 14.5M</b>	<b>-42%</b>

### Year End

Forecast Position as at 30-June-2020

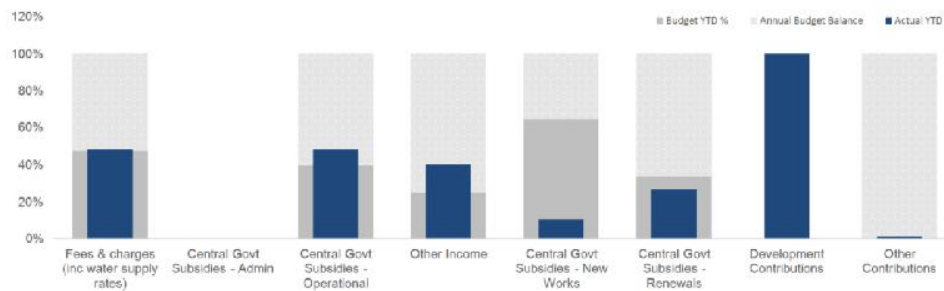
	Annual Forecast	Annual Budget	Forecast Variance to Budget	% Variance Forecast to Budget YTD
Total Income	140.0M	142.7M	- 2.7M	-2%
Operational Expenditure	130.3M	128.2M	2.1M	2%
<b>Net Operating Position</b>	<b>9.7M</b>	<b>14.5M</b>	<b>- 4.8M</b>	<b>-33%</b>
<b>Capital Expenditure</b>	<b>87.4M</b>	<b>90.2M</b>	<b>- 2.7M</b>	<b>-3%</b>

*\*In the tables above and throughout this report, variances +/- 5% from budget are indicated as on track / green, anything outside this is red.*

## Council Financial Performance – Income

Please note these figures relate to the Statement of Financial Performance controllable costs only, which excludes general rates and rates penalties.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
18.3M	23.0M	4.7M	-20%	53.1M	50.4M	2.7M	-5%



### Highlights:

#### Fees and charges (inc water supply rates)

- Ferry income remains slightly below budget. However, due to seasonality of the tourism sector this will start to increase with the arrival of holiday makers.
- Kaitaia and Kaikohe swimming pools opened later than planned, Kaikohe had leak issues which is now resolved while Kerikeri is not open in the mornings to lane swimmers as there is a lack of qualified staff to supervise the pool, staff have been engaged to cover the school holiday public hours.
- Majority of dog registrations have been received in the period of 01 July to 31 August, this has now started to slow down.
- Landfill and Transfer Stations have low volumes of refuse disposal but this will increase over the coming months due to the holiday period.
- Water charges are low for this period due to restrictions now being put in place to conserve water consumption.
- Property file requests are lower than expected which is normal for this time of year due to the holiday season.

**Central Government Subsidies – Operational**

- Unbudgeted Tourism Infrastructure Funds (TIF) received from Ministry of Business, Innovation & Employment (MBIE) for the Responsible Camping Working Group initiatives in partnership with between Far North District Council (FNDC), Department of Conservation (DoC) and Northland Regional Council (NRC) towards setting up rangers at Ahipara, Rawhiti, Kaimaumau, Karikari as well as providing seasonal public toilets in the eastern and northern high tourism areas.
- Ongoing supervision provided from external contractors to assist the Northern Transport Alliance (NTA) for the completion of approved programme of works.

**Other Income**

- Unbudgeted professional fees contribution has been received for Te Pu o te Wheke (Kaikohe Hub) for the concept design.
- Unbudgeted contribution received from Whangarei District Council (WDC) and Kaipara District Council (KDC) for the mapping of Northland's significant natural areas joint project. 38K has been received year to date with further funds to come in. Stage two of the project will be the consultation phase with landowners, there are 700 parcels of land with some crossing over KDC and WDC boundaries.
- Unbudgeted grant funding has been received from Ministry of Youth Development (MYD) for the Youth Council.
- Northland Regional Council (NRC) operational grant received towards stormwater improvements in Moerewa.
- A private contribution has been made towards stormwater improvements at a residential property in Omapere.
- Dividends have been received from the sale of the Civic Insurance House.

**Central Government Subsidies – New Works**

- Unbudgeted Tourism Infrastructure Funds (TIF) received from Ministry of Business, Innovation & Employment (MBIE) for the construction of public toilets at Opononi, Mitimiti, Waitangi boat ramp and Haruru Falls bush walk.

**Central Government Subsidies – Renewals**

- Unsealed road metalling works is slowly progressing due to dry weather which is not suitable to apply materials.
- Pavement Rehabilitation is also slowly progressing due to the availability of the laboratory test results. These are required to ensure the strength of the sub base for the actual design work, however, works has commenced and anticipate to be completed on time.
- Resilience Slip work is progressing well at West Coast and Kaitaia-Awaroa Road and design works is being undertaken for various slip sites.

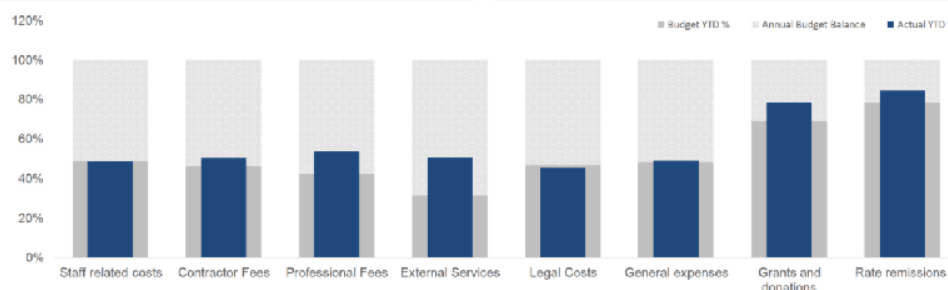
**Other Contributions**

- Contribution pertains to the funds held with the Te Hiku Community Board for the Jaycee Park project in Kaitaia.

## Council Financial Performance – Operational Expenditure

Please note these figures relate to the Statement of Financial Performance controllable costs only, which excludes allocations, interest costs, depreciation and other asset costs and gain/loss on disposal.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
46.0M	42.4M	3.6M	8%	89.8M	92.0M	2.2M	2%



### Highlights:

#### Staff related costs

- There are still a number of vacancies not yet filled across the organisation and a number of departments are yet to use their training allocation.
- Building Consents team have fully committed their budget to align with the Building Consent Authority (BCA) accreditation requirements.

#### Contractor fees

- Swimming Pools contract with Community Business & Environment Centre (CBEC) has been extended at a reduced amount whilst the procurement process is underway.
- Lower volumes of refuse are being disposed at transfer stations.
- An increased variation to the annual management fee paid to Far North Holdings Limited (FNHL) for the Kaitia Airport.
- Water and wastewater alliance agreement with our current contractor Broadspectrum Limited continue to have overruns in internal labour, direct plant costs, contract materials and subcontractors. A discussion will be held with IAM in January to understand how this has arisen.
- Unbudgeted removal and clearing of trees are continuing in the Eastern and Western Ward due to public safety.
- Unbudgeted engagement of contracted consultants to meet demand for resource and building consents work. Costs are not fully recoverable, in the Building Consents group travel and accommodation is not recoverable. In the Resource Consents group not all costs have been recovered to discount penalties, fee waivers and successful fee objections.

- Dust suppression works have continued over the summer period to various sites within the northern and western areas.

**Professional fees**

- Te Pu o te Wheke unbudgeted concept design has commenced.
- The use of consultants for the District Plan is a lot more than anticipated and will continue throughout the financial year.
- Network and asset management recorded time against various projects (operational or capital) is not recorded in a timely manner or against the correct activity. A review of this has commenced and will be corrected in due course.
- Consultants have been engaged in the Minor Safety work category to review speed limits, safety audits and management of resilience slip projects over the district.
- An external Quality Manager has been engaged for the Building Consents team until this vacant position is filled.
- Kaitia Wastewater Treatment Plant Pond1 removal of sludge was budgeted in 2018/2019, however, works was not commenced till this current year.

**External Services**

- The property file digitisation project is nearing completion in March 2020, however, the cost of the actual scanning of the documents was underestimated.
- Russell Wharf has been divested to Far North Holdings Limited (FNHL) for renewal works but will be funded from Depreciation Reserves.

**Legal Costs**

- Legal Services team have been dealing with a number of unforeseen litigation cases.

**General Expenses**

- Recreation Services Limited (RSL) is being engaged a lot more for various repairs and maintenance works across activities, such as, Housing for the Elderly, Headquarters and Service Centre as we no longer have anyone in-house to do general maintenance.

**Grants and Donations**

- A number of grants have been uplifted to date as these are dependent on recipient requests, such as, the Toilet/shower grant for the Hundertwasser Park Centre, Community Youth Centre Trust, Far North Citizens Advice Bureau, Astro-turf for the Kerikeri Bowling, Te Pou Herenga Tai Cycle trail and Te Ahu grant.

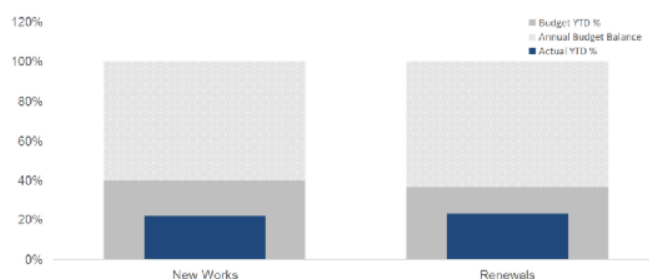
**Rate Remissions**

- A lot more applications have been received than anticipated under the current policies.

## Council Financial Performance – Capital Expenditure

These figures are direct from the Statement of Capital Performance.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
20.4M	34.8M	14.5M	-42%	90.2M	87.4M	2.7M	-3%



### Highlights:

#### New Works

- The construction of 24 additional kennels at Bonnets Road, Kaitaia. Instead, there is a recommendation that a purpose-built new animal welfare shelter is on Council owned land which has not yet commenced.
- The purchase of the Melka Boarding Kennels in Kaikohe is still under negotiation.
- The Kawakawa Library/Service Centre will be relocated to Te Hononga and has been delayed till March 2020.
- The Kerikeri Library installation of air conditioning units has been delayed. In early November there were delays due to uncertainty about insurance cover and who would be responsible for it so IAM were waiting on meeting with an insurance rep so they could understand the wording in the contract and what that meant for the project. A contractor site visit was held on the 19<sup>th</sup> of November and tenders invited with a 9<sup>th</sup> December close-off date.
- Works on the Windsor Landing Carpark and Access has now commenced as an outcome from the Environment Court.
- Seal Extension unsubsidised works at Porotu Road, Puketi Road and Kumi Road has been delayed due to more elaborate design requirements under the maintenance contract for North and South. Preparatory works are now expected to commence in summer through to mid-autumn.
- Kaitaia Transfer Station weighbridge relocation works are now complete, and the balance of funds will be used to complete an extension to the transfer station.
- An external consultant was engaged in October 2019 for development of a proof of concept (miniature model) for the Information and Communications Technology (ICT) Support for the Northland Transport Alliance project. This will be presented to the Northland Transport Alliance group in January 2020.



- Planned work for the Asset Management System project is in a development phase with Infor Global Solutions (NZ). System configuration and data migration was scheduled for over the Christmas holiday period.
- Kerikeri Wastewater Treatment Plant is continuing, however, an additional \$1.5M has been approved by Council to fund the balance of works as well as prior year funds being used.
- The Paihia Wastewater Treatment Plant is ahead of schedule.
- Unbudgeted works is being completed for the Russell Wastewater Treatment Plant, a carry forward request was overlooked and approval for \$175K is to be requested.

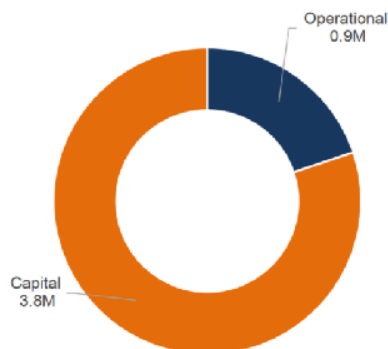
### Renewals

- Necessary work is required to respond to an appeal decision to the Environmental Court in March 2020 for the East Coast (Taipa) Wastewater Treatment Plant.
- Unbudgeted works is being carried out for the Ahipara Wastewater Treatment Plant jetty replacement. A carry forward request was overlooked and approval for \$4,549 is to be requested.
- Parks and reserves are under budget, scoping works are being finalised and works anticipated to be undertaken in summer.
- Scoping is underway for public toilets in Taupo Bay and Hundertwasser for upgrade works.
- Footpath renewals are under budget due to resourcing issues with the Northern contractor, however, this work will now be delivered by the Southern contractor over summer.
- Minor Safety works are being undertaken around Kerikeri. Resilience Slip works are progressing well at West Coast Road and Broadwood Road and design works are being undertaken for various slip sites.
- Unsealed road metaling is under budget in the South due to unfavourable conditions, which are not suitable to apply materials and complete works.
- Roding and Footpaths drainage works in the north area are currently under budget due to resourcing and works being re-prioritised.
- Server renewals - Council at its meeting on 19 November 2019 approved the recommended supplier. Work is progressing to determine the project timeline and delivery is expected between Dec 2019 and Feb 2020.
- Desktop computer, computer equipment, peripheral, tablets - developing forecast for future replacement.
- Computer Systems - Programme is progressing with updates and upgrades planned for this Financial year. Current activity is within the Citrix Upgrade and Office 365. Work will continue to focus on upgrades with Objective and other core systems.
- Pool Vehicles is under budget and vehicles are renewed as required.
- Corporate Services Administration - part of the wider accommodation project with office furniture replaced as needed.
- The Paihia I-Site refurbishment project has not yet commenced. Staff are awaiting a quote to lower the desks and expects to use the budget this financial year.
- Library stocks are updated continuously throughout the year and are dependent on item deliveries and timing.

## Unbudgeted Expenditure

These are additional works not included in the original budget for the current year.

Unbudgeted work greater than \$100,000 must be approved by Council, anything less than that can be approved by a General Manager with appropriate financial delegation.



### Unbudgeted Expenditure as at 31-December-2019

*\*Expenditure over \$100K approved by Council (in grey)*

Unbudgeted Operational		Amount
Building Consents (BCA) Procurement Board Committee Resolution 2019/4 confirmed 19 March 2019	Contract Professional Fees	500,000
Asset Management & Infrastructure Planning: Asset Condition Assessment Programme Council Approved Resolution 2019/35 – 03/10/19	Professional Fees	250,000
Maritime Facilities: Demolition & removal of Paua Fertiliser Shed Council Approved Resolution 2019/4 – 23/05/19	External Services	150,000
Libraries: Licence Fees Approved by Darren Edwards Acting GM - DS	Software Licence Fees	20,000
Libraries: Equipment Approved by Darren Edwards Acting GM - DS	Equipment Purchases (uncapitalisable)	10,000
Facilities operations – buildings: TIFF funding Responsible Camping Rangers Programme.	Professional Fees	5,000
		<b>935,000</b>

Unbudgeted Capital Works		Amount
Kerikeri Wastewater Infrastructure: Approved by Council at meeting 29/08/19	CAPEX New Works Contract Services	1,500,000
Digitisation Scanning	External Services	648,688
Karikari and Doubtless Bay Rangers Program	External Services	185,500
Stormwater Bonnett Road Kaitaia: Fence replacement and associated work. Approved by Shaun Clarke – 03/05/19	CAPEX New Works Contract Services	99,168
9-11 Old Beach Road Stormwater Upgrade. Approved by Shaun Clarke – 05/07/19	CAPEX New Works Contract Services	56,659

Korora Park Toilet	CAPEX New Works Contract Services	49,450
Kaimaumu Public Toilet	External Services	40,000
Ahipara Toilet	External Services	36,550
Kohukohu WWTP Resource Consent. Approved by Andy Finch	CAPEX New Works Licenses and Consents	36,500
Horeke Housing for the Elderly	CAPEX Renewal Works Contract Services	26,655
Kaikohe Memorial Park Upgrade	CAPEX New Works Contract Services	26,400
24-26 Yarborough Street New Sewer Connection. Approved by Shaun Clarke – 05/07/19	CAPEX New Works Contract Services	24,629
Mains replacement Rawene. Approved by Andy Finch	CAPEX New Works Contract Services	24,335
Opononi STP - Fence Renewal/Upgrade. Approved by Andy Finch	CAPEX New Works Contract Services	22,000
Kaitaia Parks & Reserves	CAPEX Renewal Works Contract Services	17,589
Waima Housing for the Elderly	CAPEX Renewal Works Contract Services	16,974
1506 Inland Road Sewer Connection. Approved by Andy Finch	CAPEX New Works Contract Services	14,730
Ramp Road Public Toilet	External Services	13,650
Kaikohe Lions Club	CAPEX Renewal Works Contract Services	11,050
Whangaroa Hall Renewals	CAPEX Renewal Works Contract Services	8,945
Rawhiti boat ramp toilet RC	External Services	7,800
JBC Customer Services Area Minor Improvements. Approved by Darren Edwards Acting GM - DS	CAPEX New Works Contract Services	6,000
Disability Access Halls Western	CAPEX New Works Contract Services	5,400
Kaka Street Ramp: Re-engineering and full replacement of septic tank. Approved by Andy Finch	CAPEX New Works Contract Services	4,988
Kororipo Basin (Pear Tree)	CAPEX New Works Contract Services	4,318
Parks & Reserves Northern	CAPEX New Works Contract Services	3,018
Opononi STP - Fence Renewal/Upgrade. Reactive renewal, approval not required, checked by CFO.	CAPEX Renewal Works Contract Services	2,252
Digitisation Scanning	Contract Professional Fees	1,313
Kaitaia Oxford St Housing for the Elderly	CAPEX Renewal Works Contract Services	1,301
Kawakawa Commercial St Car Park	CAPEX New Works Contract Services	1,139

**2,897,001**

Unbudgeted Rounding		Amount
West Coast Rd RP9563	CAPEX Renewal Works Contract Services	269,500
Diggers Valley Rd RP12722	CAPEX Renewal Works Contract Services	210,000

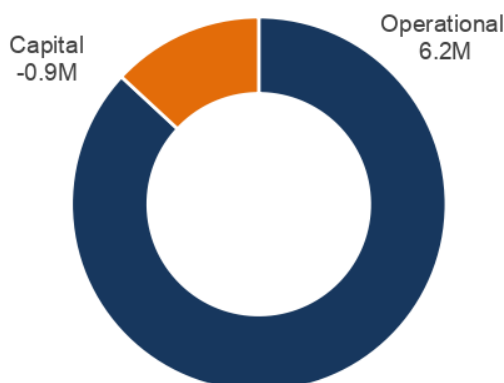
Fairburn Rd RP9588	CAPEX Renewal Works Contract Services	185,500
Wharekawa Rd RP3552	CAPEX Renewal Works Contract Services	178,000
Waiotehue Road Dropout RP 5400	CAPEX Renewal Works Contract Services	20,000
Waiotehue Rd RP5251	CAPEX Renewal Works Contract Services	13,000
		<b>876,000</b>

**Total** **4,708,001**

## Budget Movements

These are budgets timed in future years, brought forward into the current year (positive values) OR budgets timed in the current year to be moved out to future years (negative values).

The figures that follow exclude the \$5M Roding budget adjustment moved out to future years to reflect the lower of FNDC or NZTA budget.



### Budget Movements as at 31-December-2019

#### OPERATIONAL

General Ledger	Comment	Amount
Water Schemes Remove budget loaded to districtwide and at location level to leave budget in location level only	Opex Reforecast as at 31 Oct 19. Water by meter income	5,626,530
Resource Consents Administration. Forecast in Contract Professional fees, not fully recoverable due to discounts.	Opex Reforecast as at 31 Oct 19	346,060
Resource Consents Administration. Contract Work Annual, Forecast in to cover year to date overspend.	Opex Reforecast as at 31 Oct 19	130,576
Resource Consents Administration Resource Consent Penalties Forecast in Reduction in Income due to Penalties Discounted back to Clients	Opex Reforecast as at 31 Oct 19	121,385
Training Software Licence Fees, no budget available, Manager to apply to Financial Planners for budget next year on. Forecast in year to date overspend	Opex Reforecast as at 31 Oct 19	22,379
Water Schemes Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	20,000

Resource Consents Appeals. Commissioners Fees Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	10,819
Resource Consents Administration. External Services Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	8,398
Infrastructure planning – stormwater. Professional Fees. Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	5,000
Infrastructure planning – facilities. Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	4,204
Human Resources General. Training/Conferences. Forecast in to cover year to date overspend Australia's CEO challenge	Opex Reforecast as at 31 Oct 19	3,184
Recruitment. Software Licence Fees, no budget available, Manager to apply to Financial Planners for budget next year on. Forecast in year to date overspend	Opex Reforecast as at 31 Oct 19	3,119
Compliance, External Services Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	1,648
Refuse Administration Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	1,525
Project Management Office	New FTE Contract Specialist training	1,500
Compliance. Subscriptions Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	1,264
Compliance Business Travel and Accommodation Forecast in to cover year to date overspend	Opex Reforecast as at 31 Oct 19	1,062
Project Management Office	New FTE Contract Specialist training	750
Electronic Property Management	Budget will not be spent this year	- 1,000
Legalisation Forecast in year to date savings	Expenditure is running at a lower rate than expected	- 5,000
Legal Services	Anticipated costs award Supreme Court Case	- 33,000
Resource Consents Administration Consultant Cost Recovery Forecast in Expected Increase in Income	Opex Reforecast as at 31 Oct 19	- 96,189

**6,174,214****CAPITAL**

Project Ledger	Comment	Amount
IT Servers & Storage	Server and Network Renewal Project reforecast from 2020/21	178,708
Tech One	TechOne HRP Renewals budget transfer from 20/21 FY	95,000
Mission Road-Kerikeri	Footpath budget allocated to individual project codes	85,190
Te Haumi Seawall and Carpark	Te Haumi Seawall & Carpark remediation & renewal works reforecast from 2024/25	85,000
Kaikohe Hone Heke Reserve	Kaikohe Hone Heke Reserve Repair retaining Wall	73,123

Horeke Hall	Horeke Hall Wastewater Treatment System septic tank replacement	70,976
North Park Drive to Whangatane Drive-Kaitaia	Footpath budget allocated to individual project codes	68,625
Computer Equipment	Server and Network Renewal Project reforecast from 2020/21	42,533
Northland college to Saleyards-Kaikohe Footpath	Footpath budget allocated to individual project codes	34,980
Disability Access Halls Western	Disability Halls Access Western Budget Movements new works from 2020-21	28,879
Footpaths Western Ward	Footpath budget allocated to individual project codes	27,152
Waianga Place-Opononi Footpath	Footpath budget allocated to individual project codes	26,840
SH1 Matthews Avenue-Kaitaia	Footpath budget allocated to individual project codes	20,460
Northern Bin Benches Bollards Signs Tables	Northern Bins Bollards Benches \$20,000 reinstated back to this year	20,000
Western Bin Benches Bollards Signs Tables	Western Bins Bollards Benches \$20,000 reinstated back to this year	20,000
Kaikohe Lions Club	Kaikohe Lions Club Budget Movements renewals from 2034	15,900
Long Beach Road footpath corner to carpark-Russell	Footpath budget allocated to individual project codes	13,810
Mains replacement Rawene	Rawene Cemetery Water Main Approved by Will Taylor	13,415
Whangaroa Hall Renewals	Whangaroa Hall - Exterior Upgrade to address weather tightness issues	12,000
Rangihamama Road to Taheke Road SH12-Footpath Kaikohe	Footpath budget allocated to individual project codes	10,028
Dominion Road-Kaitaia	Footpath budget allocated to individual project codes	9,916
9B Hone Heke Road Kerikeri SW Pipeline Upgrade	Tfr of Renewal Budget	9,664
Opononi/Omapere Stormwater Imps	40 Fairlie Cresc SW Imps	9,190
Rawene Old Courthouse	Rawene Community Library Renewals reactive	7,202
Russell Robertson St Stormwater Lines	Tfr Future Renewal Budget Russell Robertson Street	5,287
Kaitaia Oxford St Housing for the Elderly	HFTE Oxford St & Puckey Ave mailbox renewal	4,241
Jaycee Park/Centennial Park	Centennial Park historic train repairs Renewal heritage asset	3,200
Kaitaia Swimming Pools	Kaitaia Swimming Pool Dive Board Retiming for this year	2,369
1506 Inland Road Sewer Connection	1506 Inland Rd Sewer Connection	2,070
Landfill Russell	Russell Landfill Leachate pump Renewal from 2021-22	1,900
Kawakawa WWTP RMU	To be removed - allowed for in Capex Reforecast	- 2,535
Horeke Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	- 2,613
Kawakawa WWTP RMU	To be removed - allowed for in Capex Reforecast	- 5,641
Parks & Reserves Western	Re-forecast out to FY21/22 Capex Reforecast	- 6,065
Kohukohu Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	- 7,130
Rawene Grundy Street Reticulation	Needs to be removed-Project completed Capex Reforecast	- 7,665

Ahipara Parks & Reserves	Funding to be removed saving from FY18/19 no works required - Capex Reforecast	- 9,308
District Wide Treatment Plant Instrumentation Upgrade	To be removed - allowed for in Capex Reforecast	- 12,877
Russell Parks & Reserves Renewals	Re-Forecast to FY21/22 Capex Reforecast	- 12,927
Whangaroa Parks and Reserves	Re-Forecast to FY21/22 Capex Reforecast	- 14,367
Ahipara Parks & Reserves	Korora Park Carpark Apron Replacement Renewal from 2023-24 and 2024-25	- 22,618
Paihia Parks & Reserves	Re-forecast to FY21/22 Capex Reforecast	- 24,181
Parks & Reserves Eastern	KK Doves Bay; Paihia Lily Pond Carpark Russell Strand; Russell Tapeka -FY22/23	- 24,658
Taupo Bay Toilet	Re-forecast to FY23/24 Capex Reforecast	- 25,721
Ward Wide Town Beautification / Improvements Western	Re-Forecast to FY21/22 Capex Reforecast	- 51,100
Kaikohe Streetscape UpGrade	Re-Forecast to FY21/22. Budget to be renamed to Urban Streetscapes	- 54,867
Rawene Grundy Street Reticulation	Needs to be removed-Project completed Capex Reforecast	- 68,985
Kerikeri Domain Playground	Re-Forecast to FY21/22 Capex Reforecast	- 81,249
Kerikeri PS9	Needs to be moved out to 2020-2021	- 81,760
Kaikohe Training Yard	Reforecast out to YR1 next LTP FY22/23 Capex Reforecast	- 99,988
Lindvart Park Pavilion	Re-forecast to FY21/22 Capex Reforecast	- 100,196
Opononi Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	- 108,406
Hihi WWTP Construction	To be moved out to 2020-2021 Capex Reforecast	- 112,420
District Wide Reservoirs Structural Works	Reforecast to FY20/21 Capex Reforecast	- 140,754
Rawene Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	- 144,404
Waipapa Roundabout Disposal Field	Will not be delivered. Needs to be removed from LTP. Should not be SW proj	- 306,600
Hihi WWTP Construction	To be moved out to 2020-2021 Capex Reforecast	- 398,580
		- 929,958

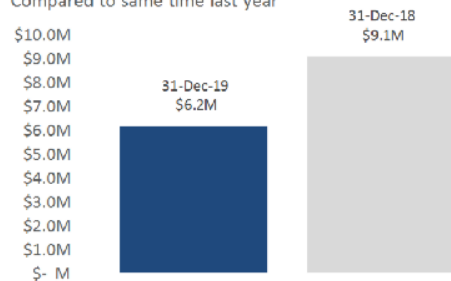
**Total** **5,244,256**



## Treasury Report

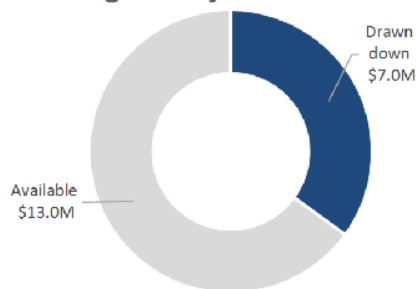
### Cash Position

Compared to same time last year



	31-Dec-19	31-Dec-18
ASB General Fund	\$ 1.2M	\$ 4.2M
ASB Special Funds	\$ 5.0M	\$ 4.9M
<b>Total Cash</b>	<b>\$ 6.2M</b>	<b>\$ 9.1M</b>

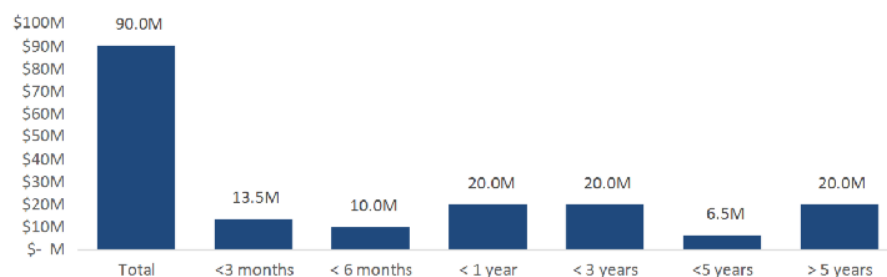
### Banking Facility



<b>Banking Facility</b>	<b>\$ 20.0M</b>
Drawn down	\$ 7.0M
Available	\$ 13.0M

### Public Debt

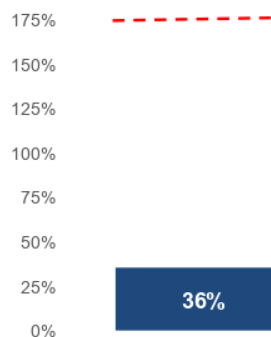
Loans by Maturity Date



## **Treasury Compliance**

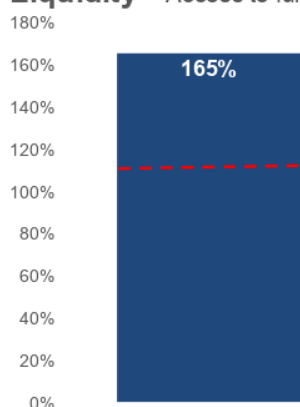
## Treasury Compliance

**Net Debt** as a % of Revenue must be less than 175%



Net Debt	\$ 47.3M
Budgeted Total income	\$ 131.6M
Debt Ceiling	\$ 230.3M
Net debt as % total revenue	36%
Policy Maximum	175%

**Liquidity** - Access to funds must be greater than 110%



External Debt	\$ 90.0M
ASB Banking Facility	\$ 20.0M
ASB Banking Facility used	-\$ 7.0M
<b>Total Committed Public Debt</b>	<b>\$ 103.0M</b>
Liquid Investments Cash at Bank	\$ 42.7M
Liquid Investments ASB Overdraft Facility	\$ 3.0M
	<b>\$ 148.7M</b>
Access to Funds	165%
Policy Minimum	110%

*Note: Total revenue is based on 2019/20 total forecast income excluding non government capital contributions (eg. developer contributions and vested assets).*

*Liquidity is defined as external debt + committed loan facilities + liquid investments, including bank overdraft facility, divided by existing external debt.*

## Statement of Financial Performance

for the period ending Dec 2019 (Pd6)

	Year To Date (\$'000's)			Full Year (\$'000's)						
	YTD Actual	Total Budget YTD	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
<b>Operational Income</b>										
Rates - general (excl water supply rates)	44,070	43,765 -	305	87,530	-	87,530	43,460	50%	87,530	-
Rates - penalties	588	1,037	448	2,073	-	2,073	1,485	28%	2,073	-
Fees & charges (inc water supply rates)	7,832	7,702 -	130	16,213	-	16,213	8,380	48%	16,187	25
Central Govt Subsidies - Admin	-	-	-	-	-	-	-	0%	-	-
Central Govt Subsidies - Operational	4,634	3,832 -	803	9,591	32	9,623	4,989	48%	9,527	96
Other Income	972	607 -	366	2,349	75	2,424	1,452	40%	2,457	33
<b>Capital Income</b>										
Central Govt Subsidies - New Works	958	5,915	4,956	2,380	6,762	9,142	8,184	10%	8,514	628
Central Govt Subsidies - Renewals	3,893	4,941	1,048	13,019	1,845	14,864	10,771	27%	12,666	1,998
Development Contributions	23	- -	23	-	-	-	23	100%	-	-
Other Contributions	13	- -	13	-	1,000	1,000	967	1%	1,022	22
<b>Total Operating Income</b>	<b>62,984</b>	<b>67,798</b>	<b>4,814</b>	<b>133,154</b>	<b>9,514</b>	<b>142,668</b>	<b>79,684</b>	<b>44%</b>	<b>139,976</b>	<b>2,692</b>
<b>Operational Expenditure</b>										
Staff related costs	15,433	15,521	88	31,777	-	31,777	16,343	49%	31,762	14
Contractor Fees	13,841	12,719 -	1,121	27,422	-	27,422	13,581	50%	27,879	457
Professional Fees	3,357	2,635 -	722	6,243	-	6,243	2,886	54%	6,325	82
External Services	3,636	2,249 -	1,387	7,165	-	7,165	3,529	51%	8,565	1,400
Legal Costs	301	312	11	666	-	666	364	45%	690	24
General expenses	6,097	5,981 -	115	12,422	6	12,428	6,332	49%	12,678	249
Grants and donations	1,475	1,302 -	173	1,850	32	1,882	407	78%	1,895	13
Rate remissions	1,865	1,730 -	135	2,208	-	2,208	343	84%	2,208	-
Allocations (direct and indirect)	-	0	0	0	-	0	0	0%	0	-
Interest costs	1,131	1,127 -	4	2,253	-	2,253	1,122	50%	2,253	-
<b>Sub total</b>	<b>47,135</b>	<b>43,576 -</b>	<b>3,559</b>	<b>92,007</b>	<b>38</b>	<b>92,045</b>	<b>44,910</b>	<b>51%</b>	<b>94,256</b>	<b>2,212</b>
Depreciation and other asset costs	16,430	18,077	1,646	38,153	-	38,153	19,723	45%	36,038	115
Gain/Loss on Disposal	29	- -	29	-	-	-	29	100%	-	-
<b>Total Operational Expenditure</b>	<b>63,595</b>	<b>61,652 -</b>	<b>1,942</b>	<b>128,160</b>	<b>38</b>	<b>128,198</b>	<b>64,603</b>	<b>50%</b>	<b>130,294</b>	<b>2,096</b>
<b>Net Operating Deficit</b>	<b>- 611</b>	<b>6,145 -</b>	<b>6,756</b>	<b>4,994</b>	<b>9,476</b>	<b>14,470</b>	<b>15,081</b>		<b>9,682</b>	<b>4,788</b>

## Statement of Capital Performance

for the period ending Dec 2019 (Pd6)

	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	839	2,410	1,572	10,309	2,582	12,890	12,052	7%	16,768	3,878
Environmental Management	39	1,883	1,844	2,093	523	2,616	2,577	1%	2,616	-
Roading and Footpaths	7,171	9,686	2,514	27,400	6,500	33,901	26,729	21%	30,588	3,312
Wastewater	8,795	13,838	4,841	9,437	10,985	20,422	11,827	43%	21,334	912
Stormwater	626	1,558	932	1,776	1,322	3,098	2,472	20%	2,971	127
Solid Waste Management	133	317	183	594	275	869	735	15%	871	2
Water Supply	1,708	1,879	172	3,748	1,582	5,330	3,822	32%	5,227	103
Governance & Strategic Administration	866	2,714	1,848	6,677	2,260	8,937	8,071	10%	5,153	3,784
Customer Services	190	764	574	1,760	329	2,088	1,899	9%	1,909	179
Strategic Planning & Policy	-	-	-	-	-	-	-	0%	-	-
<b>Total Capital Expenditure</b>	<b>20,367</b>	<b>34,847</b>	<b>14,480</b>	<b>63,793</b>	<b>26,358</b>	<b>90,151</b>	<b>69,784</b>	<b>23%</b>	<b>87,438</b>	<b>2,714</b>

## Analysis of Operational Income and Expenditure by LTP Group

Income	Year To Date (\$000's)					Full Year (\$000's)				
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	1,498	785 -	713	1,358	1,112	2,470	971	-61%	2,775	305
Environmental Management	3,078	2,904 -	174	5,363	-	5,363	2,285	-57%	5,338	25
Roading and Footpaths	9,309	9,827	518	26,281	2,947	29,228	19,919	-32%	26,223	3,005
Wastewater	73	5,058	4,985	288	4,914	5,202	5,129	-1%	5,202	-
Stormwater	69	69 -	0	-	69	69 -	0	-100%	69	-
Solid Waste Management	566	723	167	1,404	-	1,404	848	-40%	1,404	-
Water Supply	2,773	2,820	47	5,893	466	6,359	3,587	-44%	6,359	-
Governance & Strategic Administration	663	572 -	91	2,333	-	2,333	1,670	-28%	2,366	33
Customer Services	242	233 -	9	557	-	557	315	-43%	557	-
Strategic Planning & Policy	65	6 -	59	75	6	81	16	-81%	81	-
<b>Total Operating Income</b>	<b>18,326</b>	<b>22,998</b>	<b>4,670</b>	<b>43,552</b>	<b>9,514</b>	<b>53,066</b>	<b>34,740</b>	<b>35%</b>	<b>50,373</b>	<b>2,692</b>

Operational Expenditure	Year To Date (\$000's)					Full Year (\$000's)				
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	5,703	4,533 -	1,170	8,418	32	8,449	2,746	67%	9,024	575
Environmental Management	5,253	4,921 -	331	9,770	-	9,770	4,518	54%	10,770	1,000
Roading and Footpaths	9,703	8,501 -	1,203	21,887	-	21,887	12,183	44%	21,557	330
Wastewater	3,589	3,056 -	533	6,258	-	6,258	2,670	57%	6,258	-
Stormwater	625	889	264	1,725	-	1,725	1,100	36%	1,730	5
Solid Waste Management	1,614	2,078	463	4,193	-	4,193	2,578	39%	4,194	2
Water Supply	2,605	2,431 -	175	4,836	-	4,836	2,231	54%	4,856	20
Governance & Strategic Administration	11,824	10,384 -	1,440	21,087	-	21,087	9,263	56%	21,834	747
Customer Services	2,702	2,833	131	5,466	-	5,466	2,764	49%	5,655	189
Strategic Planning & Policy	2,386	2,824	438	6,113	6	6,119	3,734	39%	6,124	5
<b>Total Direct Costs</b>	<b>46,004</b>	<b>42,449 -</b>	<b>3,555</b>	<b>89,753</b>	<b>38</b>	<b>89,791</b>	<b>43,787</b>	<b>51%</b>	<b>92,003</b>	<b>2,212</b>

**4 PUBLIC EXCLUDED****RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>4.1 - Fraud Near Miss Report</b>	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>4.2 - FNDC Current Legal Action Potential Liability Claims</b>	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>4.3 - Rate arrears - collection options</b>	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority  s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

**5 MEETING CLOSE**