

Notice is hereby given that an ordinary meeting of the Finance, Audit & Risk Subcommittee will be held on:

Date: Wednesday 28 August 2019
Time: 4.00 pm
Meeting Room: Council Chambers
Venue: Horowhenua District Council
Levin

Finance, Audit & Risk Subcommittee OPEN AGENDA

MEMBERSHIP

Chairperson	Mr Philip Jones	
Deputy Chairperson	Mr Barry Judd	
Members	Mr Wayne Bishop	
	Mr Ross Brannigan	
	Mr Ross Campbell	
	Mayor Michael Feyen	
	Mr Neville Gimblett	
	Mrs Victoria Kaye-Simmons	
	Mrs Jo Mason	
	Mrs Christine Mitchell	
	Ms Piri-Hira Tukapua	
	Mr Bernie Wanden	
Reporting Officer	Mr Doug Law	(Chief Financial Officer)
Meeting Secretary	Mrs Karen Corkill	

Contact Telephone: 06 366 0999
Postal Address: Private Bag 4002, Levin 5540
Email: enquiries@horowhenua.govt.nz
Website: www.horowhenua.govt.nz

Full Agendas are available on Council's website
www.horowhenua.govt.nz

Full Agendas are also available to be collected from:
Horowhenua District Council Service Centre, 126 Oxford Street, Levin
Te Awahou Nieuwe Stroom, Foxton,
Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

ITEM	TABLE OF CONTENTS	PAGE
 PROCEDURAL		
1	Apologies	5
2	Public Participation	5
3	Late Items	5
4	Declarations of Interest	5
5	Confirmation of Minutes	5
6	Announcements	5
 REPORTS		
7	Reports	
	7.1 Projects Update	7
	7.2 Twelve Month Report 1 July 2018 - 30 June 2019	33
	7.3 Annual Report for the year ended 30 June 2019	59

1 Apologies

2 Public Participation

Notification to speak is required by 12 noon on the day of the meeting. Further information is available on www.horowhenua.govt.nz or by phoning 06 366 0999.

See over the page for further information on Public Participation.

3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

4 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

5 Confirmation of Minutes

5.1 Meeting minutes Finance, Audit & Risk Subcommittee, 31 July 2019

6 Announcements

Public Participation (further information):

The ability to speak at Council and Community Board meetings provides the opportunity for members of the public to express their opinions/views to Elected Members as they relate to the agenda item to be considered by the meeting.

Speakers may (within the time allotted and through the Chairperson) ask Elected Members questions as they relate to the agenda item to be considered by the meeting, however that right does not naturally extend to question Council Officers or to take the opportunity to address the public audience be that in the gallery itself or via the livestreaming. Council Officers are available to offer advice too and answer questions from Elected Members when the meeting is formally considering the agenda item i.e. on completion of Public Participation.

Meeting protocols

1. All speakers shall address the Chair and Elected Members, not other members of the public be that in the gallery itself or via livestreaming.
2. A meeting is not a forum for complaints about Council staff or Council contractors. Those issues should be addressed direct to the CEO and not at a Council, Community Board or Committee meeting.
3. Elected members may address the speaker with questions or for clarification on an item, but when the topic is discussed Members shall address the Chair.
4. All persons present must show respect and courtesy to those who are speaking and not interrupt nor speak out of turn.
5. Any person asked more than once to be quiet will be asked to leave the meeting

Projects Update

File No.: 19/313

1. Purpose

To provide the Finance, Audit and Risk Subcommittee with an update of the projects being undertaken by the Infrastructure Projects Team.

2. Recommendation

- 2.1 That Report 19/313 Projects Update be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Issues for Consideration

As provided in the **attached** reports.

Attachments

No.	Title	Page
A	Project Report - Shannon Water Supply - 28 August 2019 FARS Update	9
B	Project Report - North East Levin Stormwater (Discharge to Koputaroa Stream Tributary) - 28 August 2019 FARS Update	13
C	Project Report - Levin Stormwater Consent - 28 August 2019 FARS Update	17
D	Project Report - Tokomaru Water Supply - Overview - 28 August 2019 FARS Update	21
E	Project Report - Levin Wastewater Land Treatment - 28 August 2019 FARS Update	25
F	Project Report - Foxton Wastewater Discharge - 29 August 2019 FARS Update	29

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Kevin Peel Acting Group Manager - Infrastructure Services	
-----------	---	---

Approved by	David Clapperton Chief Executive	
-------------	-------------------------------------	---

Shannon Water Supply

Project Overview Summary

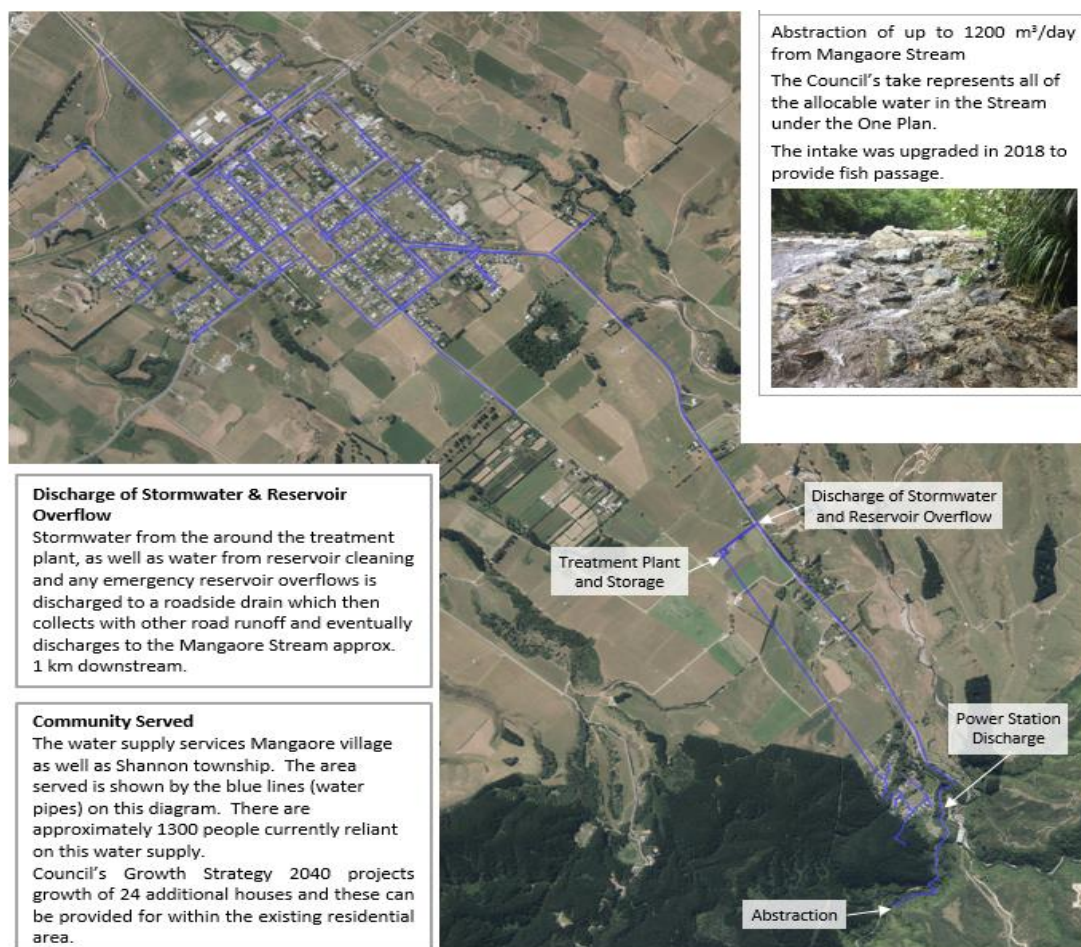
Project objective:

To renew water take consent(s) for Shannon water by 30 September 2019, within budget.

Current Status	What's Needed?	Key Dates
• CHI report has been completed by Ngati Whakatere. HDC has agreed to recommendations. • Application lodged ahead of required date to allow for discharge and take to be considered together. • Application is on Hold for investigation of water losses. • HDC has undertaken leak detection and repair.	• Reassessment of water use to confirm if reasonable and justifiable. • Update and resubmit AEE.	• Existing consent expires December 2019 (Application has been lodged and s124 rights are secured). • AEE to be updated and resubmitted mid 2019 (likely August - September 2019).

Overview of project:

This project seeks to renew Shannon water supply resource consents.



Work to date:

An application and Assessment of Environmental Effects has been lodged and accepted by Horizons for processing. This has secured Council's rights under s124 of the RMA to continue to exercise its existing resource consent beyond its expiry date while the new consent is being processed.

Culture Health Indicator Report:

Te Roopu Taiao o Ngati Whakatere Trust completed a Cultural Health Indicator report on the Mangaore Stream with a focus on the Shannon drinking water supply and Shannon wastewater discharge. The report included 5 recommendations relating to the Shannon drinking water supply. These were:

1. Ensure HDC provide fish passage to the upper Mangaore Stream as conditions of resource consent for the Shannon water supply intake weir and ensure operation of the fish pass is effective at all flows and for all species.
2. Provide information on the hydrology and water allocation limits for the Mangaore Stream to better understand the impact of the Shannon water supply take.
3. Include water conservation measures for Shannon on the water take consent, including alert monitoring of low flow levels and notification of water restrictions to essential needs only.
4. Ngati Whakatere to build a relationship with King Country Energy and Trustpower to better understand the impacts and operation of the Mangahao power station discharge.
5. HDC to enable regular stream health and mātauranga Māori monitoring with Shannon school in the upper Mangaore catchment.

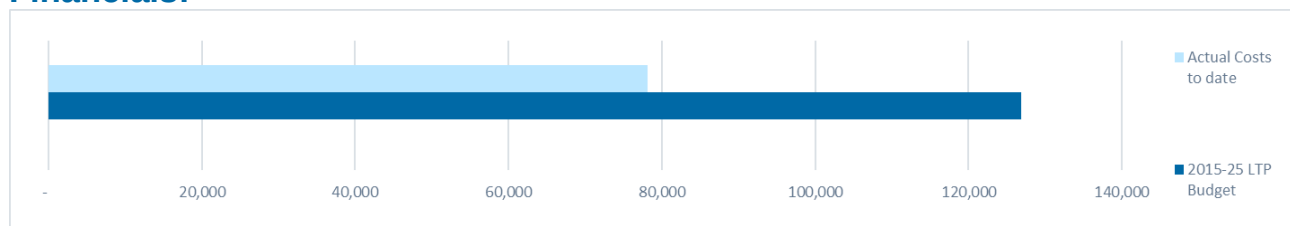
Items 1 and 3 will be included in proposed consent conditions. Item 2 has been completed. HDC will support implementation of Item 5. It has been agreed with Ngati Whakatere that Item 4 is not for HDC to implement and is outside of the consent process.

Water Loss Investigations:

In 2018, Council invested in water meters on the bulk supply lines to enable better measurement of how much water is being used and where water is being lost. Two large leaks were found during this investigation which reduced the daily consumption by just under 200 m³/day. Some unauthorised connections were also identified and are being addressed. Work is ongoing to identify leaks and fix these as quickly as possible.

By the end of 2018, Council had the necessary meters and data loggers in place to be able to get an accurate measure of the amount of water used over the summer period, now that the major leaks have been repaired. Data from the summer period is currently being analysed and application documents updated to reflect use as measured over the summer period.

Financials:



Risk Management:

3C/4L

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Delays in meeting project objective due to s92 notification and hearing process.	2C/4L	Moderate	Drive process and timeframe via close communications / coordination. Note, no service delivery risk as s124 rights are secured.	2C/3L	Moderate
Financial	Significant cost of consent process via hearing and possible appeal.	3C/3L	Moderate	Stakeholder engagement; use pre-hearing to focus issues on RMA matters.	2C/3L	Moderate
	Significant cost imposed by consent conditions (eg for storage if no / reduced abstraction at minimum flows).	4C / 3L	Significant	Effects based assessment that supports abstraction at low flow; network management and water conservation to minimise abstraction at low flow.	4C / 2L	Moderate
Service Delivery	Consent may have low flow restrictions on abstraction.	4C / 2L	Significant	Network management and water conservation. Proceed application through hearing process.	3C / 2L	Moderate

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Council has been engaging, and will continue to engage, with Ngati Whakaterere as noted above.

Consultation has been carried out with Department of Conservation. Feedback was that there were no concerns with the amount of water taken above low flows. The Department supported

water conservation measures at times of low flow, improvements to water efficiency and improvements to provide fish passage.

Timeline:

	Jul '19	Aug '19	Sept '19	Oct '19	Nov '19 -Feb '20
<i>Ongoing engagement with mana whenua</i>					
<i>Complete water use assessment and update AEE</i>					
<i>Resubmit AEE</i>			◆		
<i>Consent Processing</i>					

North East Levin Stormwater (Discharge to Koputaroa Stream Tributary)

Project Overview Summary

Project objective:

To obtain resource consents for additional stormwater discharge to the Koputaroa Stream tributary by December 2019.

Current Status	What's Needed?	Key Dates
• Consent required due to increase and change in stormwater that will occur from land use change (residential development). • Application lodged. • Revised AEE submitted 28 June and now being processed by Horizons.	• Ongoing engagement with mana whenua and downstream landowners.	• Regional Council notification decision expected mid-late August 2019.

Overview of project:



Reason for Consent
Increase in stormwater flows and change in composition due to rezoning and future residential development in North East Levin; redirection of some stormwater away from Lake Horowhenua.

Proposed Mitigation
Council has purchased land at discharge point and will create a treatment and detention area (see over page). Additional detention areas proposed on tributary stream.

Effects Assessment
Detention areas designed so that there is no increase in flow in the Koputaroa Stream. Ecological assessment considered effects of discharge to be less than minor. No

Embankments & culverts to be designed for fish passage.
Erosion & Sediment Control Plans for construction of detention areas.

Detention Area Proposal in more detail:

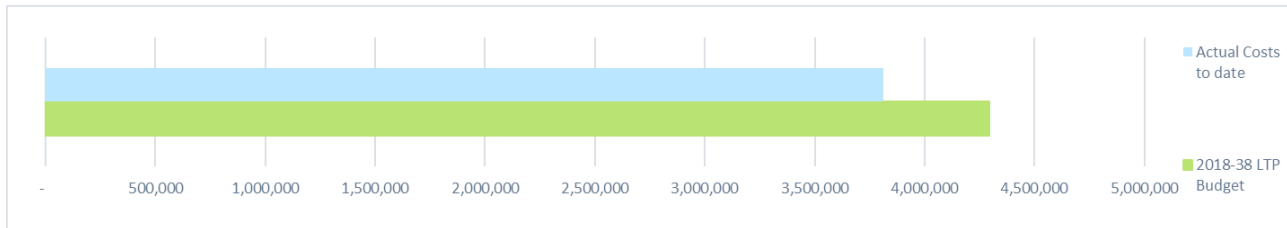


Work to date:

- Lodgement of consent application and responses to s92 requests
- Development of mitigation proposals and design of attenuation area to increased stormwater flows and provide treatment at the discharge point.
- Engagement with mana whenua and landowners on tributary.
- Water quality monitoring & ecological assessment.

As of 2 August 2019, Horizons has indicated - by way of a draft notification recommendation that it considers effects to be less than minor except for cultural effects which are not yet confirmed as consultation is ongoing with iwi and hapu. Horizons' draft notification determination is for public notification.

Financials:



Risk Management:

3C/4L

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Potential for consent not to be granted. Impact on development in NE sector.	3C/2 L	Moderate	Effects assessment. Clear messaging to the community on the benefits. Costs to be incurred for notification and hearing process if necessary.	3C/2 L	Moderate
Financial	Potential for notification & hearing costs / delays.	3C/4 L	Significant	Manage process and pre-hearing discussions to focus on RMA matters as far as possible.	3C/3 L	Significant

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

A draft Cultural Impact Assessment has been completed by Muaūpoko Tribal Authority; concerns raised were potential damage of significant sites, leakage to streams and springs, accidental discovery of taonga, and stream's capacity for additional flow and velocity. MTA recommended that consent be granted with conditions that address these concerns. HDC has accepted the conditions recommended by MTA and incorporated these into the application.

Engagement and high-level discussion with Raukawa. Kereru marae have been engaged to prepare a CIA (2017) but this has not been progressed. This is currently being followed up.

Regional Council has advised it requires consultation with Rangitaane o Manawatu as the Koputaroa Stream feeds into the Manawatu River which is within Rangitaane's Statutory Acknowledgement Area. Consultation with Rangitaane has commenced and Rangitaane has provided verbal support which is to be confirmed in writing.

Landowners where works are proposed have previously been consulted with and are generally supportive of the proposals. Further engagement with these landowners as well as downstream parties is current being carried out.

Horizons Rivers team have been consulted.

NZTA has advised it has no concerns with the proposal.

Timeline:

	July '19	Aug '19	Sept '19	Oct '19	Nov '19
<i>Engagement with affected parties</i>					
<i>Further water quality monitoring</i>					
<i>Revise AEE</i>	◆ Submitted 28 June				
<i>Consent Processing</i>					
<i>Potential notification period</i>					
<i>Potential pre-hearing / hearing</i>					

Levin Stormwater Consent

Project Overview Summary

Project objective:

To obtain resource consents for stormwater discharges by December 2019.

Current Status	What's Needed?	Key Dates
• Consents are required for Council's stormwater discharges to Lake Horowhenua. • An application for consent has been lodged and is on hold while HDC works on consultation, monitoring and mitigation options.	• Engagement with mana whenua (in progress). • Stormwater monitoring to confirm quality of discharges (in progress). • Ecological effects assessment (in progress). • Industrial site stormwater audits (in progress). • Mitigation assessment (in progress).	• The application has been lodged with the Regional Council. • The application is on hold while consultation and further investigations are completed - Due for completion end October 2019.

Overview of project:

This project is to seek resource consents for existing stormwater discharges to Lake Horowhenua from Council's stormwater network. These are existing discharges which are currently unconsented.



The discharge points are shown in the diagram above. Some discharges are direct to Lake Horowhenua and others are via Patiki and Arawhata Streams.

Council's policy is that properties are required to provide on-site stormwater management (generally through soak pits). The consent application is for Council's stormwater network only and does not include the on-site soakage pits on private property.

Council acknowledges that the Lake and the tributaries feeding into the Lake are significantly degraded and that improvements are required. At present, we have monitoring data on the quality of discharge via the Queen Street drain, but other stormwater inputs to the Lake have not been monitored. A monitoring programme is underway to get better information about the quality of the discharges and to understand the effects of the stormwater discharges, in particular, on the Lake.

Work to date:

Modelling of the network has been undertaken to assess network capacity, flooding areas and estimated stormwater quantities.

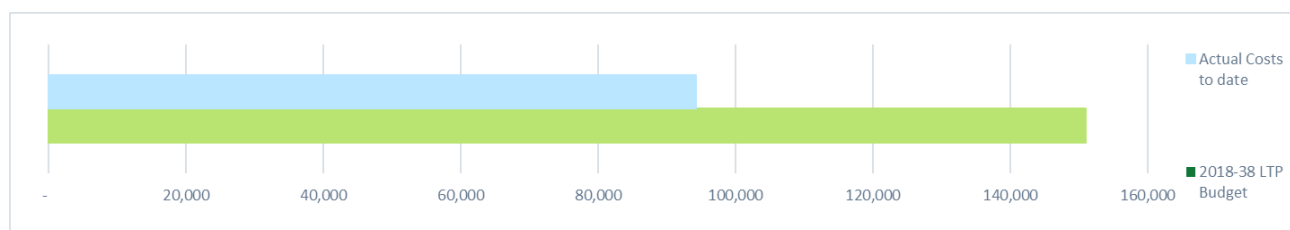
While we have some historic data on the Queen Street drain discharges, not all parameters of interest have been analysed. The other stormwater inputs in to the Lake have also not been monitored and better information is required regarding the quality of the lake discharges. The information we do have suggests that the urban stormwater is of similar or better quality than typical urban stormwater runoff, however, several parameters are still present at levels that are above the receiving water quality targets.

A monitoring programme commenced in December 2018 and will be refined as information is gathered.

An ecological effects assessment was undertaken as part of the application. The assessment identified a number of gaps in our understanding of the discharges and effects on the Lake. A monitoring and investigations programme is being implemented to address these gaps.

The Consent has been lodged. The application has gone on hold while consultation is carried out and the ecological effects assessment is completed. This work also includes consideration of mitigation measures where appropriate.

Financials:



Risk Management:

3C/4L

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Consent is challenged on ecological and cultural impacts.	3C/4L	Significant	Clear evidence of likely effects and remediation plans available. Consultation and engagement with mana whenua.	3C/3L	Significant
	Significant delays and costs of consent process.	3C/4L	Significant	Term of consent sought; engagement and consultation prior to formal notification process; legal advice and drive RMA consent process.	3C/3L	Significant
Legal	Abatement notice as discharges currently unconsented.	4C/2L	Moderate	Consent application lodged and in formal process.	3C/2L	Moderate

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Consultation is underway with Muaūpoko Tribal Authority, Muaūpoko Cooperative Society, Te Runanga o Raukawa and Lake Horowhenua Trust. Consultation with specific hapu will be as guided by the relevant iwi groups.

Consultation with the community, Hokio Trust, Horizons, the Horowhenua Lake Domain Board, Department of Conservation will also be required, and is to be carried out.

Timeline:

	Dec '18	Jan - Mar '19	Apr - Jun '19	Jul - Sept '19	Oct - Dec '19
<i>Application Lodged</i>	◆				
<i>Consultation & Engagement</i>					
<i>Stormwater monitoring and effects assessment</i>					
<i>Responses to s92 requests</i>					
<i>Consent Processing</i>					

Tokomaru Water Supply - Overview

Project Overview Summary

Project objective:

Renew water take consent(s) for Tokomaru Water by 30 March 2020, within budget.

Current Status	What's Needed?	Key Dates
• Application has been lodged with Regional Council. Horizons has advised intent to notify. • Processing on hold for further information & CIA by Ngati Whakatere (due end July). • Approvals obtained from Department of Conservation, Drinking Water Assessor, TMI Rangitaane and Fish & Game.	• CIA to be completed (end July).	• Notification expected late August. • Existing consent will continue to be active until new consent is resolved.

Overview of project:



Abstraction from Tokomaru River

Infiltration gallery below bed of the river, Horseshoe Bend. There are no structures in the flowing water.



Treatment & Storage

Membrane filtration treatment plant located on Tokomaru East Road. Approx. 500 m³ (2 days) of storage.



Community Served

Tokomaru Village & some rural residential properties. Properties outside of the village and any non-residential uses are metered.

- 222 connections of which 34 are metered

Growth is projected. There is residential and greenbelt residential land zoned to the north of the village. Council's Growth Strategy 2040 also identified potential additional growth areas.

Existing Consent

- Abstract up to 864 m³/day, at maximum rate of 36 m³/hr
- No conditions for metering of abstraction
- No conditions requiring water conservation measures

Consent sought

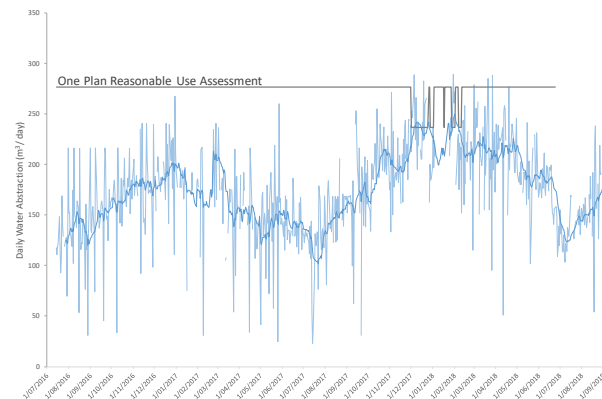
- Reduced consent limits to better match demand, but retain higher abstraction rate when needed to fill up storage
- Abstraction metering & telemetry
- Water conservation measures at times of low flow
- Optimise use of storage to reduce abstraction as much as possible during times of minimum flow

How much water does the community use?

This graph shows the community's use over the last two years.

The graph shows the water abstracted compared to what would be considered "reasonable and justifiable" under the One Plan policies (grey line).

Where the grey line drops down, this is when the River flow was below minimum flow and water conservation measures would be expected to be implemented under the One Plan.

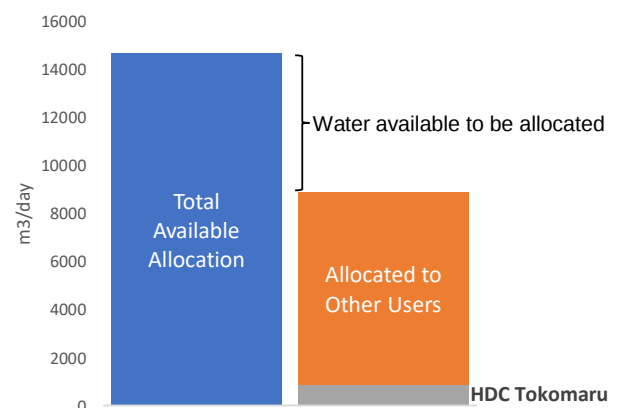


Water Allocation & Ecological Effects

Under the One Plan's allocation regime, 61% of the cumulative core allocation for the zone is allocated.

HDC's current allocation for Tokomaru represents 6% of the cumulative core allocation.

The One Plan provides for community takes to continue (with water conservation measures in place) when the River is below minimum flow (240 L/s). An ecological assessment found that the effects of the abstraction when the River is below minimum flow are less than minor.



Work to date:

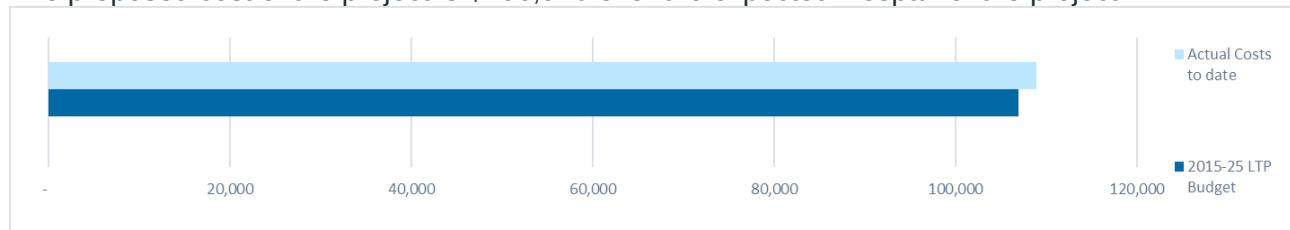
Consent application has been lodged and a s92 request for further information has been responded to. Consultation has been undertaken with key stakeholders as noted below.

The application is currently being processed by Regional Council. As of 10 June, Regional Council advised an intention to notify the application. HDC requested notification be placed on hold until Ngati Whakatere has completed the CIA (to avoid the need for submissions to be made by Ngati Whakatere while this work is ongoing). The notification decision has been questioned by HDC and Ngati Whakatere, Ngati Raukawa. Horizons has confirmed its intention to notify. Notification is expected late August 2019.

Financials:

The funding arrangements are reserve funded.

The proposed cost of the project is \$106,910 over the expected lifespan of the project.



Risk Management:

3C/4L

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Potential for Quantity of Water allocated to be insufficient for growth.	4C/3L	Significant	Application proposed consent conditions to be structured to allow for further approval at time of growth in the community. Ensuring water sensitive design.	3C/3L	Significant
Financial	Notification leading to hearing and appeal costs.	4C/4L	High	Continue with consultation and engagement with key stakeholders during submission period. Proceed quickly to pre-hearing to focus on RMA issues.	4C/3L	Significant
Service Delivery	Consent decision may include significant constraints on take at minimum flow.	4C/4L	High	Interrupted service delivery and extended water restrictions. Significant cost associated with storage to mitigate.	4C/3L	Significant

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

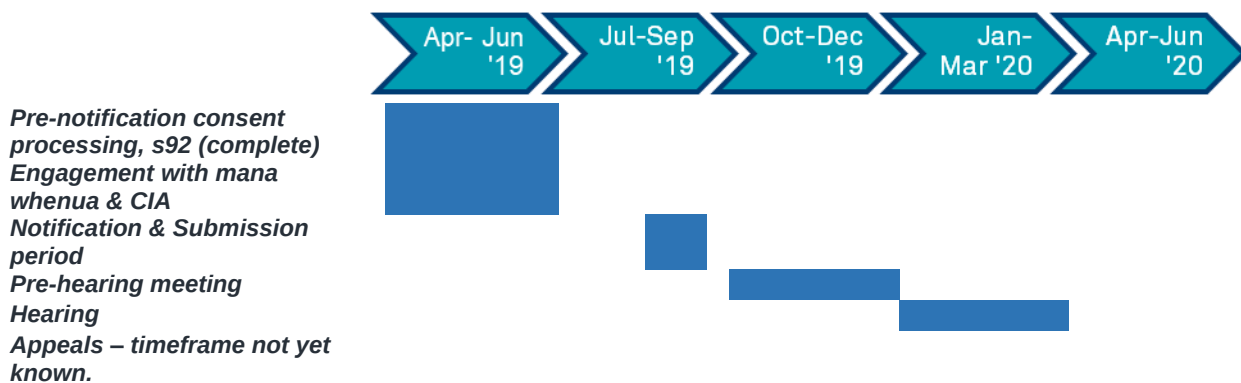
Communication and Key Stakeholders:

Engagement is ongoing with Ngati Whakatere and a Cultural Impact Assessment has been commissioned. This is expected to be completed end of August.

TMI Rangitaane have been consulted and have provided a letter of support.

Written approval has been obtained from Department of Conservation, Fish and Game Council and a letter of support has been received from the District Health Board.

Timeline:



Levin Wastewater Land Treatment

Project Overview Summary 16 August 2019

Project objective:

The Levin Wastewater Land Treatment project aims to renew the consent to continue the discharge of wastewater to the property known as the Pot, at Hokio Sand Road, Levin. To achieve this objective the irrigation regime including operation and infrastructure requires upgrading, and various mitigation measures require investigation for potential installation at The Pot or in close proximity to The Pot.

Current Status	What's Needed?	Key Dates
• 10 workstreams established. • Preparation for consent hearing underway. • Irrigation installation after the pine harvest completed. • Irrigation upgrade programme underway. • 20 ha replanted after pine harvest. • Weed management and replanting programme prepared. • Firewood contractor operating at site.	• Careful management of the re-consenting process and with community engagement. • Complete irrigation upgrade. • Irrigation automation approval required. • Native planting this year. • Pine planting remainder of The Pot next year. • Carry out weed management programme in preparation for planting in 2020.	• Consent conferencing 6 to 25 September and joint witness statements due 30 September. • Consent Hearing 30, 31 October, 1 November. • Irrigation redevelopment plans finalised October 2019. • Native planting planned for September.

Overview of project:

- Located at the end of Hokio Sand Road, the property known as The Pot receives 100% of Levin's wastewater as irrigation.
- This land treatment facility has been in operation since 1991 (1987 development and planting).
- Ownership includes half the property leased from Muaūpoko Land Trust and the other half owned by HDC. HDC also own the property to the east known as the Tucker block. This is currently leased for grazing.
- Currently the site is operated under resource consents 6610 and 6921 that expired December 2018.
- The consent application for renewal of the Levin wastewater land treatment (LWWLT) was submitted in June 2018.
- The consent application is supported by extensive investigations that began in 2012 to determine the effects of wastewater at the site after near 30 years of operation. The application includes 27 reports that detail the LWWLT and the effects it is having to the environment.
- A trial is being undertaken on 10 ha of the site to determine if irrigating wastewater onto Manuka/Kanuka dominated ecosystems will improve water quality in the Waiwiri Catchment.
- The consent process is part of a larger programme looking at the management of the site, irrigation redevelopment, replanting, mitigation of impacts on water quality and future planning.

Work to date:

- Land discharge consent expired December 2018. Council is allowed to continue operating under the old consent conditions until a decision is made on the new consent application.
- Site investigations and data collation for consent renewal began in 2012.
- LEI coordinated groundwater, surface water, soil and ecology investigations and reporting for the consent; and assisted with consultation with the community.
- Consent lodged 22 June 2018 – publicly notified, submission period extended to a 5 month period, 18 submissions received, HDC has engaged experts to prepare evidence and participate in conferencing of issues ready for the hearing.

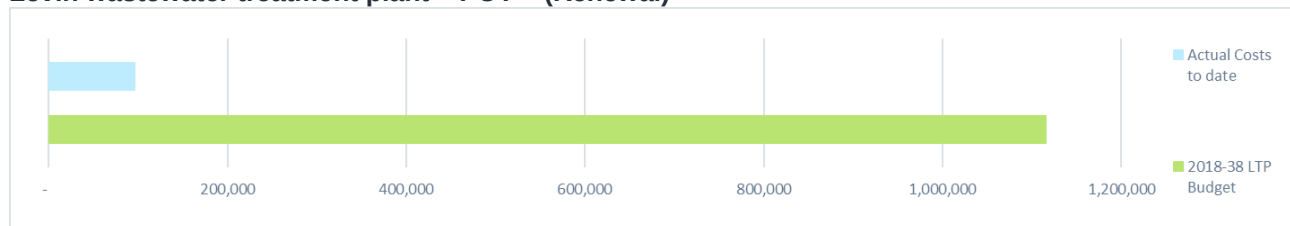
- This hearing date has been revised by the Commissioner from August 2019 to 30, 31 October and 1 November. This has allowed for conferencing of the issues that the previous date did not.
- Irrigation has been fully reinstalled after the pine harvest and the upgrade is underway. This upgrade will match the proposed consent and include expansion of area and automation. A draft design has been prepared and is being reviewed in readiness for approval and then procurement.
- 5 year ecosystem trial started at The Pot 2018; environmental monitoring starting in 2019.
- Consent consultation initiated a catchment care group; this is continuing.
- Harvest of pine trees completed early February 2019.
- 20 ha of pines replanted 2018 with further native planting planned for 2019 and remaining pine planting in 2020.
- Contractor procurement programme established to ensure health and safety upheld to Downer and HDC standards;
- Firewood contractor engaged and assisting with improvement of The Pot conditions after the pine harvest;
- Consent procured for northern adjacent neighbour to receive wastewater from The Pot; monitoring bores being installed as required by consent and irrigation design has been initiated.
- Ten workstreams have been established to assist management: 1. consent, 2. irrigation, 3. site development, 4. catchment management, 5. native ecosystem trial, 6. additional land, 7. mitigation technology, 8. landowner engagement, 9. operational systems and compliance, 10. future planning.

Financials:

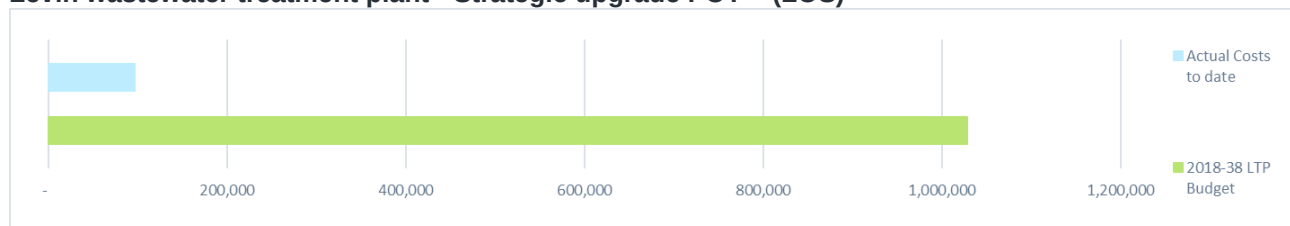
The funding arrangements are loan funded for the Strategic Upgrade part and reserve funded for the renewal part.

The proposed combined cost of the project is \$2,587,000 over the expected lifespan of the project.

Levin wastewater treatment plant – POT – (Renewal)



Levin wastewater treatment plant - Strategic upgrade POT – (LOS)



Risk Management:

3C/4L

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Community and iwi conflict with consent objectives	R	Drawn out consent process, leading to community tension and additional costs.	Engagement with individuals to address specific concerns. Catchment care group	A	Small number of individual and group concerns
Financial	Exceedance of budget	A	Short of funds across HDC	Budget planning and tracking.	G	Minor variations to budget
Service Delivery	Difficult working conditions at The Pot with pine slash and weed growth	A	Workers frustration Inefficient practise Health and safety risks	Engagement of a site manager; additional staff and a firewood contractor	G	Time needed to improve conditions
Legal	Council hearing process	R	Drawn out consenting process leading to significant costs	Engagement with all parties involved. Detailed response to submissions Conferencing to reduce issues Clear time schedule	A	Unexpected issues raised
Reputational	Appearance of The Pot without tree cover	A	Judgement of The Pot without trees.	Expert advice for management and a and planting plan Prompt response to any concerns raised from individuals Firewood contractor engaged	G	Long term the issues will be resolved

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

As stated in the previous FARS update: Consultation has been undertaken with the community about the re-consenting project for Levin wastewater land treatment at The Pot. This is summarised in Appendix B of the consent application. As an introduction:

The consultation programme included the following avenues to exchange information:

- 11 Meetings since 2016 (18 different representative groups and individuals attended);
- Common web portal for sharing technical reports - Objective Connect;
- Update and invite emails;

- Report Summary Booklet (HDC, 2018:D2a); and

An extended submission period was provided. This resulted in 18 submissions received. The evaluation of the submissions has allowed for the issues to be addressed in the evidence and consequent consent conditions. Expert conferencing is planned for September to further discuss any concerns and a positive way forward.

Muaūpoko Land Trust are now receiving the monthly reports sent to the Regional Council from HDC on the Levin wastewater monitoring.

The Ryan family, who own neighbouring land, are felling their trees in response to concerns raised in their submission.

Timeline:

	Aug '19	Sept '19	Oct '19	Nov '19	Dec'19
<i>Consent – applicant evidence prepared</i>					
<i>Consent – submitter evidence prepared</i>					
<i>Consent - hearing</i>					
<i>Irrigation plans finalised</i>					
<i>Irrigation installation</i>					
<i>Irrigation automation</i>					
<i>Native Planting</i>					
<i>Trial monitoring and management</i>					
<i>Firewood contract</i>					

Foxton Wastewater Discharge

Project Overview Summary

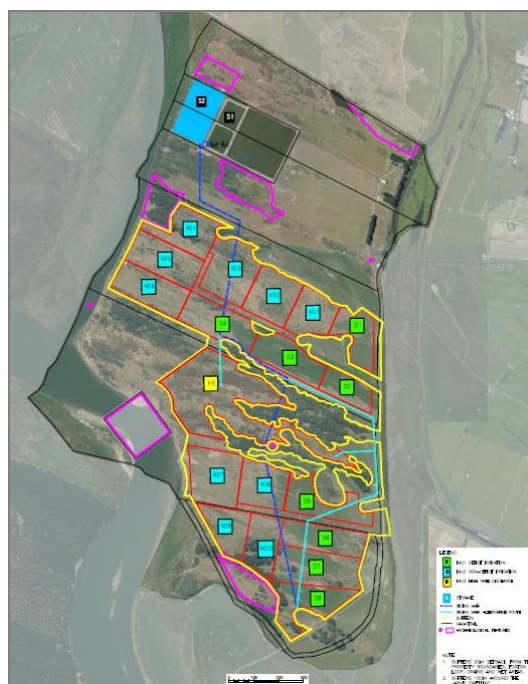
Project Objective:

To cease the discharge to Foxton Loop and implement 100 % discharge to land (irrigation of farm land) of all treated wastewater from the Foxton WWTP prior to 4 February 2022.

Current Status	What's Needed?	Key Dates
☐ Inlet step screen and outlet flow-limiting valve are operating. ☐ Project team is actively collaborating. ☐ A Construction Management Plan was sent to Horizons within the 6-month deadline. ☐ WWTP design changes have been developed for transitioning to irrigation. ☐ Irrigation layout and design details have been developed for the northern area of farm land. ☐ Horowhenua Alliance appointed as head contractor for physical works.	• Management of multi-disciplinary team to design and construct new scheme. • Management of land owner and iwi relationships. • Management of budgets and differing contractual approval processes. • Co-ordination of complex range of systems and activities to ensure full integration of WWTP, irrigation, and farm operations.	• Consents granted 4 February 2019. • Aiming for commencing some irrigation by November 2019. • 4 February 2022 deadline for irrigation completion, including new storage pond, and ceasing discharge to Foxton Loop.

Overview of scheme:

- The Foxton WWTP is a 3-pond system located SW of Foxton between the two arms of Foxton Loop on farm land known as Matakara. The WWTP was constructed in 1976 and discharges treated wastewater into the western arm of Foxton Loop.
- On 4 February 2019 the Environment Court granted consents to develop and operate a land discharge system to replace the Foxton Loop discharge system. It allows irrigation of the area outlined in yellow on the map below and construction of a new storage pond (blue rectangle).



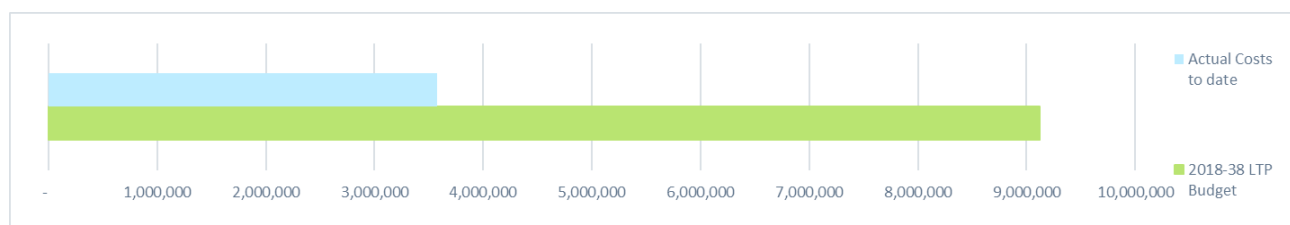
Work to date:

- The project management team continues to actively plan and co-ordinate activities, including contractual arrangements and health and safety requirements.
- Timelines, scopes, and preliminary budgets have continued to be developed for a wide range of tasks with a particular focus on the 2019/20 financial year.
- There continues to be significant collaboration with the farmers and iwi.
- The new inlet step screen was installed and operational before 3 May 2019 as required by the consent conditions.
- Six new groundwater monitoring bores were installed on 17-21 May 2019 to comply with the 4 August deadline set by the consents.
- An automated shut-off valve was installed at the WWTP outlet and began operation on 7 June to ensure compliance with the daily discharge limit to Foxton Loop (2,000 m³/d). It was connected to the SCADA system on 10 June.
- The Construction Management Plan (CMP) was prepared and lodged with Horizons Regional Council for certification on 2 August 2019 as required by the consent conditions.
- The CMP, irrigation layout plan, Archaeological Management Plan (AMP), and Interim Operation and Management Plan (IOMP) were lodged with HDC's Regulatory Manager on 2 August as required by the consent conditions.
- A master plan has been developed for the WWTP pond modifications, new storage pond, connections to the wet well and the wet well's connections to the irrigation pumps and the relocated discharge outfall to Foxton Loop (this needs to be relocated because it currently traverses the storage pond footprint and the discharge to Foxton Loop needs to continue until the full irrigation and storage systems have been built and commissioned).
- An irrigation layout plan including pipelines, riser locations, pipe sizes, irrigation nozzle sizes, and pump flow rates have been developed in conjunction with layouts of stock raceways, paddock fencing, and all related farm management systems.
- Design and location considerations have been identified for the wet well and pump shed and the related monitoring infrastructure for managing and controlling the WWTP and irrigation.
- Information requirements and related scopes of investigative and design tasks have been developed.
- Critical timeframes and complex tasks have been identified for refining the likely time of commissioning the initial irrigation area (covering the area north of the large central dunes).
- Collaboration of design has been occurring between the WWTP, irrigation, farm management, electrical, automation, and Council operations teams.

Financials:

The funding arrangements are loan funded.

The proposed cost of the project is \$9,123,206 over the expected lifespan of the project.



Forecast budgets for a large number of tasks and infrastructure have continued to be refined as tasks are identified and formal cost estimates are developed by contractors. Actual costs to date have also been tracked.

Risk Management:

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Strategic	Landowner agreement.	A	Differing design views resulting in disputes and delays to implementing project within consented deadlines.	Robust and regular landowner engagement.	G	Key features are agreed in advance and remaining details will be resolved.
	Iwi expectations.	A	Differing views on commitments given resulting in delays to implementing project within consented deadlines.	Robust and regular iwi engagement with a particular focus on aspects that could affect construction and consented deadlines.	G	Key undertakings are agreed in advance and remaining issues will not affect consented deadlines.
	Wastewater continues to enter river longer than planned.	A	Council's target of ceasing all wastewater discharges to river is delayed unacceptably long.	Active information sharing and relationship building. Sound project management to deliver project on time.	G	Current timelines will comfortably achieve the target date for ceasing discharges to the river.
Financial	Budget exceedances or spending funds sooner than expected.	A	Strains Council's finances and forces unexpected borrowing and interest costs.	Financial planning and regular cost management.	G	Expenditure is not expected to exceed annual budgets.
	Clashing or unclear procurement processes.	A	Contractor engagement and payment is not authorised or causes perceived or real legal and/or reputational risks.	Procurement Plan and associated processes for contractor selection and contract authorisation documentation. Appointment of sole Head Contractor to manage all physical works.	G	Contractual arrangements are clear and minimise any potential for conflicts.
Service Delivery	Resource availability and timing causing delays.	G	Delays can compound and can breach consent timing limits and add to costs.	Strong project and staff management controls. Provision of additional resources if needed.	G	Timing and costs will be acceptable.
	Complex integration of designs which rely on other designs' details.	A	Design development can be delayed due to other key details being unknown. This delays procurement until full design details are specified.	Strong project and staff management controls. Provision of additional resources if needed. All designs will be developed as quickly as possible with initial designs proceeding as far as possible using educated assumptions before gaining certainty of other design details.	G	Design will progress in a timely and structured way with strong collaboration. Key designs and specs will ensure that procurement timing is not delayed.
	Long lead-in times for purchases of key components.	A	Timelines for components will determine the date when the initial irrigation system can be commissioned.	Timelines for components will be identified early and decisions made as early as possible to allow orders to be lodged with suppliers as early as possible.	G	Timelines should not be affected significantly.
	Inadequate consideration of components causing failures or unable to integrate with other parts of the systems.	G	Failures or incompatibility can be costly to rectify and waste time.	Specifications will be developed by project team to ensure their suitability. Need interactive team management.	G	Failures and incompatibility will be rare.
Legal	Additional consents may be required.	A	Additional consents can delay construction.	Identify and promptly seek all necessary consents.	G	Additional consents are unlikely to delay project.
	Breaches of consent conditions, One Plan, District Plan, or Heritage Act.	G	HDC and contractors liable for enforcement action and for rectifying environmental damage.	Training/education for all personnel. Supervision will include compliance checks. Compliance essential.	G	Breaches are unlikely to occur and will be rapidly detected and rectified.
	Horizons' compliance staff may not approve details of Management Plans.	A	Construction is delayed until all relevant Management Plans are certified by Horizons.	Collaborate closely with Horizons and relevant contractors to quickly resolve any issues.	G	Management Plans are unlikely to encounter any certification issues but will be rapidly resolved.
	Health and Safety at Work Act.	G	HDC and contractors liable for any failures to protect people from harm.	Robust safety systems and plans are being developed. Hierarchy and conflicts of policies and procedures are being managed and integrated.	G	Incidents and inadequate precautions are unlikely to occur.

Risk Area	Risk Description	Initial (GAR)	Initial Risk Assessment without application of a control	Control applied	Residual Risk Assessment (GAR)	Residual Risk Assessment
Reputational	Project implemented poorly or fails to operate as intended. Lower standards are allowed than would be expected of another farm or business.	G	Council seen as having an inability to deliver significant infrastructure projects.	Specifications and regular inspections of work. High standards will be expected and enforced. Short cuts and poor workmanship will be addressed promptly.	G	High quality and reliable systems are installed. Council and its contractors maintain good reputations.

Risks Traffic Light Key

Likelihood	Consequence				
	1 - Very minor	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Very Likely	Low	Moderate	Significant	High	Extreme
3 -Likely	Low	Moderate	Significant	Significant	Extreme
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Extremely unlikely	Low	Low	Low	Low	Low

Communication and Key Stakeholders:

Council has been engaging with the landowners and relevant iwi since 2014. Council has also been engaging with some Horizons staff regarding consent conditions and their expectations of construction methodologies, monitoring requirements, documentation requirements, and reporting. Compliance communications have also been actively maintained with Horizons staff.

Timeline:

	Aug 2019	Sep 2019	Oct 2019	Nov 2019
Construction Management Plan	Submitted			
WWTP Master Plan	Drafted	Finalise		
Procurement planning and scheduling	Draft specs	Finalise		Implement
Irrigation development	Initial design	Finalise	Procure	Implement
Monitoring		Monitor bores		

Twelve Month Report 1 July 2018 - 30 June 2019

File No.: 19/314

1. Purpose

To present to the Finance, Audit & Risk Subcommittee the financial report for the twelve months to 30 June 2019.

2. Recommendation

- 2.1 That Report 19/314 Twelve Month Report 1 July 2018 - 30 June 2019 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Issues for Consideration

As included in the **attached** report.

Audit New Zealand are currently undertaking the year ending 30 June 2019 audit. An update on the audit process will be provided at today's meeting.

Attachments

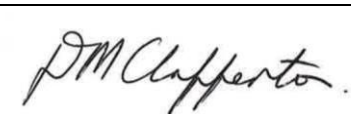
No.	Title	Page
A	Financial Reporting - Monthly Report - 30 June 2019 - August FAR	34
B	Civic Financial Services - Special Dividend	57

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Doug Law Chief Financial Officer	
Approved by	David Clapperton Chief Executive	

Horowhenua 
DISTRICT COUNCIL

Twelve Month Report

1 July 2018 - 30 June 2019



Executive Summary

A. Financial Performance – Operational Expenditure

Council shows an interim deficit of \$7.052m against a budgeted surplus of (\$1.655m).

Overall this represents a \$8.707m variance from the budgeted for surplus which is \$2.814m more than the deficit reported to the FAR Committee on 31 July 2019.

Landfill aftercare provision increase	2,703
Loss on disposal of assets	126
Revaluation losses	158
Loss on Derivatives	975
Increased Depreciation	861
Total non-cash	4,823
Growth Response	809
Reduced Roding Subsidies	1,320
Landfill Consulting Costs	336
Solid Waste/Recycling Changes	954
Reduced Labour Recoveries	440
Total cash	3,859
Total Variance	8,682

- Landfill aftercare provision increase: this has arisen from the yearly recalculation of this provision. As a provision it does not represent a cash loss. It represents the future costs of the landfill as it was at balance date (i.e. assuming no extra cells or capacity is created) through to the current expected closure date of 2032 and the ongoing post closure costs through to 2062. This significant increase in the future costs has come about through changes to the consent conditions and the costs of monitoring these new conditions over the years until the finish of the aftercare period of 30 years 2062.

Essentially the extra costs are due to the proposed consent conditions (which aren't technically approved yet but most probably will be very shortly) include;

- The conditions around the gas flare and gas monitoring are the largest component of the increase. These are linked in to flare maintenance, material replacement (like filter material), gas well maintenance and testing etc
 - The water leachate sampling will increase substantially. We are required to install some more monitoring wells. In addition to this, the frequency of sampling is increasing, as well as the intensity (we have 2 sampling "types" or "suites". The Indicative Suite requires us to test for a few parameters, the Comprehensive Suite requires us to test for a large number of parameters). We have to do more Comprehensive Suite sampling and some of the analyses has to be done in Australia and can be very expensive.
 - The capping requirements – these require us to monitor emissions/gases escaping through the capping and have limits that cannot be exceeded
 - Biofilter maintenance and material replacements comprise a smaller fraction of the increase
 - There are requirements to undertake weed control, ensure the grass is maintained (eg: mowed), and general site maintenance and levelling of the cap material
- Loss on disposal of assets; Library books written off \$144k and loss on sale of surplus house at the Shannon wastewater disposal farm \$10k.

- Loss on disposal of assets; Library books written off \$144k and loss on sale of surplus house at the Shannon wastewater disposal farm \$10k.
- Revaluation losses is made up of loss on forestry revaluations of \$65k and discounted zero interest Community loan \$7k offset by increase in carbon credits \$27k.
- Landfill Consulting Charges: Horizons Regional Council required HDC to undertake a review of the consent conditions associated with the operation of the Landfill. Council had no choice but to engage in this process. This fact, combined with a strong voice from the community expressing a desire for the landfill to be closed resulted in Council having to engage external consultants to ensure a plan to explore options for the early closure of the landfill was in place whilst still have operable consent conditions in place in the interim.
- Solid Waste/Recycling Changes: The material changes to the international recycling market meant that Council had to reconfigure its service delivery arrangements for Solid Waste and in particular the recycling service. Whilst it was clear that recycling was going to become more expensive a clear direction was received that the community had an expectation that service levels in this activity were not to reduce, in fact that a higher level of service were desirable. Changes to the recycling contract have resulted in unbudgeted for expenditure in the 2018/19 financial year. It should be noted that included in the \$954k above is an increased provision for the Landfill aftercare of \$99k. This provision has been reviewed and is discussed above.
- Reduced Roothing Subsidies: For a range of reasons Council had deferred some roading capital expenditure until the 2019/20 Financial Year. Two key projects are the Poads Road Bridge replacement and an upgrade to the Queen Street Round about. There are other roading capital projects that have also not been completed and these can be seen in the commentary to the financial statements elsewhere in this report. Accounting standards direct that the reduced subsidy income contributes in a negative way to the year end result as the reduced expenditure is recorded elsewhere in the Council's Balance Sheet. That is, the reduced income is not offset by reduced expenditure when considering the year end result. The majority of these works will be completed in the 2019/20 financial year (e.g. the procurement plan for the Poads Road Bridge Replacement was signed off in July) and the subsidy income will be received on completion of the works.
- Loss on Derivatives: This is a non-cash loss that, again due to accounting standards, must be reported as contributing to Council's year end result. Council entered a number of interest rate hedging (protection) arrangements some time ago when interest rates were expected to remain relatively high, if not increase. No one at that time could have predicted that the historical low interest rates of recent years would prevail. As a result accounting standards require Council to recognise the loss on these arrangements as an expense throughout the year. In layman terms this is a 'paper transaction' that contributes to the year end result and it does not impact on Council's cash position.
- Increased Depreciation: Depreciation on Council assets is more than that budgeted for due to the creation of new assets and revaluations. It should be noted (as in the covering report) this is an interim year end result and further revaluation and audit work is yet to be completed before the draft Annual Report is available for consideration. As a result these depreciation calculations are subject to change. Again, it is important to understand that this variance does not impact on Council's current cash position, however it may in future years.
- Reduced Labour Recoveries: Council recovers the cost of staff time from capital project budgets completed throughout the year. This is to make sure the cost of staff time is recorded against the correct budgets. In essence this means that there is generally an income stream from staff time spent on capital projects that impacts on the year end result. Due to the fact that some capital projects have been deferred (see above commentary regarding reduced roading subsidies) less staff time has been spent on capital projects than budgeted for.

- Growth Response: Council is well aware of the fact that it has been investing in preparing for the sustainable growth/development of the Horowhenua District. Council decided early (in response to revised growth forecasts) that it was critical that it invested to ensure that current and future growth is managed and occurs in a sustainable manner. This involves planning on a range of fronts from having an understanding of where that growth might occur (Growth Strategy), ensuring land use rules are fit for purpose i.e. both enable and manage growth (District Plan), having an understanding of how our town centre might need to change in response to increased population and a potential bypass of Levin (Town Centre Strategy) and advocating for an Otaki to North of Levin expressway (O2NL) to name a few. This expenditure was unbudgeted for in the 2018/19 financial year. Whilst it contributes to the overall financial result for 2018/19 it does not impact on Council's cash position as it has been funded by way of loan. It was decided to loan fund this expenditure as this work has intergenerational benefits.

If the non-cash items (Loss on Derivatives, Depreciation, Revaluation losses, and Landfill Aftercare Provision plus gain from Vested assets) are backed out the \$8.707m variance against the budgeted surplus reduces to \$4.577m i.e. an operating deficit of \$3.783m.

B. Financial Performance – Financial Position

Council has borrowed a net \$16m this financial year to bring gross borrowing to \$96m. We have also \$8.48m the cash reserves.

Council has purchased \$23.02 in fixed assets against a capital budget of \$34.5m for the year.

C. Civic financial Services – Special Dividend

Civic Financial Services is a CCO owned by a conglomerate of Local Government entities. It began life as an Insurance company for local government to ensure competition in the market and therefore lower insurance costs for the sector. However, the Christchurch earthquake had a detrimental effect on the company and it ceased to offer Insurance products other than the LAPP Mutual. It is now primarily in the superannuation space. However, as part of its downsizing, it decided to sell the Wellington Building it owned with the proceeds being distributed with a special dividend. The attached letter from the company sets out the details on the dividend. This dividend could be seen as a repayment of share capital and may mean that we would reduce the carrying value of our holding by writing off some value through the Comprehensive Income Statement. We will seek advice on this.

D. Where to from Here

This report represents an interim result for the 2018/19 Financial Year and not the draft or final Annual Report. The 2018/19 draft Annual Report is under development and the annual audit process is underway. The financials presented in the draft Annual Report are the subject of a separate report to this agenda.

Areas that are subject to change include, but are not limited to:

- Changes to accounting treatments as a result of the audit process
- Possible Asset Revaluations and impact on depreciation on Rooding although these may not be material.

Doug Law
Chief Financial Officer
21 August 2019

Total revenue	Total expenditure	Total surplus/(deficit)
\$53.98m is 1% less than the total budget of \$54.37m	\$61.03m is 16% more than the total budget of \$52.72m	(\$7.05m) is 527% less than the total budget of 1.65m

SUSTAINABILITY

Rates to operating revenue 71%

Rates revenue	\$38.56m
---------------	----------

Operating revenue	\$53.98m
-------------------	----------

71% of operating revenue is derived from rates revenue. Rates revenue excludes penalties, water supply by meter and is gross of remissions. Operating revenue excludes vested assets, development contributions, asset revaluation gains and gains on derivatives.

Balance budget ratio 93%

Operating revenue	\$53.53m
-------------------	----------

Operating expenditure	\$57.32m
-----------------------	----------

Operating revenue should be equal or more than operating expenditure. Operating revenue excludes vested assets, development contributions, asset revaluation gains and gains on derivatives. Operating expenditure includes depreciation and excludes loss on derivatives, landfill liability and loss on asset revaluations. Year to date revenue is 93% of operating expenditure.

Net Debt to total projected revenue 163%

Total net borrowing	\$87.52m
---------------------	----------

Total operating revenue	\$53.53m
-------------------------	----------

With net borrowing of \$87.52m we are still under the set limit of 195% of operating revenue. Total net borrowing is external borrowing less cash at bank.

Interest to rates revenue (LGFA Cov.) 8%

Net Interest	\$3.18m
--------------	---------

Rates revenue	\$38.56m
---------------	----------

8% of rates revenue is paid in interest. Our set limit is 25% of rates revenue. Net interest is interest paid less interest received. Rates revenue excludes penalties, water supply by meter and gross of remissions.

Interest to operating revenue (LGFA Cov.) **6%**

Net Interest	\$3.18m
Operating revenue	\$53.53m

6% of operating revenue is paid in interest. Our set limit is 20% of operating revenue. Net interest is interest paid less interest received.

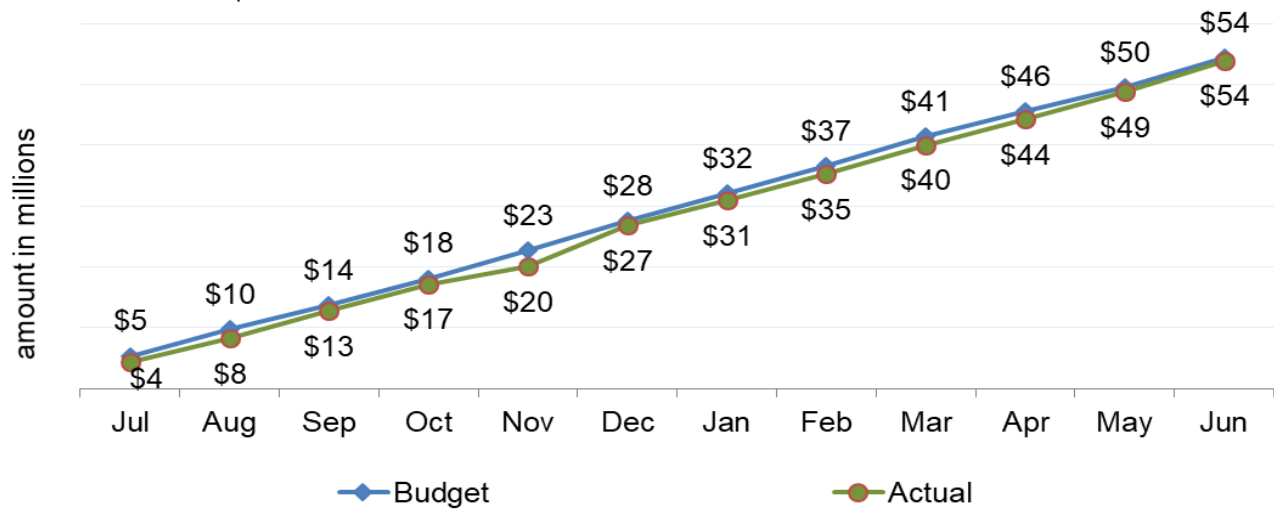
Available financial accommodation to external indebtedness (LGFA Cov.) **111%**

Net debt	\$87.52m
Undrawn committed facilities	\$10.00m

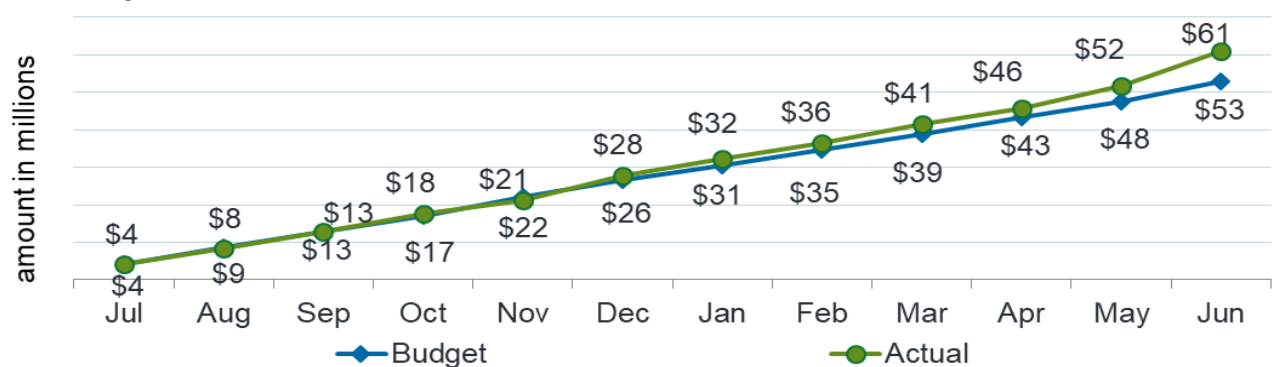
The committed bank facility enables us to borrow up to 111% of our current external debt immediately. The LGFA covenant minimum is 110%.

Operational Summary

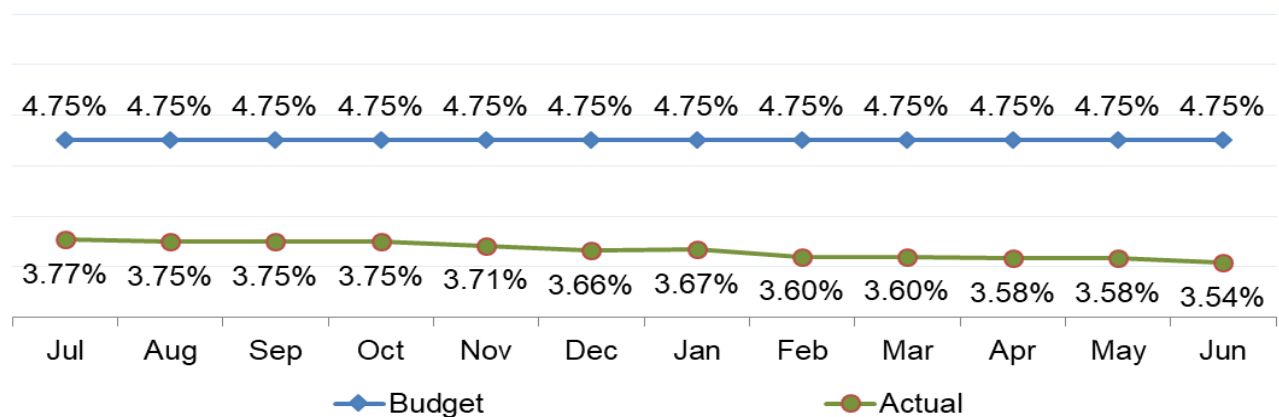
Total Revenue \$m



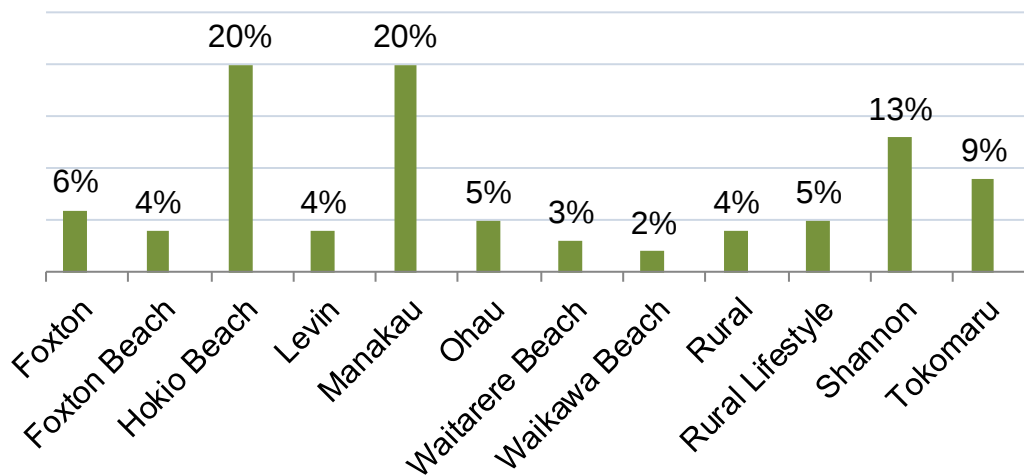
Total Expenditure \$m



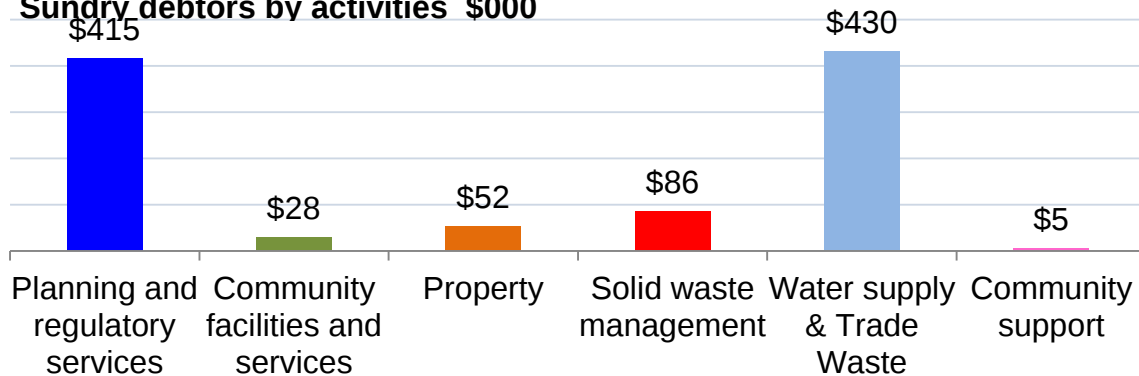
Interest rate movement



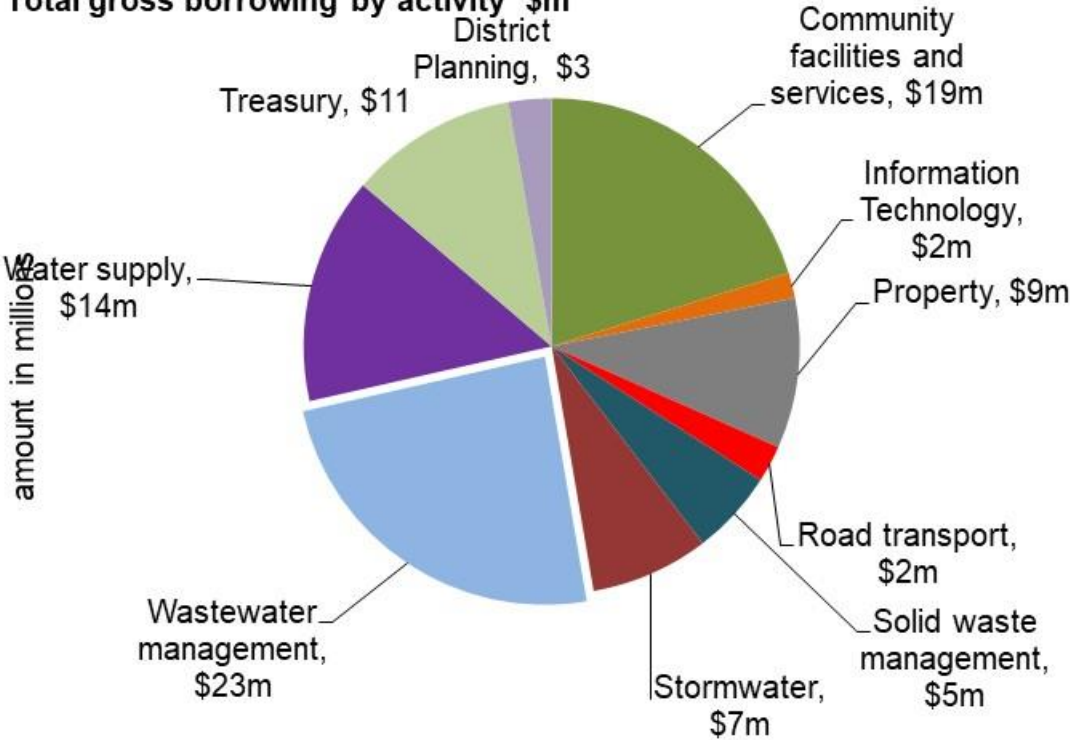
Rates debtors % with arrears over \$99



Sundry debtors by activities \$000



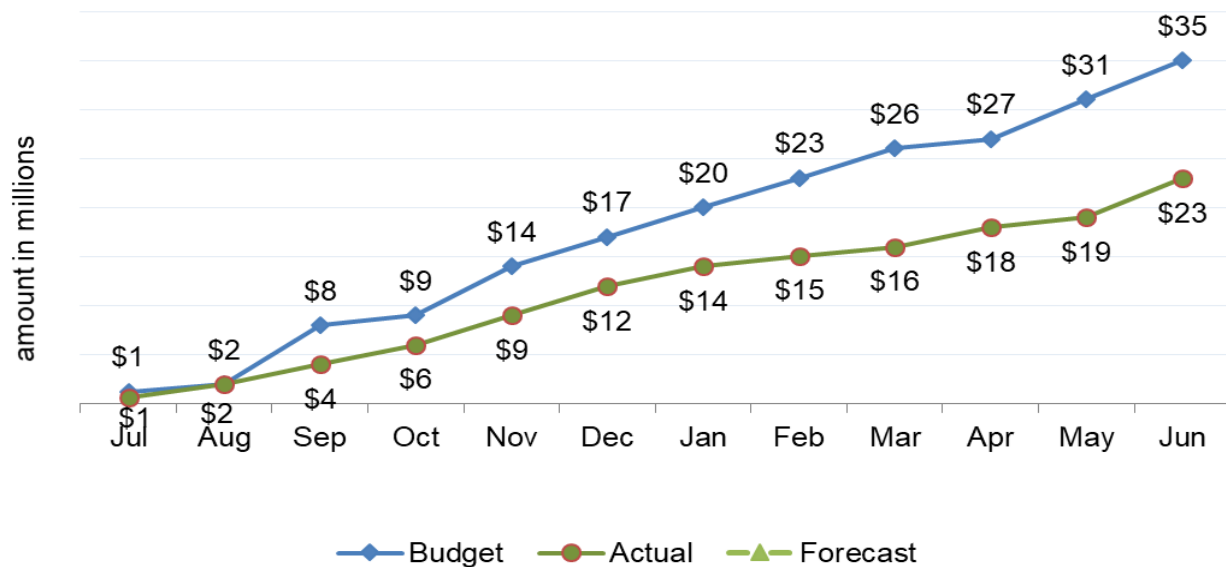
Total gross borrowing by activity \$m



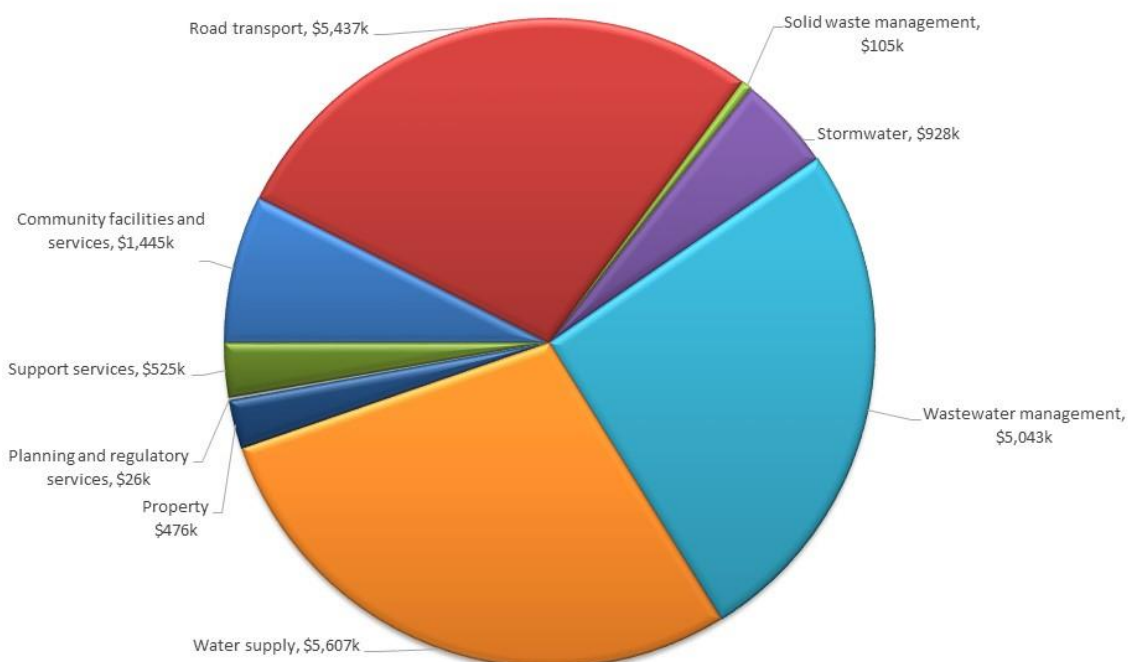
Capital Summary

To meet growth	To improve service	To replace
\$0.76m	\$9.59m	\$12.67m
is 80% less than the YTD budget of \$3.93m	is 36% less than the YTD budget of \$14.88m	is 19% less than the total budget of \$15.70m

Total Capital Expenditure



Capital Spend by Activity



Statement of Comprehensive Revenue and Expense

As at 30 June 2019									
	Annual Report 2017/2018 \$000	Annual Plan YTD Jun-19 \$000	Actual YTD Jun-19 \$000	C/A % Actual to Budget		Variance YTD 2019 \$000	Var/Bud %	% of Total Bud %	Notes
Revenue									
Rates Revenue	(36,381)	(38,362)	(38,562)	100.5%	☺	(200)	1%	0.4%	
Grants & Subsidies	(6,325)	(6,460)	(5,524)	85.5%	☹	936	-14%	-1.7%	1
Finance Income	(161)	(205)	(424)	206.8%	☺	(219)	107%	0.4%	
Fees, charges,	(5,601)	(5,664)	(5,470)	96.6%	☹	194	-3%	-0.4%	
Other Revenue	(3,207)	(3,560)	(3,521)	98.9%	☹	39	-1%	-0.1%	
Development Contributions	(197)					-		0.0%	
Gain on Derivatives	-							0.0%	
Gain Disposal of Assets	(136)		(29)		☺	(29)		0.1%	
Investment (Gains)/Losses	(220)	(120)				120		-0.2%	
Vested Assets	(203)	-	(453)		☺	(453)		0.8%	
Total Revenue	(52,431)	(54,371)	(53,983)	99.29%	☹	388	-1%	-0.7%	
Expenditure									
Employee Benefit Expenses	13,369	13,975	14,661	104.9%	☹	686	5%	1.3%	
Finance costs	3,291	3,800	3,607	94.9%	☺	(193)	-5%	-0.4%	
Depreciation and Amortisation	13,860	13,489	14,350	106.4%	☹	861	6%	1.6%	
Other Expenses	21,473	21,452	24,540	114.4%	☹	3,088	14%	5.9%	2
Loss on disposal of assets	2,243		155		☹	155		0.3%	
Revaluation losses	142		44			44		0.1%	
Increase in Landfill provision		-	2,703		☹	2,703		5.1%	4
Loss on Derivatives	184	0	975		☹	975		1.8%	3
Total Expenses	54,562	52,716	61,035	115.78%	☹	8,319	16%	15.8%	
Operating (surplus) deficit before taxation	2,131	(1,655)	7,052	-426.2%		8,707	-526%	16.5%	

Note 1 Grants and Subsidies unfavourable variance of \$936k

Roading subsidies capital expenditure are lower by \$1.54m from the budget prediction resulting from lower than capital expenditure. Council has postponed certain projects until the new financial year.

The projects are:

- ☐ Poads Road Bridge Replacement – This will be incorporated into the Gladstone Road realignment project to get better value for money. \$408k
- ☐ The Queen St Cambridge St Roundabout – The water main's new pressure reducing valve at this location needs to be installed first before the project can proceed. It is getting later into the construction season and Council does not want it to run into winter. \$376k
- ☐ Road improvements for O2NL \$450k,
- ☐ Rail Crossings \$487k.
- ☐ Cambridge St Rehabilitation \$59k. This site is connected to the Queen St Roundabout job and will be included in the same tender.
- ☐ Foxton Shannon Road Area Wide Pavement Treatment (AWPT) Stage 3 \$194k. Due to issues with the Himatangi Block Rd AWPT Council has decided to extend Foxton Shannon Road AWPT Stage 4 which cost an extra \$53k. As such, Stage 3 has been deferred to FY19/20
- ☐ Waitarere Beach Road AWPT \$101k. The project was held up by the discovery of shell middens so Council finished the first half off and deferred the second half of the job until

after Cultural Impact Assessments/Archaeology Assessment, etc, were carried out. The job should be able to restart in the spring.

- Queens St Improvements – Oxford to Chamberlain \$112k. Council is working with its Strategic Planners on what this needs to look like as part of the overall Levin Town Centre/Queen Street – Green Street concepts. This work is ongoing and Council is not ready to begin construction yet.

The lower Capital subsidy is off-set by;

- Higher subsidy revenue on operational Roothing expenditure \$185k
- Higher than budgeted capital subsidies for wastewater \$370k

Note 2	Variance 2018 \$000	Annual Plan YTD Jun-19 \$000	Actual YTD Jun-19 \$000	% Actual to Budget		Variance YTD 2019 \$000	% Var/Bud %	% of Total Bud %	Notes
Professional Services		3,158	5,238	165.9%	⊗	2,080	66%	3.9%	2A
Materials		109	88	80.7%	☺	(21)	-19%	0.0%	
Maintenance		13,176	14,054	106.7%	⊗	878	7%	1.7%	2B
Grants Paid		793	590	74.4%	☺	(203)	-26%	-0.4%	
Utilities		1,083	1,091	100.7%	⊗	8	1%	0.0%	
Communications		268	231	86.2%	☺	(37)	-14%	-0.1%	
Other Expenses		5,289	5,167	97.7%	☺	(122)	-2%	-0.2%	
Vehicle Expenses		159	133	83.6%	☺	(26)	-16%	0.0%	
Treasury Expenses		70	160	228.6%	⊗	90	129%	0.2%	
Labour Recoveries for Capex projects		(2,652)	(2,212)	83.4%	⊗	440	-17%	0.8%	
Total Other Exeprnses		21,453	24,540	114.4%	⊗	3,087	14%	5.9%	

Note 2A. Professional services – unfavourable variance \$2.080m

- \$447k timing difference relating to Economic Development. Because this activity is out-sourced and the contract costs are coded to Professional Services it inflates the variance in Professional Services. The true year end increase costs over the whole activity is \$385k
- Growth response projects (\$809k) and staff time relating to these (\$209)–refer to explanation under Representation and Community Leadership in the Activity variance section.
- Consultants cost and Iwi liaison \$240k - refer to explanation under Representation and Community Leadership in the Activity variance section.
- Solid Waste consultancy over the strategic direction and new contract \$305k.

Note 2B Maintenance Costs – Unfavourable variance \$878k

- Solid Waste management new contract for recycling, waste collection and Transfer stations \$775K
- Wastewater Levin scheme maintenance \$297k
- Water supply Levin maintenance \$392k

Note 3. Unrealised loss on derivatives (swaps) unfavourable variance of \$975k

- This reflects the lower interest rates currently being experienced which are now at historic lows which have continued to fall from last month.

Note 4. Increase Landfill aftercare Provision – Increased costs projections following increased consent conditions. This is based on the current closure date and maybe reduced with an earlier closure date. However the operational costs are likely to increase for disposal of waste with an earlier closure date.

Statement of Comprehensive Revenue and Expense by Activity

Statement of Financial Performance									
As at 30 June 2019									
100.0%	C	D	E	F	G	H	I	J	
	Year to date (YTD)		C/A		D-C	G/D	% of		Notes to
REVENUE	This Year	Budget	% Actual		YTD	% Var/Bud	Total Bud		Accounts
	\$000	\$000	to Budget		Variance				
					\$000				
Significant Activities									
Regulatory Services	(4,696)	(4,762)	98.6%	⊗	(66)	-1.4%	-0.1%		
Community Facilities and Services	(12,969)	(12,976)	99.9%	⊗	(7)	-0.1%	0.0%		
Road Transport	(9,104)	(10,356)	87.9%	⊗	(1,252)	-12.1%	-2.3%		1
Water Supply	(6,966)	(6,683)	104.2%	⊙	283	4.2%	0.5%		
Wastewater Disposal	(9,196)	(8,353)	110.1%	⊙	843	10.1%	1.6%		2
Solid Waste	(2,294)	(2,457)	93.4%	⊗	(163)	-6.6%	-0.3%		
Stormwater	(1,114)	(1,051)	106.0%	⊙	63	6.0%	0.1%		
Treasury	(2,706)	(3,253)	83.2%	⊗	(547)	-16.8%	-1.0%		3
Property	(1,957)	(1,549)	126.3%	⊙	408	26.3%	0.8%		
Community Support	(2,476)	(2,550)	97.1%	⊗	(74)	-2.9%	-0.1%		
Representation & Com. Leaders	(4,045)	(3,936)	102.8%	⊙	109	2.8%	0.2%		
Total Activity Revenue	(57,523)	(57,926)	99.3%	⊗	(403)	-0.7%	-0.7%		
Business Units	(23,693)	(21,832)	108.5%	⊙	1,861	8.5%	3.4%		
Total Operating Revenue	(81,216)	(79,758)	101.8%	⊙	1,458	1.8%	2.7%		
Check	(53,983)	(54,371)							
Diff	27,233	25,387							
100.0%									
EXPENDITURE	Year to date		C/A		D-C	G/D	% of		Notes to
	This Year	Budget	% Actual		YTD	% Var/Bud	Total Bud		Accounts
	\$000	\$000	to Budget		Variance				
					\$000				
Significant Activities									
Regulatory Services	4,982	4,761	104.6%	⊗	(221)	-4.6%	-0.4%		
Community Facilities and Services	13,239	12,918	102.5%	⊗	(321)	-2.5%	-0.6%		
Road Transport	9,084	9,034	100.6%	⊗	(50)	-0.6%	-0.1%		
Water Supply	7,248	6,683	108.5%	⊗	(565)	-8.5%	-1.1%		
Wastewater Disposal	7,577	7,038	107.7%	⊗	(539)	-7.7%	-1.0%		
Solid Waste	6,157	2,128	289.3%	⊗	(4,029)	-189.3%	-7.6%		4
Stormwater	1,249	1,321	94.5%	⊙	72	5.5%	0.1%		
Treasury	5,446	3,866	140.9%	⊗	(1,580)	-40.9%	-3.0%		5
Property	1,691	1,764	95.9%	⊙	73	4.1%	0.1%		
Community Support	2,519	2,597	97.0%	⊙	78	3.0%	0.1%		
Representation & Com. Leaders	5,383	4,161	130.9%	⊗	(1,222)	-29.4%	-2.3%		6
Total Activity Expenditure	64,575	56,271	114.9%	⊗	(8,304)	-14.8%	-10.6%		
Business Units	23,693	21,832	108.3%	⊗	(1,861)	-8.5%	-2.4%		
Total Operating Expenditure	88,268	78,103	113.0%	⊗	(10,165)	-13.0%	-13.0%		
Operating (Surplus)/Deficit	7,052	(1,655)		⊗	(8,707)	-526.1%	-11.15%		

Note 1

Road Transport Unfavourable variance \$1.252m

- Roothing subsidies from capital works are lower by \$1.5m from the budget prediction resulting from lower than expected capital costs refer to commentary above on delayed capital expenditure

Note 2

Wastewater Disposal Income Favourable variance \$843k

- ☐ Trade Waste revenues above budget \$179k
- ☐ Vested assets not budgeted for \$391k
- ☐ Capital Subsidies for Pot not budgeted \$361k
- ☐ Connection fees above budget \$150k
- ☐ Offset by Levin Pott forestry downward revaluation (\$223k) and lower Carbon credits (\$98) due to harvesting mature trees and replanting a mix of exotics and natives.

Note 3

Treasury income Unfavourable variance \$547k;

- ☐ Interest received from internal borrowing is \$783k lower due to lower external borrowing costs. This is offset by lower interest costs in those activities carrying debt.
- ☐ Rates penalty income is \$35.7k below year to date budget estimate due to lower Rates debt than anticipated
- ☐ Offset by external interest received now \$218.4k over budget mainly from maturity of the loan prefunded investments in March and internal interest received \$19k

Note 4. Solid Waste – Unfavourable variance \$4.029m

- ☐ The new recycling contract - \$765k
- ☐ Consultants costs on strategy etc. \$336k
- ☐ Consent fees related to the landfill \$90k
- ☐ Landfill aftercare provision increase \$2.703m

Note 5. Treasury – Unfavourable variance \$1.580m

- ☐ \$975k unbudgeted unrealised loss on Derivative Financial Instruments (swap contracts).
- ☐ Interest allowed on special funds – not in budget \$485k
- ☐ Increase in non-cash doubtful debt provision \$124k
- ☐ Offset by \$193k lower external interest paid, and
- ☐ Lower rates remissions \$36k

Note 6. Representation and Community Leadership – unfavourable variance \$1.222m

- ☐ Growth response projects totalling \$809k

Growth Reponse projects	YTD Actuals
00009161 - Gladstone Green Master Plan	232,670
00009162 - The Lakes Foxton Beach Master Plan	40,395
00009163 - Forest Road Waitarere Master Plan	42,616
00009165 - O2NL Planning	69,674
00009166 - Growth Strategy	119,812
00009168 - Levin Town Centre Planning	24,135
00009179 - H2040	111,088
00009190 - Foxton River Loop	92,200
00009191 - MAVTech Upgrade	25,650
00009196 - Project lift	15,000
00009205 - Horowhenua Water Party	13,696
00009219 - Community Plans	17,403
00009231 - House Planning	5,000
Total	809,339

These projects are vital to Council's vision of being prepared for the growth that is being and will be experienced. Some of the costs may be recoverable from NZTA in the future while others will be funded from loan funding to reflect the fact that the benefit from this planning work is intergenerational.

- ☐ Internal labour charges from the growth response planning team \$209k.
- ☐ Iwi Liaison and capacity building under MOUs with the various iwi organisations \$71K
- ☐ Consultants fees over budget for retainers to advisors, Independent chair fees, Electionnz.com for representation review etc. \$103k
- ☐ Sundry expenses like catering, hall hire, events costs, ANZAC day expenses etc. \$66k.

Statement of Financial Position as at 30 June 2019

	Council Actual 30 June 2019 \$000	Council Budget 30 June 2019 \$000	Council Actual 30 June 2018 \$000
Note			
Assets			
Current assets			
Cash and cash equivalents	8,481	11,024	960
Debtors and other receivables	5,947	6,172	5,567
Other financial assets	375	-	5,375
Non-current assets held for sale	5,937	-	542
Total current assets	20,740	17,196	12,444
Non-current assets			
Plant, property and equipment			
- Operational assets	54,538	53,713	54,281
- Infrastructural assets	450,521	462,103	441,611
- Restricted assets	46,001	48,951	45,146
Intangible assets	1,527	1,784	1,756
Forestry assets	942	1,575	1,108
Commercial property	-	-	5,879
Other financial assets:			
- Investments other entities	220	220	220
- Other	1,570	1,264	1,369
Total non-current assets	555,319	569,610	551,370
Total assets	576,059	586,806	563,814
Liabilities			
Current liabilities			
Payables and deferred revenue	9,160	9,962	10,718
Provisions	30	1,129	110
Employee benefit liabilities	899	1,155	723
Derivate financial Instruments	378	-	-
Borrowings and other financial liabilities	20,000	5,000	20,000
Total current liabilities	30,467	17,246	31,551
Non-current liabilities			
Provisions	6,216	2,367	3,433
Employee benefit liabilities	167	166	137
Borrowings and other financial liabilities	76,000	87,494	1,222
Derivative financial instruments	1,819	-	60,000
Other	177	1,499	285
Total non-current liabilities	84,379	91,526	65,077
Total liabilities	114,846	108,772	96,628
Net assets	461,213	478,034	461,186
Equity			
Retained earnings	249,413	260,215	256,775
Revaluation reserves	202,388	209,464	201,312
Other reserves	9,412	8,355	9,099
Total equity	461,213	478,034	467,186

Funding Impact Statement for Whole of Council

	LTP Forecast 2019 \$000	Annual Report Actual 2018 \$000	LTP Forecast 30 June 2019 \$000	Actual 30 June 2019 \$000	Variance 2019 \$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	9,533	9,374	9,533	9,547	14
Targeted rates	28,828	26,835	28,828	29,015	187
Subsidies and grants for operating purposes	1,688	1,455	1,688	1,984	296
Fees and charges	5,664	5,601	5,664	5,470	(194)
Interest and dividends from investments	205	161	205	423	218
Local authorities fuel tax, fines, infringement fees, and other receipts	3,660	3,736	3,660	3,509	(151)
Total operating funding (A)	49,578	47,162	49,578	49,961	383
Applications of operating funding					
Payments to staff and suppliers	35,426	35,659	35,426	39,202	3,776
Finance costs	3,800	3,291	3,800	3,607	(193)
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	39,226	38,950	39,226	42,809	3,583
Surplus (deficit) of operating funding (A-B)	10,352	8,212	10,352	7,152	(3,200)
Sources of capital funding					
Subsidies and grants for capital expenditure	4,672	4,870	4,672	3,539	(1,133)
Development and financial contributions	-	197	-	-	-
Increase (decrease) in debt	12,494	3,000	12,494	16,000	3,506
Gross proceeds from sale of assets	7,000	7,306	7,000	791	(6,209)
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding (C)	24,166	15,373	24,166	20,330	(3,836)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	3,933	2,328	3,933	765	(3,168)
- to improve the level of service	14,882	8,899	14,882	9,593	(5,289)
- to replace existing assets	15,703	12,156	15,703	12,667	(3,036)
Increase (decrease) in reserves	0	202	-	9,256	9,256
Increase (decrease) of investments	0	-	-	(4,799)	(4,799)
Total applications of capital funding (D)	34,518	23,585	34,518	27,482	(7,036)
Surplus (deficit) of capital funding (C-D)	(10,352)	(8,212)	(10,352)	(7,152)	3,200
Funding balance ((A-B)+(C-D))	-	-	-	-	-
Depreciation	12,970	13,489	13,489	14,350	861
Loans as at 31 March 2019					
			External		
			\$000		
Loans as at 1/07/2018			80,000		
Raised during period			78,000		
Repaid during period			(62,000)		
Loans as at 31/03/2019			96,000		
Interest expense			3,607		

Statement of Cashflow

	Council Budget 30 June 2019 \$000	Council Actual 30 June 2019 \$000
Cashflow from operating activities		
Cash was provided from:		
Revenue from rates	38,362	37,787
Other revenue	15,684	14,887
Interest received	205	417
Net GST movement	-	-
Total cash provided	54,251	53,091
Cash was disbursed to:		
Suppliers, services and employees	35,428	39,416
Interest paid	3,800	3,580
Net GST movement	-	149
Total cash disbursed	39,228	43,145
Net cash flow from operating activity	15,023	9,946
Cashflows from investing activities		
Cash was provided from:		
Proceeds from asset sales	7,000	732
Proceeds from investments	-	4,799
Total cash provided	7,000	5,531
Cash was disbursed to:		
Purchases of investments	-	-
Purchase of assets	34,517	23,956
Total cash disbursed	34,17	23,956
Net cash flow from investing activity	(27,517)	(18,425)
Cashflows from financing activities		
Cash was provided from:		
Loans raised	26,494	78,000
Total cash provided	26,494	78,000
Cash was disbursed to:		
Repayment of public debt	14,000	62,000
Total cash disbursed	14,000	62,000
Net cash flow from financing activity	12,494	16,000
Net increase (decrease) in cash held	-	7,521
Add opening cash brought forward	11,024	960
Closing cash balance	11,024	8,481
Closing balance made up of cash and cash equivalents	11,024	8,481

Statement of Rates Debtors

Rate Zone	Assessment Count	Assessments Matching	% Matching	Total Rates Due	Year to Date Rates Due	Instalment 1 Due	Instalment 2 Due	Instalment 3 Due	Instalment 4 Due	Penalties Arrears	Prior Year Arrears
Cancelled Assessment	408		0%								
Foxton	1,274	149	12%	\$241,346	\$143,358	\$14,150	\$18,657	\$29,944	\$62,961	\$17,646	\$97,988
Foxton Beach	1,595	133	8%	\$148,725	\$116,849	\$6,593	\$12,206	\$21,297	\$61,287	\$15,466	\$31,876
Hokio Beach	199	41	21%	\$520,995	\$30,188	\$6,547	\$6,742	\$6,742	\$8,838	\$1,319	\$490,808
Levin	7,456	567	8%	\$703,200	\$554,327	\$39,974	\$67,286	\$106,750	\$266,869	\$73,448	\$148,872
Manakau	86	6	7%	\$3,151	\$3,151	\$0	\$338	\$338	\$2,225	\$250	\$0
No Charges	519		0%								
Non Rateable	127	1	1%	\$4,960	\$1,256	\$117	\$117	\$117	\$117	\$788	\$3,703
Ohau	150	9	6%	\$13,478	\$10,553	\$458	\$1,938	\$2,047	\$4,602	\$1,508	\$2,925
Rural	2,212	105	5%	\$363,831	\$91,006	\$9,984	\$11,019	\$14,677	\$38,263	\$17,063	\$272,825
Rural Lifestyle	2,712	215	8%	\$226,492	\$178,230	\$16,707	\$22,360	\$33,476	\$87,015	\$18,673	\$48,262
Shannon	676	104	15%	\$208,559	\$122,947	\$13,339	\$17,984	\$23,369	\$41,252	\$27,004	\$85,612
Tokomaru	165	21	13%	\$14,853	\$14,853	\$864	\$2,316	\$3,098	\$7,285	\$1,290	\$0
Utilities	17		0%								
Waikawa Beach	231	9	4%	\$8,818	\$8,637	\$832	\$1,222	\$1,557	\$3,838	\$1,188	\$181
Waitarere Beach	979	70	7%	\$62,144	\$56,161	\$4,205	\$5,452	\$10,091	\$28,308	\$8,106	\$5,983
Total at 30 June 2019	18,806	1,430	8%	\$2,520,552	\$1,331,517	\$113,769	\$167,637	\$253,502	\$612,859	\$183,750	\$1,189,035
Total as 30 June 2018	17,783	1,194	6%	\$2,144,110							

- ☐ This report excludes assessments with total arrears under \$99 and assessment with credit balances.
- ☐ The total arrears of \$2,520,552 are for total arrears over \$99 as at 30 June 2019. Assessments with total arrears under \$99 total \$48,282.

Statement of Sundry Debtors

Category	Total Outstanding	Current Outstanding	31 - 60 days Outstanding	61 - 90 days Outstanding	Over 90 days Outstanding	Notes
Current debtors						
Aquatic Centre	9,500	6,987	1,070	269	1,175	
Building - Exempt Work	1,725	325	325	600	475	
Building Consents	137,630	66,491	54,767	2,175	14,197	1
Building Fee - BWOF	4,500	2,550	600	225	1,125	
Cemeteries	44,740	15,165	28,690	0	885	
Dogs - Debt Collection	993	154	91	318	430	
Fines	2,111	0	0	0	2,111	
General	904,106	815,009	37,224	0	51,873	2
Health Accreditation Renewals	9,079	3,313	1,575	300	3,892	
Hire	9,636	2,942	1,514	2,100	3,080	
On Charges	77,325	23,903	52,979	443	0	3
Resource Consent Fees	20,813	8,140	1,650	0	11,023	4
Rubbish Bags	89,680	20,900	36,480	0	32,300	
Staff Account	4,393	1,374	595	0	2,424	
Swimming Pools	1,500	900	0	0	600	
Te Awahou	2,215	1,365	432	220	198	
Te Takere	4,228	1,394	1,519	220	1,096	
Trade Waste	245,132	315	60	118,309	126,448	
Waste Transfer Station	327	0	0	0	327	
Water Septage - Septic Tank	10,046	2,827	3,736	3,483	0	
Water Tankers	80	0	80	0	0	
Total current debtors	1,579,756	974,051	223,388	128,661	253,656	
Non current debtors						
Dev Cont New Policy	20,012	0	0	0	20,012	5
Develop Cont Old Policy	9,748	0	0	0	9,748	5
Rental Income Monthly	67,050	37,620	1,370	1,967	26,092	
Total non-current	96,809	37,620	1,370	1,967	55,852	
Total as at 30 June 2019	1,676,565	1,011,672	224,758	130,628	309,507	

Notes and Comments

1. Amongst the Building Consents category, there are some damage deposit bonds in here, as well as extensions of time for a number of the older aged consents.
2. In this category there are charges for grazing leases, new connections, CAR access way and HR charges. This also includes the Alliance Contract recharge which has increased current period debtors.
3. In the On Charges category, the majority of the 90+ Days debtors have been provided for as Doubtful Debts.
4. Amongst the Resource Consent category, there are some land use bonds. The debtors in this category are being actively pursued, and some of the 90+ Days debtors have been provided for as Doubtful Debts.
5. These Development Contribution debtors are being actively pursued. The batch of debt letters sent had a positive effect with several payments being made. Most of the Development Contributions – Old Policy are with the Debt Collection Agency, with the balance of them either being paid off or having an arrangement to pay when the sections sell.

Statement of Loans by Parcel

Loan parcels	Maturity Date	Interest Rate	Opening balance	Raised	Repaid	Closing balance
Due within a year						
Stock	15 Nov 18	5.5950%	2,000,000		2,000,000	0
LGFA Bond	15 Mar 19	4.4500%	4,000,000		4,000,000	0
LGFA Bond	15 Mar 19	4.7064%	5,000,000		5,000,000	0
LGFA FRN	15 Mar 19	3.0125%	3,000,000		3,000,000	0
LGFA CP	20 Mar 19	2.0764%		15,000,000	15,000,000	0
LGFA CP	20 Mar 19	1.9550%		4,000,000	4,000,000	0
LGFA CP	07 Jul 18	1.9800%	6,000,000		6,000,000	0
LGFA CP	06 Dec 18	2.0972%		12,000,000	12,000,000	0
LGFA CP	20 Jun 19	1.9800%		11,000,000	11,000,000	0
LGFA CP	19 Sep 19	1.6800%		11,000,000		11,000,000
LGFA Bond	15 Apr 20	2.6324%	5,000,000			5,000,000
LGFA FRN	15 Apr 20	2.2298%		4,000,000		4,000,000
Total due within a year			25,000,000	57,000,000	62,000,000	20,000,000
Due within 2 - 5 years						
LGFA FRN	15 May 21	3.7425%	4,000,000			4,000,000
LGFA Bond	15 May 21	4.5650%	5,000,000			5,000,000
LGFA Bond	15 May 21	5.9852%	5,000,000			5,000,000
LGFA Bond	15 May 21	5.8516%	5,000,000			5,000,000
LGFA FRN	14 Apr 22	2.4200%		9,000,000		9,000,000
LGFA FRN	18 May 22	2.3250%	3,000,000			3,000,000
LGFA FRN	13 Apr 23	2.4750%	6,000,000			6,000,000
LGFA Bond	15 Apr 23	5.1336%	4,000,000			4,000,000
LGFA BOND	15 Mar 24	3.7200%	4,000,000			4,000,000
LGFA BOND	15 May 24	3.7600%	4,000,000			4,000,000
LGFA Bond	15 Apr 24	2.5200%	0	3,000,000		3,000,000
Total due within 2 - 5 years			40,000,000	12,000,000	0	52,000,000
Due after 5 years						
LGFA Bond	15 Apr 25	4.2600%	3,000,000			3,000,000
LGFA FRN	19 May 25	2.5400%	7,000,000			7,000,000
LGFA Bond	20 Mar 26	3.3800%		9,000,000		9,000,000
LGFA Bond	15 Jul 26	3.3700%	5,000,000			5,000,000
Total due after 5 years			15,000,000	9,000,000	0	24,000,000
Total			80,000,000	78,000,000	62,000,000	96,000,000

Notes and Comments

Our weighted average interest rate has decreased to 3.54 % at 30 June 2019. This is a predicted saving of \$1.162m p.a. in interest payable compared to the Long Term Plan interest rate assumption of 4.75% for 2018/19.

Statement of Loans and Interest by Activity

Activity	External Loans as at 30/6/2019 \$000	Internal Loans as at 30/6/2019 \$000	Total Loans as at 30/6/2019 \$000	LTP Year 1 Budget 2018/19 \$000	Interest Allocated YTD \$000	Loans as at 30/06/2018 \$000
Land Transport	1,600	84	1,684	3,190	46	1,182
Shared Pathways	700	9	709	511	0	0
Stormwater	7,400	66	7,466	8,231	259	6,644
Water supply						
Water Levin	11,200	87	11,287	10,364	387	9,898
Water Shannon	1,200	43	1,243	1,232	50	1,287
Water Foxton	1,200	70	1,270	909	41	1,058
Water Foxton Beach	300	24	324	479	11	274
Water Tokomaru	300	92	392	504	14	370
Total for water supply	14,200	316	14,516	13,488	503	12,887
Wastewater Disposal						
Wastewater Levin	9,400	38	9,438	12,273	345	8,834
Wastewater Shannon	8,000	86	8,086	8,122	328	8,406
Wastewater Foxton	4,800	1	4,801	6,935	143	3,671
Wastewater Foxton Beach	0	159	159	499	4	101
Wastewater Tokomaru	800	19	819	846	23	577
Wastewater Waitarere	200	13	213	797	3	87
Total for wastewater disposal	23,200	316	23,516	29,472	846	21,676
Solid Waste						
Landfill	4,600	16	4,616	5,714	187	4,774
Recycling	700	68	768	1	0	0
Total Solid Waste	5,300	84	5,384	5,715	187	4,774
Community Facilities & Services						
Pools	4,400	38	4,438	5,058	179	4,576
Reserves	2,000	3	2,003	2,373	57	1,473
Sports grounds	1,300	47	1,347	1,409	54	1,378
Cemeteries	500	63	563	570	19	485
Beautification	0	48	48	77	2	50
Libraries/ Community Centres	10,600	66	10,666	10,424	419	10,731
Halls	200	37	237	239	10	247
Toilets	400	71	471	594	19	490
Total for Community Facilities & Services	19,400	373	19,773	20,744	759	19,430
Properties						
Commercial properties	1,000	23	1,023	0	38	977
General properties	2,900	82	2,982	0	69	1,774
Council building	5,500	41	5,541	5,905	224	5,725
Total for Properties	9,400	146	9,546	5,905	331	8,476
Other activities						
Information Technology	1,600	24	1,624	2,142	61	1,566
District/strategic planning	2,700	90	2,790	2,342	75	1,923
Animal control	0	26	26	31	0	0
Treasury	10,500	0	10,500	5,000	132	5,000
Total for other	14,800	140	14,940	9,515	268	8,489
Total	96,000	1,534	97,534	96,771	3,199	83,558

APPENDIX

Asset maintenance contract	General contract works, repairs, planned and unplanned maintenance, materials and consumables, cleaning and hygiene, inspections and reporting.
Finance cost	Interest on borrowings and interest on swaps.
Gains	Fair value revaluation gain and gain on sale.
General grants	Grants given to various organisations and individuals like Creative NZ, neighbourhood support, beach wardens, community development and youth scholarships.
Grants and subsidies	Grants and subsidies received from government and other organisations for roading, library, community hubs, cemeteries and aquatic centres.
Infringements and fines	Parking tickets, Prosecutions on WOFs and unregistered vehicles.
Employee benefits	Salaries and wages, training costs, FBT and ACC levies, superannuation, and staff recognition.
Other expenses	Printing, publication, postage, stationery, advertising, food and catering, photocopying, internet and communication and any other office expenses.
Professional services	Consultants, contractors, membership fees, legal fees, lab services, audit fees or any other professional services charges.
Regulatory revenue	Planning fees, building fees, animal fees, liquor fees and health fees.
Rendering of services	Commissions, car income, and any other income received for rendering services.
Rental income	Rent from Halls, residential and commercial properties, grazing land, reserves and other lease income.
Targeted rates	Rates for roading, waste management, representation and governance, stormwater, wastewater, water by meter and water supply.
User charges	Revenue received from admission, shop sale, Cemetery fees, trade waste, utility connection, events and exhibitions.
Utilities	Water use, electricity and gas charges



David Clapperton
Chief Executive
Horowhenua District Council
Private Bag 4002
LEVIN 5540

19 August 2019

Dear David

Civic Financial Services - Sale of Civic Assurance House – Payment of Special Dividend

As advised to you in our letter of 27 June 2019 I am pleased to confirm the following:

- Please find attached your special dividend certificate for the amount of \$92,673.87 plus \$36,039.84 imputation credits.
- These imputation credits fully offset the amount of tax that you would otherwise be liable to pay on this dividend.
- This special dividend represents the sale price of Civic Assurance House of \$10.115 million less selling costs of \$696,520.
- For Horowhenua District Council's holding of 110,689 shares this equates to 83.72 cents per share.
- The sale of the building was concluded with settlement on 15 August 2019.
- This special dividend will be paid into your nominated bank account this evening.
- The sale price of \$10.115 million is significantly higher than the valuation range of \$7.5 to \$8.1 million received for the building in 2017.
- This is a 23.12% increase and compares favourably to the estimated dividend as advised to you in June 2017.

Thank you for your continued support of Civic Financial Services.

Yours sincerely,

Ian Brown
Chief Executive
Email: ian.brown@civicfs.co.nz



Horowhenua District Council
Private Bag 4002
LEVIN

5540

Civic Financial Services Limited
Shareholder Dividend Statement

Payment date: 19 August 2019
Security description: Ordinary Shares
Number of shares: 110,689
Dividend per share: 0.8372

Ordinary dividend amount	Resident withholding tax deducted	Non-resident withholding tax deducted	Net dividend	Imputation credits attached	Gross dividend
\$ 92,673.87	\$ -	\$ -	\$ 92,673.87	\$ 36,039.84	\$ 128,713.71

The Income Tax Act 2007 specifically lists New Zealand Local Government Insurance Corporation, which is now known as Civic Financial Services Limited (CFS), as being a Council Controlled Organisation (CCO) for income tax purposes. With CFS being a CCO for income tax purposes a dividend received from CFS by a council shareholder is a taxable amount to that shareholder.

Please retain this advice for taxation purposes.

Civic Financial Services Ltd • 116 Lambton Quay • PO Box 5521 Wellington 6140 • Email: admin@civicfs.co.nz
Tel: 04 978 1250 • Fax: 04 978 1260 • www.civicfs.co.nz

File No.: 19/315

Annual Report for the year ended 30 June 2019

1. Purpose

To recommend the adoption of the Annual Report for the year ended 30 June 2019 to Council.

2. Executive Summary

- 2.1 This report presents a draft copy of Council's Annual Report for the year ended 30 June 2019 that has been attached to this report.
- 2.2 As noted in Report 19/314 Twelve Month Report 1 July 2018 - 30 June 2019, Audit NZ are currently undertaking the year ending 30 June 2019 audit. An update on the audit process will be provided at today's meeting.

3. Recommendation

- 3.1. That Report 19/315 Annual Report for the year ended 30 June 2019 is received.
- 3.2. That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 3.3. That the Finance, Audit and Risk Subcommittee recommends to Council the adoption of the Annual Report ended 30 June 2019 at the Council meeting of 2 October 2019.

4. Background / Previous Council Decisions

Council is required under s98 of the Local Government Act (reproduced below) to produce and adopt an Annual Report within 4 months of the end of the financial year (i.e. by 31 October 2019):

98 Annual Report

- (1) *A local authority must prepare and adopt in respect of each financial year an annual report containing in respect of that year the information required by Part 3 of Schedule 10.*
- (2) *The purposes of an annual report are –*
 - (a) *to compare the actual activities and the actual performance of the local authority in the year with the intended activities and the intended level of performance as set out in respect of the year in the long-term plan and the annual plan; and*
 - (b) *to promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.*
- (3) *Each annual report must be completed and adopted, by resolution, within 4 months after the end of the financial year to which it relates.*

The Draft Annual Report is being brought to the Subcommittee to enable Councillors to understand the report and ask any questions of Officers prior to Council adopting the Annual report at its meeting of 2 October. This is very much a working draft and unfinished at the time of the agenda deadline. A completed Annual Report with all adjustments from Audit will be presented to the Subcommittee at its meeting of 25 September for the Subcommittee to recommend adoption to the full Council meeting in October.

5. Discussion

Financial Performance

- 5.1 Council's financial performance shows an operating deficit of \$7.05m against a budgeted operating surplus of \$1.655m.
- 5.2 For the Balanced Budget prudential benchmark Council shows 93.40% (95.65% 2018) against a target of 100%, compared to the 103% predicted for the 2018/19 financial year in the LTP.

5.3 Variances to budget include:

Revenue

Grants and Subsidies unfavourable variance of \$836k

- Roading subsidies capital expenditure are lower by \$1.54m from the budget prediction resulting from lower than capital expenditure. Council has postponed certain projects until the new financial year.

The projects are:

- Poads Road Bridge Replacement – This will be incorporated into the Gladstone Road realignment project to get better value for money. \$408k
- The Queen St Cambridge St Roundabout – The water main's new pressure reducing valve at this location needs to be installed first before the project can proceed. It is getting later into the construction season and Council does not want it to run into winter. \$376k
- Road improvements for O2NL due to delays in progressing the expressway \$450k,
- Rail Crossings due to NZ Rail delays in designs \$487k.

The lower Capital subsidy is off-set by;

- Higher subsidy revenue on operational Rooding expenditure \$185k
- Higher than budgeted capital subsidies for wastewater \$370k

Expenditure

Employee Benefit expenses – unfavourable variance of \$833k

This relates primarily to salaries and wage increases to recruit and retain staff in an environment of skill shortages. Also Council needed to plan for the anticipated growth while still delivering the traditional levels of service in an increasingly complex environment with added compliance and regulatory impositions. Levels of service have also increase, for example Te Awahou Nieuwe Stroom.

Depreciation – unfavourable variance of \$861k

- Under budgeted depreciation for Infrastructural Assets due to revaluation changes \$316k
- Te Awahou Nieuwe Stroom – new development depreciation \$299k
- All other operational assets underestimated depreciation on new assets \$246k

Depreciation is a non-cash expenditure recognising to loss of service potential, over time, of assets.

Other Expenses

Professional services – unfavourable variance \$1.93m

- \$349k timing difference relating to Economic Development. Because this activity is out-sourced and the contract costs are coded to Professional Services it inflates the variance in Professional Services. The true year end increase costs over the whole activity is \$113k
- Growth response projects totalling \$809k – Unbudgeted

Growth Response projects

00009161 - Gladstone Green Master Plan	232,670
00009162 - The Lakes Foxton Beach Master Plan	40,395
00009163 - Forest Road Waitarere Master Plan	42,616
00009165 - O2NL Planning	69,674
00009166 - Growth Strategy	119,812
00009168 - Levin Town Centre Planning	24,135
00009179 - H2040	111,088
00009190 - Foxton River Loop	92,200
00009191 - MAVTech Upgrade	25,650
00009196 - Project lift	15,000
00009205 -Horowhenua Water Party	13,696

00009219 - Community Plans	17,403
00009231 – House Building Planning	5,000
Total	809,339

- These projects are vital to Council's vision of being prepared for the growth that is being and will be experienced. Some of the costs may be recoverable from NZTA in the future while others will be funded from loan funding to reflect the fact that the benefit from this planning work is intergenerational
- Solid Waste consultancy over the strategic direction and new operational contract for refuse/recycling collection and Council owned Waste Transfer stations \$305k

Maintenance – Unfavourable variance of \$878k

- Solid waste - Unfavourable Variance of \$775k
The material changes to the international recycling market meant that Council had to reconfigure its service delivery arrangements for Solid Waste and in particular the recycling service. Whilst it was clear that recycling was going to become more expensive a clear direction was received that the community had an expectation that service levels in this activity were not to reduce, in fact that a higher level of service were desirable. Changes to the recycling contract have resulted in unbudgeted for expenditure in the 2018/19 financial year.
- Three Waters maintenance – unfavourable variance of \$181k
This service is now delivered from the Horowhenua Alliance, a joint venture between the Council and Downers. The new arrangement was about delivering a joined up service to improve the levels of service for the district 3 waters infrastructure.(Water, Wastewater and Stormwater) which has cost slightly more than was budgeted for.

Loss on derivatives – unbudgeted loss of \$975k

- This is a non-cash loss that, again due to accounting standards, must be reported as contributing to Council's year end result. Council entered a number of interest rate hedging (protection) arrangements some time ago when interest rates were expected to remain relatively high, if not increase. No one at that time could have predicted that the historical low interest rates of recent years would prevail. As a result accounting standards require Council to recognise the loss on these arrangements as an expense throughout the year. In layman terms this is a 'paper transaction' that contributes to the year end result and it does not impact on Council's cash position.

Landfill aftercare provision increase of \$2.7m

- This has arisen from the yearly recalculation of this provision. As a provision it does not represent a cash loss. It represents the future costs of the landfill as it was at balance date (i.e. assuming no extra cells or capacity is created) through to the current expected closure date of 2032 and the ongoing post closure costs through to 2062. This significant increase in the future costs has come about through changes to the consent conditions and the costs of monitoring these new conditions over the years until the finish of the aftercare period of 30 years 2062

5.4 The mandatory prudential benchmarks are disclosed on pages 57-66 of the report.

Each of the self-imposed target or benchmark (Rates and Debt limits) has been met:

Those prescribed in the Financial Regulations have been met except for the Balanced Budget, Debt Control and Operations Control bench marks.

Council meets the **Balanced Budget benchmark** if its revenue equals or is greater than its operating expenses. This measure was forecast to be achieved in all 20 years of the LTP but has not been achieved this year (93.40%) for the reasons explained above under variances to budget

Debt Control benchmark is where total net liabilities (including creditors but excluding debtors) has not met the benchmark of 100% of what year 1 of the LTP predicted. The LTP had anticipated \$7m sale of surplus assets being used to decrease borrowing. The sales envisaged in the LTP did not occur. In addition operational expenditure on the District Plan, Growth Response planning and Solid Waste was loan funded.

The **Operations Control** benchmark is met if Council's actual net cash from operations, as disclosed in the LTP Cashflow Statement, is equal to or greater than its planned net cash from operations .

This benchmark was not met at 81.56% against a target of 100%. This was not met due to many of the issues relating to both revenue and expenses discussed above.

- 5.5 Standard and Poors reaffirmed Council's A+ credit rating during the year. This credit rating increases Council's ability to borrow at favourable interest rates. The weighted average interest rate at 30 June 2019 was 3.54% down from 5.32% at 30 June 2014.

Financial Position

- 5.6 Council spent \$23.02m on asset purchases against a budget of \$34.5m lower by \$11.5m. A number of capital projects have been delayed and carried forward to 2019/20.
- 5.7 Borrowings are above budget by \$3.5m due to the funding of operational expenditure in Planning and Solid waste activities and increase cash reserves by \$3m. Council has raised more short term loans than budgeted (\$15m) to take advantage of the low short-term interest rates.
- 5.8 Council's cash balance was \$8.5m which is higher than last year of \$0.96m. Last year Council had \$5m on short-term investment that was not considered to be cash due to the term of the investment.
- 5.9 Debtors were higher than last year by \$0.38m reflecting the increased Rates debt (\$0.89m) at year end partially offset by decreased general debtors.
- 5.10 The book value of the Commercial (\$5.937m) is shown as a current asset as it is Council's intention to sell these assets in the current financial year. Any profit/loss on sale will also be recorded in the current financial year in the month that the settlement proceeds are received.

6. Options

There is no option but to adopt the Annual Report with or without an unqualified audit opinion.

6.1. Cost

The cost is the internal cost of producing the report, estimated at \$250k including the Audit cost of \$150k.

6.1.1. Rate Impact

There is no rating impact other than the annual cost of producing and auditing the Annual Report, both of which have been budgeted for.

6.2. Community Well Being

There is no impact on the Community Wellbeing of adopting the Annual Report.

6.3. Consenting Issues

There are no consenting issues related to the adoption of an Annual Report.

6.4. LTP Integration

The cost of the Annual Report is budgeted for in the LTP and Annual Plan.

7. Consultation

No consultation has been conducted or is required in relation to the adoption of the Annual Report.

8. Legal Considerations

Legal considerations are that Council has to adopt the audited Annual Report within four months of the balance date of 30 June 2019.

9. Financial Considerations

The Annual Report was produced in-house, with no external input other than from Audit New Zealand and minimal valuation, treasury and legal costs. The cost of the Annual Report is funded from the General Rate and is costed to the Representation and Governance activity.

10. Other Considerations

- 10.1 These accounts have been prepared under the new Public Benefit Entity (PBE) accounting standards. Some of these requirements add to the already complex nature and length of the annual report.
- 10.2 Council staff are investigating ongoing enhancements to the presentation and format of the Summary Annual Report that hopefully will enable more readers to understand the contents and meaning.
- 10.3 However, there is a limit to these enhancements. Most of the complexity and size of the document are caused by compliance with and complexity of the legislation, regulations and accounting standards that must be met.

11. Next Steps

The Annual Report will need to be adopted by Council on 2nd October.2019 to meet the statutory deadline of 31 October. A full Annual Report and audited Summary Annual Report need to be completed and made available to the public within one month of adoption. This will include posting to our website and an article in "Community Connection".

12. Supporting Information

Strategic Fit/Strategic Outcome

There are no implications on Community Outcomes on adopting an Annual Report

Decision Making

The adoption of an Annual Report does not require consultation prior to its adoption and can only be adopted by a full Council meeting; it cannot be delegated to a Subcommittee.

Consistency with Existing Policy

There is no policy on the adoption of an Annual Report.

Funding

Funding is through the General Rate.

13. Appendices

No.	Title	Page
A	Draft - Annual Report 30 June 2019 (<i>Under Separate Cover</i>)	

Author(s)	Doug Law Chief Financial Officer	
-----------	--	---

Approved by	David Clapperton Chief Executive	
-------------	--	---