

FINANCE AND CORPORATE COMMITTEE AGENDA

WEDNESDAY 21 MARCH 2018

Edinburgh Room, Municipal Chambers,
The Octagon, Dunedin, commencing at 9:00am

Membership

Cr Doug Brown	<i>(Chairperson)</i>
Cr Andrew Noone	<i>(Deputy Chairperson)</i>
Cr Graeme Bell	
Cr Michael Deaker	
Cr Carmen Hope	
Cr Trevor Kempton	
Cr Michael Laws	
Cr Ella Lawton	
Cr Sam Neill	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Stephen Woodhead	

Disclaimer

Please note that there is an embargo on agenda items until 8:30 am on Monday 19 March 2018. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

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1. APOLOGIES

2. LEAVE OF ABSENCE

3. ATTENDANCE

4. CONFIRMATION OF AGENDA

Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

5. CONFLICT OF INTEREST

Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

6. PUBLIC FORUM

Wakari bus route recommendations. Speaker – Andrea Irvine

7. PRESENTATIONS

Port Otago Ltd Six Month Interim Report

8. CONFIRMATION OF MINUTES

Recommendation

That the minutes of the (public portion of the) meeting held on 31 January 2018 be received and confirmed as a true and accurate record.

Attachments

1. Minutes of the Finance and Corporate Committee - 31 January 2018 **[8.1.1]**

9. ACTIONS

Status report on the resolutions of the Finance and Corporate Committee.

Attachments

Nil

10. MATTERS FOR COUNCIL DECISION

10.1. Council Appointments

Prepared for: Finance and Corporate Committee
Activity: Governance Report
Prepared by: Stephen Woodhead, Chairperson
Date: 13 March 2018

1. Précis

This paper recommends Council's endorsement of Mandy Bell as a trustee of the Lake Wanaka Trust and recommends the appointment of Councillor Deaker to the Dunedin City Council's Central City Advisory Panel.

2. Lake Wanaka Trust

The Lake Wanaka Trust (LWT) and the Upper Clutha Water Group (UCWG) are in the process of integrating under the LWT's legal structure and Charities Service registration. This has been a long term goal of the LWT to assist in reducing the number of groups involved in water matters, and the integration will provide a needed legal structure for projects that the UCWG has developed. This includes the Freshwater Improvement Fund (FIF) project, which the ORC has been involved in.

The LWT's Trust Deed provides that one Trustee will be appointed on the recommendation of the Otago Regional Council, provided that the recommendation meets the requirement for Trustees.

The Trust has asked that ORC recommend the appointment of Mandy Bell as a Trustee. Mandy is one of the main driving forces behind the UCWG securing FIF funding and holds a number of directorships in agribusiness and environmental organisations.

3. Central City Advisory Panel

The Dunedin City Council (DCC) is beginning the next stage of the redevelopment of the Central City and as part of that process a Central City Advisory Panel (CCAP) has been established in order to seek stakeholder feedback at various stages of the project.

ORC has been identified as having an important role to play in this work and has been invited to select a representative for the Panel. It is anticipated meetings would be held every two months.

4. Recommendation

- a) *That the appointment of Mandy Bell to the UCWG be endorsed*
- b) *That Councillor Deaker be appointed to the Central City Advisory Panel.*

Endorsed by: Cr Stephen Woodhead
Chairperson

Attachments

Nil

10.2. Passenger Transport Update

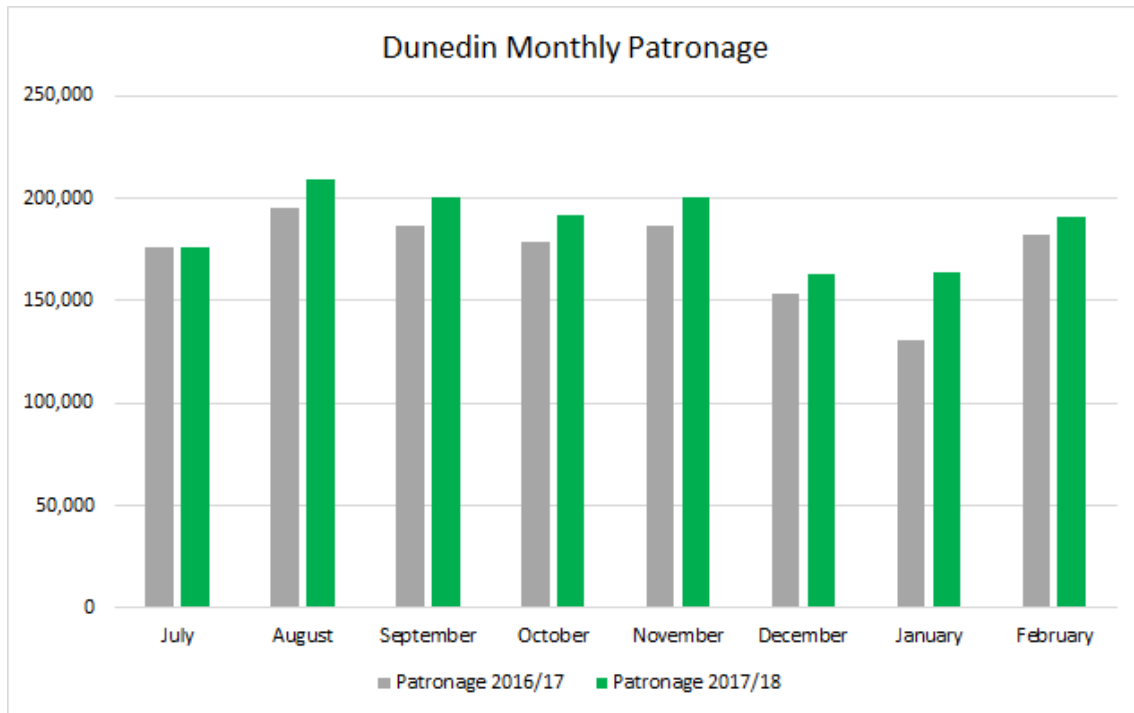
Prepared for: Finance and Corporate Committee
Activity: Transport – Public Passenger Transport
Prepared by: Julian Philips, Senior Public Transport Officer
Nick Donnelly, Director Corporate Services
Date: 12 March 2018

1. Précis

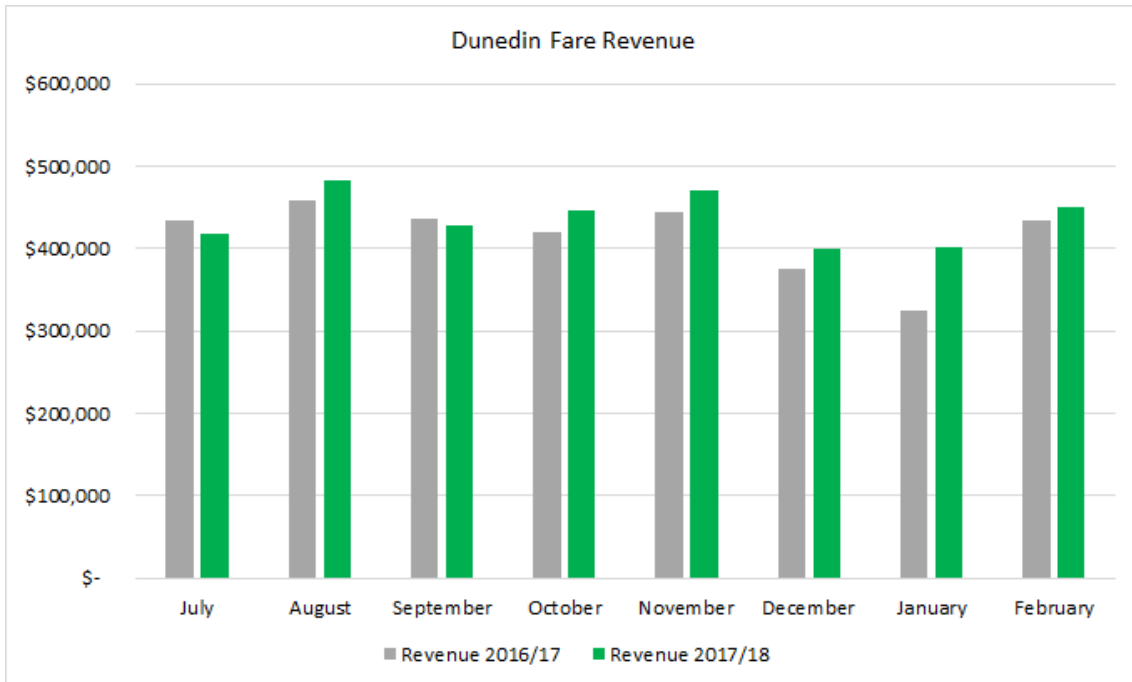
This report informs the Finance and Corporate Committee of patronage on the Dunedin and Wakatipu public transport networks, and provides an update on significant public passenger transport activity.

2. Dunedin Public Transport Network – Patronage

January and February patronage continues to reflect an increase on the corresponding period last year. The growth is reflected in a 7.7% increase in patronage and a 5.1% increase in revenue for the period 1 July 2017 to 28 February 2018, over the same period last year.



Graph 1: Dunedin Network Patronage July - February



Graph 2: Dunedin Fare Revenue July - February

3. Easter Weekend Trading Services

Staff are working with the Dunedin City Council (DCC) and other key stakeholders, with the view to extending hours of operation for the Public Transport Network Services during the Easter Weekend, to support the Ed Sheeran concerts on Thursday 29 March, Saturday 31 March, and Sunday 1 April.

Plans are well progressed and bus services and will be advertised extensively in the days leading up to and over Easter weekend. Many services will be extended until around 2am, and other areas will have additional services added to ensure coverage across the network is maintained. A train service to and from Mosgiel before and after the concerts will be in operation. The same services will operate on Easter Sunday afternoon, with additional services added to maintain network coverage to 2am.

In addition to extending the service hours of the network, a direct shuttle service from the central city to the stadium will be operating pre and post the concert.

The proposed plans should provide concert-goers with a number of public transport options, and ensure those wishing to leave their vehicles at home can do so.

4. Peninsula School Services Public Meeting

Mr Donnelly, Cr Kempton, Cr Neill and Cr Scott attended a meeting at the Macandrew Bay Hall on Thursday 8 March to hear concerns from the community around the usage of the Peninsula bus service by school children, and the impact of the withdrawal of the commercial bus services in term 4 of 2017.

The meeting was very constructive and well chaired by Peninsula Community Board Chair Paul Pope. The majority of the concerns related to safety of school children being dropped off at the bus stop before the causeway on Portobello Road, and timetable issues which extend travel times.

The safety issue regarding the bus stop on Peninsula Road was already being addressed by ORC, NZTA and DCC staff, and an interim solution of an in-lane stop on the causeway was completed the following day and has been operating since Monday 12 March. This stop is only used to drop school children off and is not for general use. A permanent solution is being worked on which will involve a bus stop at the Marne Street corner. The stop will be out of the traffic lane which will require modifications to the intersection and the installation of a pedestrian safety island.

Staff will also review service times to see if they can be modified to better serve both school pupils and other commuters (from whom we have also received feedback). We anticipate any changes that result from this review will be made at the same time as the operational introduction of the Bus Hub as this is likely to initiate other adjustments to timetables across the network.

5. Bus Hub – Progress Update

The tender for a civil works contractor to build the bus hub was uploaded to GETS (the Government Electronic Tenders Service) on Tuesday 20th February. Tenderers are required to respond by 21st March. The tender requires contractors to provide a 15 week construction programme, with completion by 7 July 2018 (indicative construction start date of early April). Market feedback through the tender process has indicated that contractors are not adequately resourced to meet the tender timetable requirements. As a result, the construction period has been extended, with completion allowable by mid-August 2018. Market feedback suggests that accepting alternative programmes may be economically advantageous and will help to ensure that procurement is competitive. On that basis tenderers have been permitted to submit alternative construction programmes.

6. Proposed Changes to the Wakari and Helensburgh Routes

6.1. Background

Route 33 and Route 50 bus routes in Wakari and Helensburgh were introduced in September 2017, replacing three routes previously servicing the area (Route 50/51 and Route 69). Following their introduction, issues were raised primarily relating to the operation of buses on narrow and steep streets (sections of Shetland Street, Centennial Avenue and Lynn Street). This resulted in pedestrian and vehicle safety issues, particularly near new bus stops and also in winter when the road is susceptible to snow and ice. Additionally, on Lynn Street there are conflicts between buses and other vehicles at the bus stops near the entrance to Wakari Kindergarten (at start and finish times).

This report summarises the findings of a review of routes 50 and 33 and recommends an option to address the issues identified. The full report is included as an Attachment which includes route maps for the options considered.

6.2. Options Considered

The options considered aim to avoid any changes to the network structure to avoid triggering RPTP significance policy.

The options were required to:

- maintain coverage,
- operate the existing timetable without significant variation to it, and
- be generally resource-neutral in terms of in-service time, distance and infrastructure.

The specific issues to be considered were:

- narrowness and/or steepness of streets,
- orientation of routes up/down hills rather than sideways across the hills,
- location of bus stops near the Wakari Kindergarten, and
- optimal location of other bus stops and existing infrastructure.

A route proposal from the community was discounted as it would not be achievable within the existing timetable, and would reduce coverage and connectivity in the Maori Hill area. However, elements of the community's route proposal are included in the routing alternatives considered below.

The five options considered are:

- **Option 1:** Route 33 will terminate at 187 Shetland Street and is rerouted via Greenhill Avenue/Forresbank Avenue, Lynn Street and Chapman Street, to avoid the problematic sections of Centennial Avenue and Shetland Street. However, this means rerouting onto a steep section of Lynn Street between Chapman Street and Greenhill Avenue. Route 50 is extended to 48 Wakari Road and is rerouted via Chapman Street and Balmacewen Road to avoid the problematic section of Lynn Street.
- **Option 2:** Route 33 would be the same as in Option 1. However, Route 50 would switch from the Highgate Street, Lynn Street, Chapman Street routing to an all Balmacewen Road routing.
- **Option 3:** This option is generally similar to Option 2 except Route 33 extends to 195 Helensburgh Road and Route 50 terminates on Tuckett Street.
- **Option 4:** Option 4 generally follows the same route as Option 3 but with Route 33 terminating at 3 Forresbank Avenue, and Route 50 is generally the same as Option 3 except with a minor change near its terminus.
- **Option 5:** Option 5 is similar to Option 4 except Route 33 is rerouted via Greenhill Avenue/Forresbank Avenue, Balmacewen Road and Chapman Street. This avoids the problematic section of Lynn Street which the other options do not.

6.3. Recommendation

TDG recommend Options 4 and 5 as the preferred options for further consideration. Both options address the issues identified on Shetland Street and Centennial Avenue, and are simple to implement. The difference between the two options is that Option 4 utilises the top end of Lynn Street, whereas Option 5 continues further along Chapman Street then climbs on Balmacewen Road which is a wider road and slightly less steep.

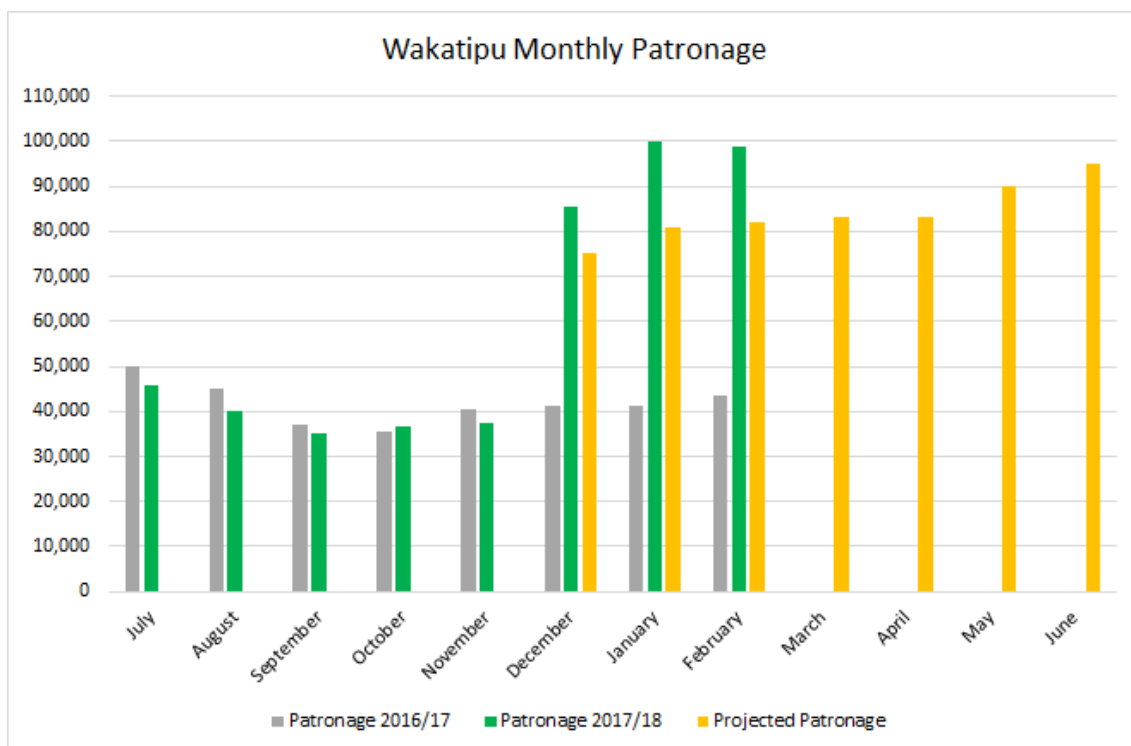
Staff preference is Option 4 which doesn't overlap the two routes at any point, thus increasing coverage, and as the shorter route it is cheaper to run. This option does utilise a stretch of Lynn Street which is a key concern raised in community feedback. The issue of bus stops on this stretch can be overcome by the construction of bus bays and a new inbound stop near the Lynn Street/Chapman Street intersection. The coverage and cost benefits of using Lynn Street are considered to negate the downside of traversing the hill section.

7. Wakatipu Public Transport Network – Patronage

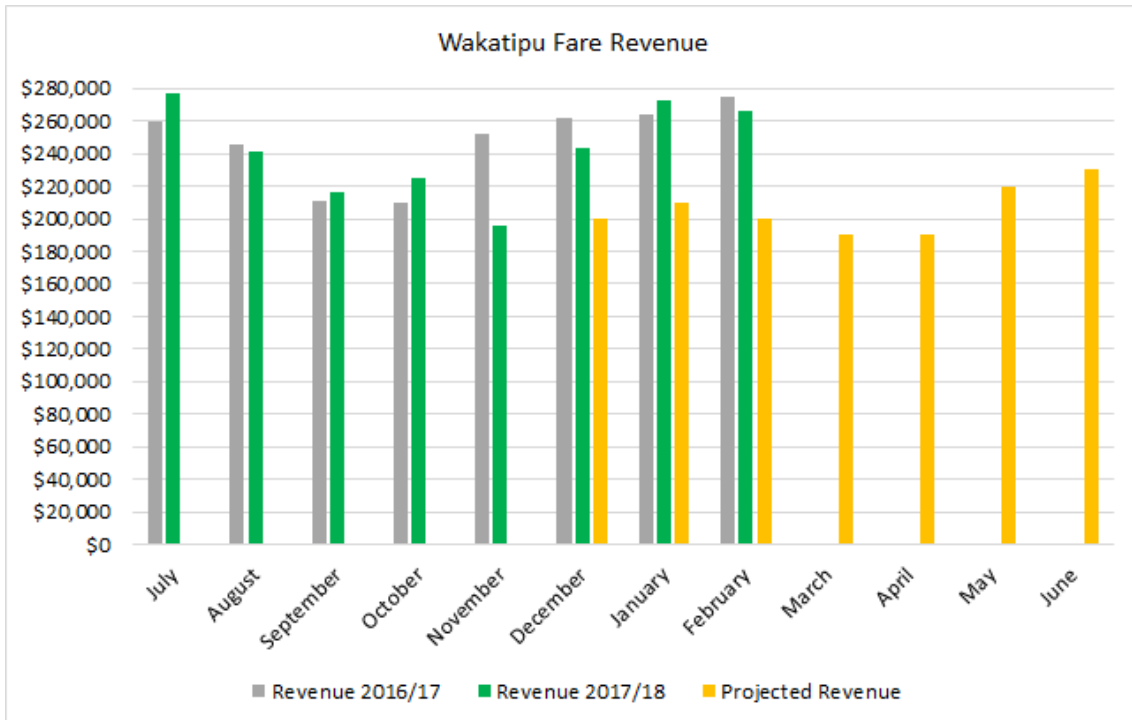
The new Wakatipu Public Transport Network was launched on 20 November 2017. As reported previously, the initial patronage uptake was encouraging with a 107% lift in December compared to the same month last year. This trend has continued over January and February with those months showing year on year increases of 141% and 126% respectively. Significant increases were anticipated, however, actual patronage for the three full months of the service is 19% ahead of target.

Revenue for the three months (December to February) is down 2% on the corresponding period last year. Again, a drop in revenue was expected due to the introduction of the flat fare, however, actual revenue for the three months is 28% ahead of target.

While both patronage and revenue have exceeded our projections, it is recommended a cautious approach be taken in relation to overstating any success at this time, especially regarding revenue, as this is very much dependent on the balance between cash and use of the GoCard.



Graph 3: Wakatipu Network Patronage July – February



Graph 4: Wakatipu Network Fare Revenue July – February

8. Recommendation

- a) That this report be received, and
- b) That the changes to the Wakari and Helensburgh services outlined in Option 4 are endorsed and to be implemented as soon as practicable.

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

TDG Review of Wakari and Helensburgh Bus Routes

10.3. Director's Report

Prepared for: Finance and Corporate Committee
Activity: Governance Report
Prepared by: Nick Donnelly, Director Corporate Services
Date: 12 March 2018

1. Précis

This report informs the Finance and Corporate Committee of significant financial and corporate activity and presents account payments to the Committee for endorsement.

2. Account Payments

Schedules of payments made are referred to the Finance and Corporate Committee for endorsement. The financial commitments and payment authorisation are made in accordance with Council's financial delegations and internal control procedures.

Payment Category	January 2018	February 2018	TOTAL
Trade payments	3,977,440.12	4,770,382.12	8,747,822.24
Payroll	827,040.12	824,362.44	1,651,402.56
Total	4,804,480.24	5,594,744.56	10,399,224.80

3. Recommendation

- a) *That this report is received.*
- b) *That the payments summarised in the table above and detailed in the payments schedule, totalling \$10,399,224.80, be endorsed.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

11. MATTERS FOR NOTING

11.1. Financial Report to 31 January 2018

Prepared for: Finance and Corporate Committee
Activity: Financial report to 31 January 2018
Prepared by: Stuart Lanham, Finance Manager
Date: 12 March 2018

1. Précis

The purpose of this report is to provide a summary of the Council's financial performance compared to budget for the seven months ended 31 January 2018, and a summary of the financial position as at that date.

2. Statement of Comprehensive Revenue and Expenses

The following Statement of Comprehensive Revenue and Expenses shows income from all external revenue sources, and all external operating expenditure for the period of the report.

Otago Regional Council					
Statement of Comprehensive Revenue and Expenses					
for the seven months ended 31 January 2018					
<i>\$000's</i>					
Description	Note	Annual Budget	<i>Year to date 31 January 2018</i>		
			Budget	Actual	Variance
Revenue:					
Rate revenue		20,910	12,197	12,191	(6)
Government subsidies	2.1	11,926	7,014	4,895	(2,119)
Other revenue	2.2	11,449	6,300	5,034	(1,266)
Dividend from Port Otago Ltd	2.3	9,000	5,250	5,250	0
Interest & investment income	2.4	1,512	882	1,668	786
Rental income		1,002	584	616	32
Investment property revaluation gain	2.5	333	0	0	0
		56,132	32,227	29,654	(2,573)
Less expenses:					
Operating expenses		39,748	22,816	21,586	1,230
Employee benefits expense		15,311	8,931	8,896	35
Depreciation & amortisation		2,014	1,175	1,183	(8)
Finance expenses		2	1	2	(1)
		57,075	32,923	31,667	1,256
Surplus/(deficit)		(943)	(696)	(2,013)	(1,317)
Income tax benefit		115	67	57	(10)
Surplus/(deficit) after tax		(828)	(629)	(1,956)	(1,327)
Other comprehensive revenue and expense:					
Revaluation gain on POL shares	2.6	10,000	0	0	0
Net Comprehensive Revenue and Expense		9,172	(629)	(1,956)	(1,327)

In the statement above, bracketed variances indicate revenue less than the budgeted level, and expenditure in excess of the budgeted level.

Note 2.1 – Government subsidies

Council receives subsidies from Government agencies on eligible expenditure. The level of subsidy income is therefore directly related to the level of eligible expenditure.

Subsidy income from the Public Passenger Transport project is down \$1,160,000 on the budget of \$5,841,000.

The main variance in this activity group is the electronic ticketing system replacement project. The annual budget anticipated the project would be funded from NZ Transport Agency subsidies of \$2,003,000 and drawings on transport reserves. This is a complex project involving a consortium of nine regional councils and the project is running behind the budgeted timeline. Consequently, revenue from government subsidies is down \$863,000 on the year to date budget of \$1,168,000.

The Dunedin bus contracts activity also has a lower level of subsidy than budgeted, with a variance of \$155,000 against a budget of \$2,529,000. This is a result of the new services in relation to units 1, 2 and part 3 commencing in September, but being budgeted from the start of the financial year.

The Wilding Pines project has actual income of \$40,000 against the budget of \$900,000 resulting in a variance of \$860,000. Funding from Ministry for Primary Industries (MPI) for the full year of \$1,185,000 (GST exclusive) has been received, however the amount of revenue reflected in the Statement of Revenue and Expenditure is only the amount required to match the project expenditure incurred to date, and currently expenditure is behind budget, as detailed in Note 4.1 to the Statement of Activity Expenditure.

Note 2.2 – Other revenue

The amount of other revenue earned of \$5,034,000 is \$1,266,000 less than the budgeted amount of \$6,300,000.

Within the Public Passenger Transport project, gross contract bus fare revenue of \$2,281,000 is \$972,000 less than the budgeted level of \$3,253,000, mainly due to services commencing later in the reporting period than was provided for in the budget, with the Dunedin services accounting for \$534,000 of the variance, and Queenstown services accounting for \$438,000 of the variance.

Revenue associated with some other projects is also down, with some of the variances following the lower level of related expenditure, such as the consents and compliance activity.

Note 2.3 – Dividend income from Port Otago Limited

Interim dividends are usually received in February and June followed by a final dividend in September. Dividend income in the above statement is reported on an accrual basis based on the budgeted dividend level set in the Annual Plan.

Note 2.4 – Interest and investment income

This revenue line comprises interest earned on term deposits and bank accounts of \$677,000, and an increase in fair value of the managed fund portfolio of \$991,000.

The increase in fair value of the managed fund incorporates income received, and changes in the market value of investments due to price changes, and foreign exchange rates where applicable. The overall change in fair value is subject to monthly fluctuations due to movements in the market valuation factors.

Note 2.5 – Investment property revaluation gain

Investment property is revalued annually, with the next revaluation date being 30 June 2018. Accordingly, the year to date budget and actual amounts reflect nil values.

Note 2.6 – Revaluation gain on Port Otago Ltd shares

The annual budget makes provision for an increase in the valuation of the Council's 100% shareholding in Port Otago Limited. The shares are valued annually, with the next revaluation date being 30 June 2018. Accordingly, the year to date budget and actual amounts reflect nil values.

3. Statement of Financial Position

A Statement of Financial Position follows, and shows the Council's financial position at 31 January 2018, along with budgeted amounts for the financial position at 30 June 2018, and comparative amounts as at 30 June 2017.

**Otago Regional Council
Statement of Financial Position
as at 31 January 2018**

Description	Note	\$000's		
		Budget 30 June 2018	Actual 31 January 2018	Actual 30 June 2017
Current assets				
Other financial assets	3.1	41,198	50,105	54,057
Cash and cash equivalents	3.1	3,765	5,594	4,433
Trade and other receivables	3.2	3,286	5,630	3,568
Dividends receivable	3.3	-	4,750	-
Property held for sale		1,284	499	1,093
Other current assets		207	414	261
		49,740	66,992	63,412
Non-current assets				
Shares in Port Otago Ltd	3.4	438,239	439,037	439,037
Property plant and equipment		93,922	87,659	86,313
Investment property	3.5	11,431	10,825	10,825
Intangible assets		3,357	2,309	2,066
Deferred tax asset		98	155	98
		547,047	539,985	538,339
Total assets		596,787	606,977	601,751
Liabilities – all current				
Revenue in advance	3.6	-	10,106	-
Trade and other payables		4,134	4,432	7,159
Employee entitlements		1,483	1,487	1,665
		5,617	16,025	8,824
Net assets		591,170	590,952	592,927
Public equity and revaluation reserves				
Public equity		133,746	130,216	133,549
Available-for-sale revaluation reserve	3.4	418,239	419,037	419,037
Asset revaluation reserve	3.5	9,370	8,764	8,764
		561,355	558,017	561,350
Other reserves				
Building reserve		13,770	13,881	13,614
Kuriwao endowment reserve		6,339	6,394	6,361
Asset replacement reserve		4,560	6,812	5,820
Emergency response reserve		4,168	4,122	4,033
Water management reserve		736	1,184	1,427
Environmental enhancement reserve		242	542	322
		29,815	32,935	31,577
Total equity and reserves		591,170	590,952	592,927

Note 3.1 – Other financial assets and cash and cash equivalents

Funds surplus to the Council's immediate and short-term requirements are managed on Council's behalf by the BNZ. An investment portfolio and term deposits with durations of 4-12 months are included in the classification 'Other financial assets'. Current bank balances and term deposits with durations of less than four months are included in 'Cash and cash equivalents'.

Note 3.2 – Trade and other receivables

The receivables amount at 31 January of \$5.630 million, includes rate receivables of \$1.822 million, and the accrual of \$1.810 million in transport subsidies from NZ Transport Agency.

Note 3.3 – Dividends receivable

The dividend receivable amount to 31 January 2018 reflects the accrual of expected dividends from Port Otago Limited for the seven-month period to that date, less the final dividend for the 2016/17 year received in September 2017.

Note 3.4 – Shares in Port Otago Ltd and available-for-sale revaluation reserve

The shares in Port Otago Ltd are revalued annually and are included at the 30 June 2017 valuation date. The available-for-sale revaluation reserve reflects the revaluation amount of the shares as at that date.

Note 3.5 – Investment property and asset revaluation reserve

Investment property is revalued annually and is included at the 30 June 2017 valuation. The asset revaluation reserve reflects the revaluation amount of the investment property at 30 June 2017.

Note 3.6 – Revenue in advance

Rate revenue is allocated evenly over the twelve-month period to 30 June 2018. The revenue in advance amount includes \$8,718,000 being the portion of rate revenue invoiced in August 2017, that will be released to the statement of revenue and expenses over the remaining months of the financial year.

4. Activity Expenditure

The following Statement of Activity Expenditure includes capital and internal expenditure and summarises expenditure for the seven months ended 31 January 2018.

The notes to the Statement identify and provide brief comment on projects that have contributed significantly to the major overall activity variances.

**Otago Regional Council
Statement of Activity Expenditure
for the seven months ended 31 January 2018**

Activities	Note	\$000's			
		Annual Budget	Year to date 31 January 2018		Variance
		Budget	Budget	Actual	
Environment					
Air		423	241	271	(30)
Environmental Incident Response		1,412	842	968	(126)
Land	4.1	4,113	2,599	1,448	1,151
Rivers and Waterway Management		1,889	1,163	837	326
Water	4.2	9,848	5,847	4,585	1,262
		17,685	10,692	8,109	2,583
Community					
Democracy		1,570	922	891	31
Public Information and Awareness		2,012	1,192	1,217	(25)
Financial Contributions		350	204	263	(59)
Land Air Water Aotearoa		427	252	311	(59)
Dunedin Head Office Replacement		665	390	32	358
Regional Economic Development		0	-	9	(9)
		5,024	2,960	2,723	237
Regulatory					
Policy Development		191	114	408	(294)
Consents		1,798	1,052	796	256
Compliance		1,289	760	634	126
Harbour Management		406	237	535	(298)
		3,684	2,163	2,373	(210)
Flood Protection & Control Works					
Leith Scheme	4.3	2,993	1,210	2,562	(1,352)
Taieri Schemes	4.4	2,014	1,127	1,923	(796)
Clutha Schemes		1,977	1,153	808	345
Other projects		398	263	176	87
		7,382	3,753	5,469	(1,716)
Safety and Hazards					
Emergency Management		2,412	1,423	1,563	(140)
Natural Hazards		1,329	789	929	(140)
		3,741	2,212	2,492	(280)
Transport					
Regional Land Transport Planning		318	189	184	5
Public Passenger Transport	4.5	24,357	13,623	12,230	1,393
Stock Truck Effluent Disposal Sites		508	148	40	108
		25,183	13,960	12,454	1,506
Total		62,699	35,740	33,620	2,120

* Variances – bracketed variances denote expenditure in excess of budget.

Note 4.1 – Land

The most significant variance in the Land projects is the Wilding Pines project which is under-spent by \$796,000 against the budget of \$1,070,000. MPI funding for the project has been approved and received - further expenditure will occur as monitoring and control work proceeds.

The other two more significant variances are in the pest contracting and pest management strategy compliance monitoring activities which are under-spent by \$143,000 and \$157,000 respectively.

The pest contract work is currently "on hold" pending confirmation of the future direction of this activity. Pest management strategy compliance monitoring under-expenditure is largely attributable to the animal and rabbit work component of the project that had been constrained by resourcing issues – now alleviated.

Note 4.2 – Water

Water related projects with expenditure of \$4,585,000 are \$1,262,000 under-expended against the budget of \$5,847,000.

The rural water quality implementation activity is under-expended by \$805,000 against the budget of \$1,813,000, with the two most significant areas of under-expenditure noted below.

Delays on delivery of the Good Water Project, plus a change in approach with developing a pilot for the onsite assessments and getting this delivered by an external consultant mean that this element of the project is significantly behind budget. Dairy farm inspections were deferred following the July 2017 flood event and the Mycoplasma Bovis outbreak.

The Regional Plan: Water project is under-expended by \$381,000, against the budget of \$620,000.

A timing variance, due to a delay in commencing the policy framework for storm-water and waste-water while the urban water quality strategy was being finalised and other projects took priority, is now reducing as work is progressing on the framework. Additionally, a timing variance with the science-related work, the majority of which is yet to be incurred, will reduce following the commencement of external contracts.

The coastal strategy project is under-expended by \$323,000 against a budget of \$370,000, primarily due to a timing difference in the science component of the project. Tenders have now been awarded for external contracts, so costs will increase as the contract work is undertaken.

The minimum flows project is over-expended by \$257,000 against the budget of \$1,219,000. This is due to an acceleration of work on the project over the timing reflected in the budget, and additional unbudgeted costs to ensure sufficient hydrological information is available.

Note 4.3 – Leith Scheme

The Leith Scheme is over-expended by \$1,352,000 against the budget of \$1,210,000.

Expenditure of \$1,940,000 has been incurred on the ITS Bend section of the scheme, however the budget for all the ITS Bend work was included in the previous year's budget. In 2016/17 the budget was under-expended by \$2,622,000.

The Dundas Street Bridge section of the works is under-expended by \$704,000 against the budget of \$953,000. Work has been deferred until the following financial year.

Note 4.4 – Taieri Schemes

The Taieri Schemes are over-expended by \$796,000 against the budget of \$1,127,000.

The main cause for the budget variance in the three Taieri schemes is due to unbudgeted expenditure incurred in responding to the significant flood event in late July 2017 and subsequent remediation work.

Repair costs were incurred in relation to the Mill Creek and Ascog pump stations, as well as additional portable pumping being deployed. The nature of flood events of this magnitude is that there is no budgetary provision for the costs of responding to such events. The costs are allocated to the appropriate scheme reserve and will be recovered over time.

Note 4.5 – Public Passenger Transport

The Public Passenger Transport project is under-expended by \$1,393,000 against the budget of \$13,623,000.

The most significant area of under-expenditure is in the cost of bus services, with Dunedin services costing \$839,000 less than the budgeted amount of \$7,292,000 and Wakatipu services costing \$688,000 less than the budgeted amount of \$1,800,000.

As commented upon in revenue variance notes 2.1 and 2.2 above, services in Dunedin and Wakatipu commenced later in the year than provided for in the budgets, resulting in the under-expenditure referred to above.

5. Recommendation

- a) *That this report is received.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

11.2. Treasury Report

Prepared for: Finance and Corporate Committee

Activity: Governance Report

Prepared by: Stuart Latham, Finance Manager

Date: 12 March 2018

1. Précis

Short term investments held by the Council are in the form of term deposits held with banking institutions, and managed on the Council's behalf by a separate investment arm of the BNZ under a multi-bank arrangement.

Council also has a Managed Fund portfolio, externally managed by the Bank of New Zealand.

This report provides information on the management and performance of the Council's short term deposits and the managed fund, for the six months ended 31 December 2017.

2. Short Term Investments

2.1 *General Comments*

The day-to-day working capital cash requirement of the Council, including forecasting cash movements in the short term based on forecast revenues and expenditure, is managed by finance staff.

Council's cash-flow in terms of receipts and payments fluctuates significantly during the year, particularly with significant revenue streams such as rates and dividends coming in at particular times, and large payments such as GST output tax collected on rates income, becoming payable at one time.

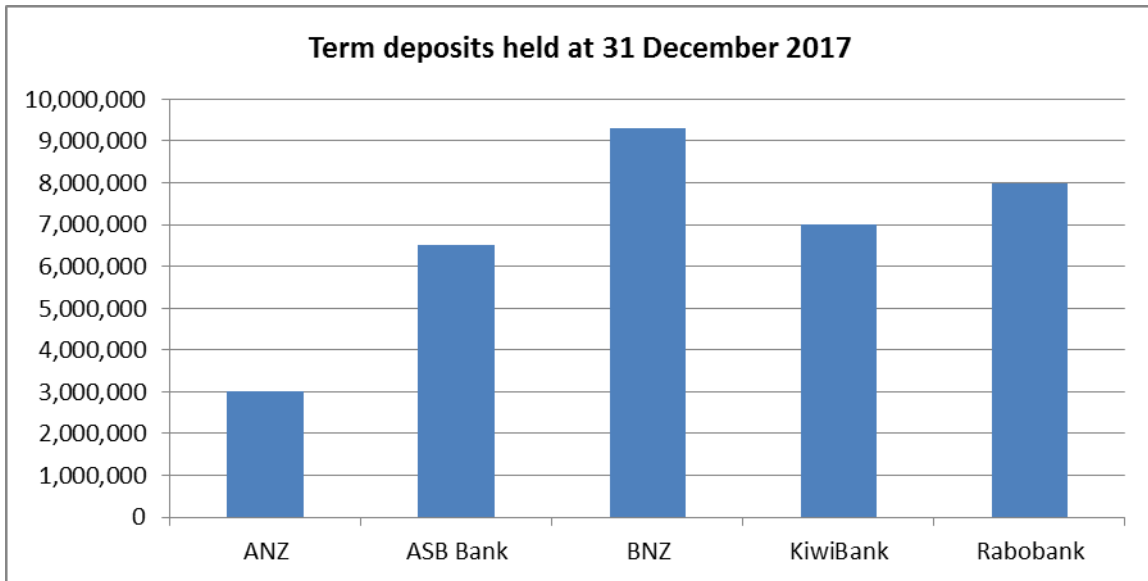
Funds surplus to immediate cash requirements are deposited into the term deposit portfolio. The BNZ seeks competitive quotes from participating banks for new deposits and places new funds accordingly, based on the quotes received and other factors to ensure the portfolio is maintained within agreed parameters.

BNZ provides monthly reports on the composition and performance of the term deposit portfolio.

2.2 *Portfolio Composition*

The amount held on term deposit at 31 December 2017 was \$33,800,000 comprising 29 individual deposits – ranging from \$500,000 to \$3,000,000 each.

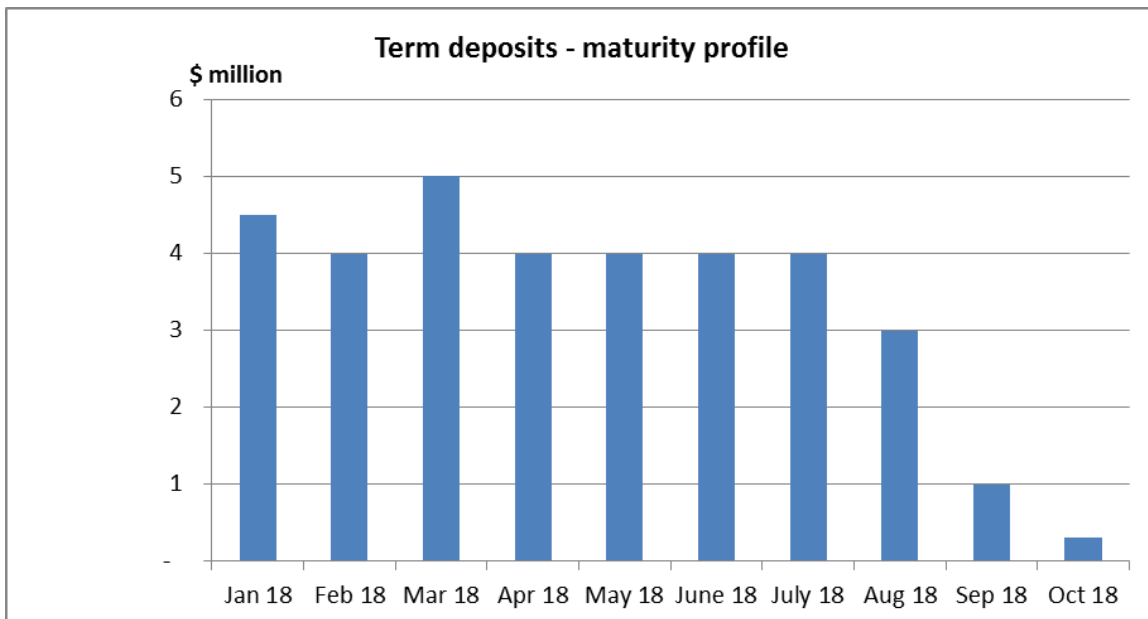
The following chart shows the total amount held with each institution at 31 December 2017.



2.3 Term Deposits – Maturity Profile

The maturity profile chart below shows the spread of maturity dates of the deposits.

The arrangement with the BNZ ensures that sufficient amounts mature on a monthly basis to provide funds to meet ongoing operational requirements.

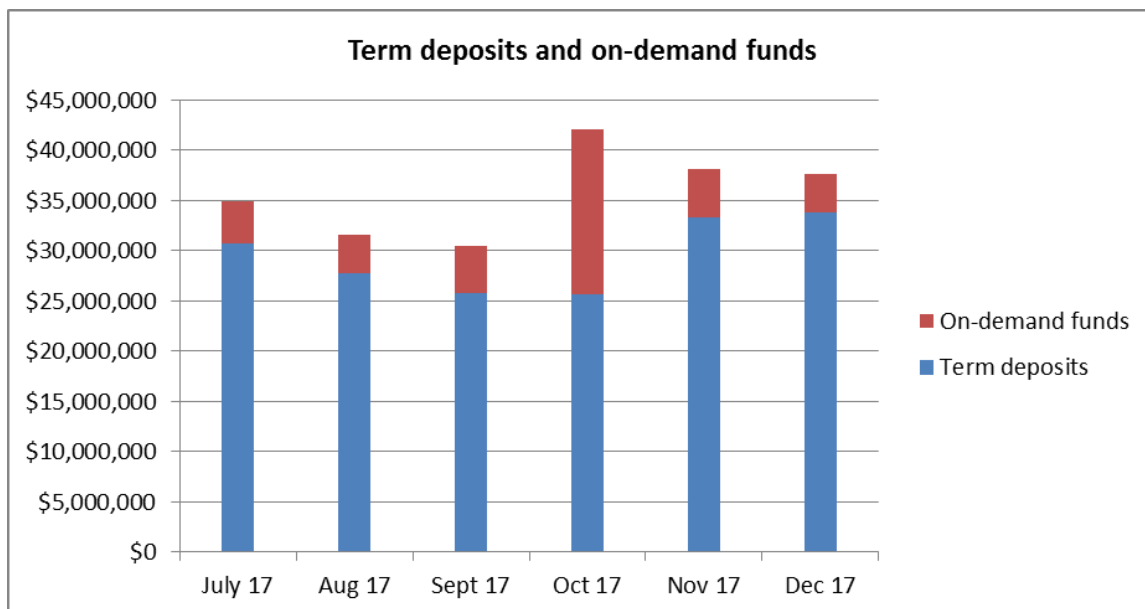


2.4 Term Deposits and On-Call Funds

A sufficient amount of funds is held on-demand to meet operational day-to-day requirements of the Council. The timing of term deposit transactions and significant cash transactions necessarily results in fluctuations in both the term deposit element of total funds held and the amount held on-demand.

The chart below shows the amount held at the end of each month during the six months to 31 December 2017, identifying the term deposit amount and the amount held on-demand with the BNZ.

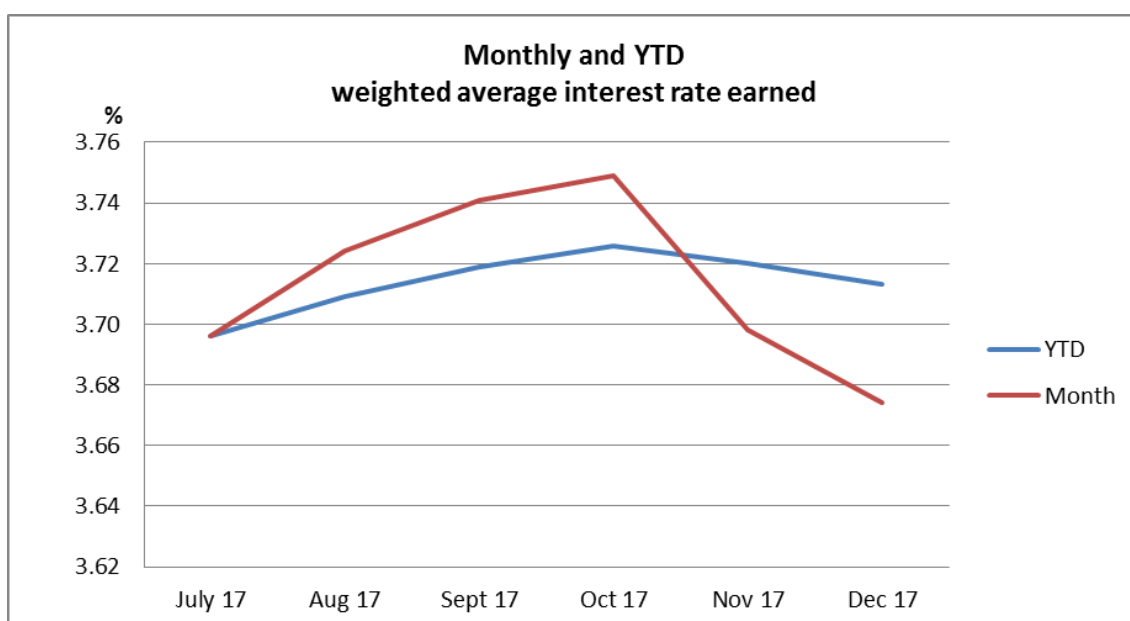
The significant amount of on-demand funds held at 31 October 2017 was due to a large amount of rate receipts being received leading up to the due date of 31 October and being placed on term deposit in early November.



2.5 Interest Earned and Interest Rates

Interest earned on bank balances and term deposits during the six months to 31 December 2017 amounted to \$578,913.

The following graph shows the monthly and year-to-date weighted average interest rates earned on term deposits during the year.



The graph shows that the monthly rates increased from 3.69% in July 2017 to 3.75% in October 2017 and then dropped back to 3.69% in November and then 3.67% in December 2017.

The monthly fluctuations are reflected in the year-to-date line which shows the rate peaking in October 2017.

The Official Cash Rate set by the Reserve Bank began the year at 1.75% and remained at that level throughout the six-month period to 31 December 2017.

3. Managed Fund Portfolio

The Council's managed fund comprises a portfolio of financial instruments managed externally by the Bank of New Zealand. The BNZ provides quarterly reports on the performance and composition of the fund.

The following information is summarised from the BNZ portfolio reviews for the six-month period ended 31 December 2017.

3.1 Portfolio Performance

The BNZ portfolio report refers to returns achieved net of portfolio management fees charged to the fund.

The returns for the six-month period to 31 December 2017 amounted to \$910,072 (4.58%) before tax, and \$880,348 (4.43%) after tax.

It is noted that in regular financial reporting to Council during the year, the net after tax gain is reported within the revenue sections of the report, with the portfolio management fee being included within expenditure.

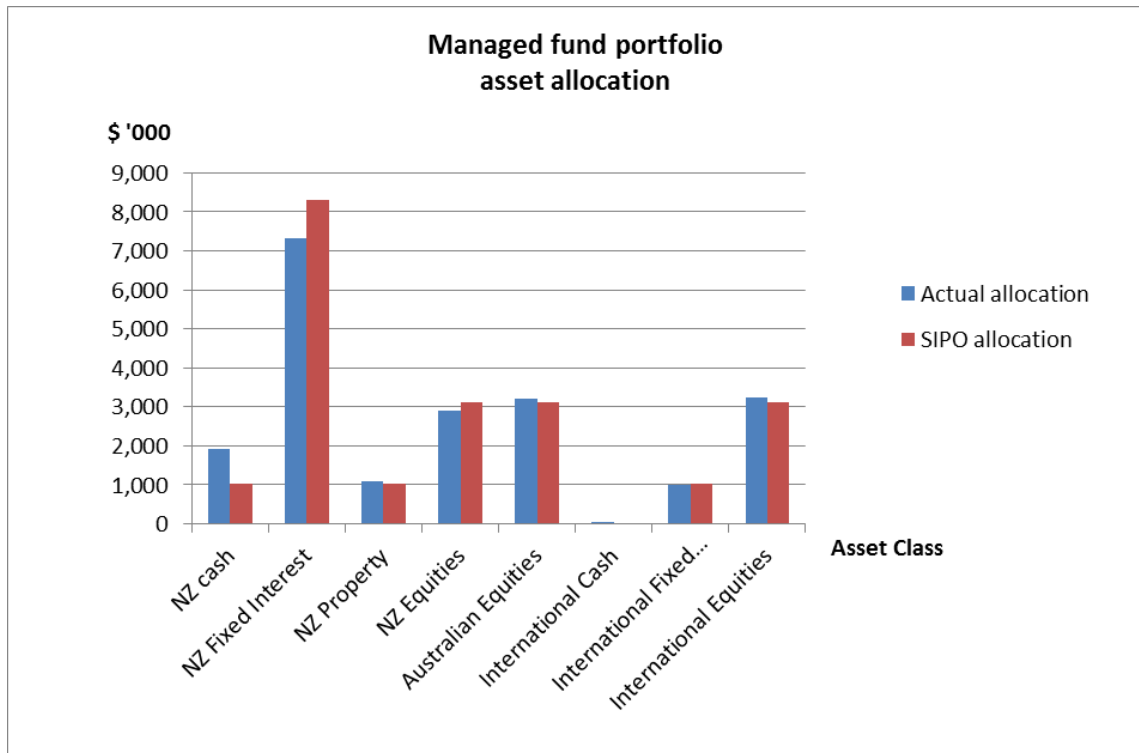
3.2 Portfolio Summary

The following table, extracted from the BNZ report, shows the valuation of the fund by asset class as at 31 December 2017, and the percentage of each asset class held. The table compares the percentage of each asset class held with the asset allocation percentage specified in the Statement of Investment Policies and Objectives (SIPO).

The variance columns show the actual variances from the SIPO allocation – in terms of the percentage and the effect on the valuation.

Managed Fund - Portfolio Summary						
For the six months ended 31 December 2017						
Asset class	Actual Allocation		SIPO Allocation		Variance over / (under)	
	Amount \$	%	Amount \$	%	Amount \$	%
NZ cash	1,918,802	9.25	1,036,888	5.00	881,914	4.25
International Cash	36,212	0.18	-	0.00	36,212	0.18
NZ Fixed Interest	7,328,622	35.34	8,295,107	40.00	(966,485)	(4.66)
International Fixed Interest	1,010,764	4.87	1,036,889	5.00	(26,125)	(0.13)
NZ Property	1,092,096	5.27	1,036,888	5.00	55,208	0.27
NZ Equities	2,903,522	14.00	3,110,666	15.00	(207,144)	(1.00)
Australian Equities	3,198,321	15.42	3,110,666	15.00	87,655	0.42
International Equities	3,249,431	15.67	3,110,666	15.00	138,765	0.67
	20,737,770	100.00	20,737,770	100.00		

The following chart graphically represents the actual asset allocation within the managed fund compared with the allocation set out in the SIPO.



4. Recommendation

That this report be received

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

11.3. Implementation of distance technology for governance meetings

Prepared for: Finance and Corporate Committee

Activity: Governance Report

Prepared by: Ian McCabe, Executive Officer

Date: 16 March 2018

1. Précis

The purpose of this report is to brief Council on staff expectations for the performance of video conference facilities to be installed at the new Council Chamber in Philip Laing House.

2. Background

At its meeting of 8 March 2018, the Audit and Risk Subcommittee resolved that the Chief Executive be tasked with bringing a paper to next committee round on the employment of distance technology for governance attendance at Council meetings.

Discussion on the issue centred around making the right facilities and infrastructure available to Councillors to enable them to better manage their travel commitments for meetings and workshops.

Fit for purpose video and audio conferencing facilities have been progressively rolled out amongst Council's various smaller meeting rooms and spaces at Regional House in Stafford Street over the last 18 months. Video conferencing facilities have also been made available in Council's Alexandra office and are planned for the new Queenstown office.

The construction of a new Council Chamber at Philip Laing House has provided an ideal opportunity to make fit-for-purpose video and audio conferencing facilities available in Council's largest meeting space for all Council meetings and workshops.

3. Discussion

The new Council Chamber at Philip Laing House will have video conference facilities available so that councillors and others can participate in Council meetings and/or workshops from anywhere, using an internet connected iPad, laptop, or PC.

Expectations around what video conference facilities will be made available and how they will perform can be summarised as follows.

Audio

The video conference audio will be provided from microphones installed at each table to ensure that all participants in the room can be heard clearly by remote participants. The audio from people calling in to the video conference will be channelled into the Council Chamber using speakers installed in the ceiling.

Remote participants calling in will be able to mute their microphones at any time should they need to.

Video

Two video cameras are being installed in the Council Chamber. One camera will be directed at the head table. The other camera will be a wide shot of all councillors

located from behind and above the head table. Either camera will be able to be used as the view for participants calling into the video conference.

Participants in the Council Chamber will be able to see the person who has called in on two large screen displays in the Council Chamber. If multiple people are calling in, they will be displayed side by side on each display.

Remote participants calling in can choose whether or not to enable their video camera. If they disable their camera, only their name will be displayed.

Content

During workshops, content such as PowerPoint presentations can be presented via the video conference. This means that remote participants will be able to see the presentation on their device as it is being displayed in the Council Chamber. Remote participants and presenters will also be able to present content and have their presentation displayed in the Council Chamber.

This function is designed for static slides. Video content shared in this manner may or may not work effectively.

Limitations – Internet Connection

The most important element of a good video conference experience is having a good quality internet connection. High latency connections such as satellite-based services (some Farmside services) are likely to provide poor quality audio and video and could be “jittery”.

Further to this, good internet connections can suffer congestion on occasion and this will also affect the quality of the video conference experience.

Limitations – Devices

The quality of the audio and video in the video conference will to some extent be reliant on the quality of the device the remote users are using. For example, if the person calling has a poor microphone, then the quality of their voice in the Council Chamber will be poor. Similarly, if the person calling in has poor speakers, the audio from the Council Chamber will sound poor to them.

The device the remote person is using may also create problems. Although our video conference facility will be supported on any device type, if the users device (iPad or PC) is having other problems (performance problems or out of date software) they may have difficulties with the video conference.

Other facilities

Video conference from home on a personal or council issued device is convenient, but may suffer from any or all of the issues outlined above. Council has a video conference capable meeting room in its Alexandra office and will be setting the same facility up in the new Queenstown office. Councillors and other participants who wish to participate remotely may prefer to use one of these facilities.

The same video conference facilities are also being progressively rolled out in the Council’s various smaller meeting rooms and spaces, including two other spaces at Philip Laing House.

Support

Support for video conferencing services will be provided by the IT team and any councillor wishing to participate remotely will be able to test their setup with the IT team prior to the video conference. Depending on any issues that are encountered, the IT team may recommend using one of the Council facilities as there may be nothing staff can do to resolve issues with personal devices and internet connections.

4. Recommendation

That:

- 1) Council **receive** this report.

Endorsed by: Sarah Gardner
Chief Executive

Attachments

Nil

12. NOTICES OF MOTION

13. RECOMMENDATIONS OF MEETINGS

13.1. Recommendations of the Audit and Risk Subcommittee

Recommendations of the public portion of the Audit and Risk Subcommittee meeting held on 8 March, for adoption.

Item 10.1 Health & Safety Report

That the report be noted.

Moved: Cr Woodhead
Seconded: Cr Brown
CARRIED

That the CE be tasked with bringing a paper to next committee round on the employment of distance technology for governance attendance at ORC meetings.

Moved: Cr Laws
Seconded: Cr Woodhead
CARRIED

Item 10.2 Audit Management letter – Staff Response

That the report be received.

Moved: David Benham
Seconded: Cr Kempton
CARRIED

Item 10.3 Long Term Plan (LTP) Update

That this report is received, the LTP process and status is noted, and the revised timeline for the sign off and adoption of the Consultation Document is endorsed.

Moved: Cr Robertson
Seconded: David Benham
CARRIED

Item 11.1 Legislative Compliance

That the report be noted

Moved: David Benham
Seconded: Cr Brown
CARRIED

Item 11.2 Risk Report – October 2017

That this report and the attached Risk Report – October 2017 be received.

Moved: Cr Woodhead
Seconded: Cr Brown
CARRIED

Item 11.3 Audit and Risk Work Programme

That this report is received, and the work programme for the Audit and Risk Subcommittee is endorsed.

Moved: David Benham
Seconded: Cr Woodhead
CARRIED

Item 11.4 Treasury Report

That the report be received.

Moved: David Benham
Seconded: Cr Brown
CARRIED

Attachments

Nil

14. RESOLUTION TO EXCLUDE THE PUBLIC

Nil

That the public be excluded from the following parts of the proceedings of this meeting, namely:

Adoption of the minutes of the public excluded portion of the Finance and Corporate Committee meeting held on 31 January 2018

Adoption of the recommendations of the public excluded portion of the Audit and Risk Subcommittee meeting held on 8 March 2018.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under [section 48\(1\)](#) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Adoption of the minutes of the public excluded portion of the Finance and Corporate Committee held on 31 January 2018.	To protect information where the making available of the information—would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)	Section 48(1)(a); Section 7(2)(b)(ii); Section 7(2)(c)(i); Section 7(2)(h)

<p>Adoption of the recommendations of the public excluded portion of the Audit and Risk Subcommittee meeting held on 8 March 2018</p>	<p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information—would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	
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This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

Adoption of the minutes of the public excluded portion of the Finance and Corporate Committee held on 31 January 2018.

Adoption of the recommendations of the public excluded portion of the Audit and Risk Subcommittee meeting held on 8 March 2018

15. CLOSURE