

I, Kitea Tipuna, Tumu Whakarae Chief Executive, hereby give notice that Finance, Audit & Risk Committee Meeting will be held on:

Date:	Tuesday, 6 July 2021
Time:	12.30pm
Location:	Council Chamber, Wairoa District Council, Coronation Square, Wairoa

# AGENDA

# Finance, Audit & Risk Committee Meeting

# 6 July 2021

The agenda and associated papers are also available on our website: <u>www.wairoadc.govt.nz</u>

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

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# 1 KARAKIA

# 2 APOLOGIES FOR ABSENCE

- **3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 CHAIRPERSON'S ANNOUNCEMENTS
- 5 LATE ITEMS OF URGENT BUSINESS

# 6 **PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 15.1 requests to speak must be made to the Chief Executive Officer at least one clear day before the meeting; however this requirement may be waived by the Chairperson. Requests should also outline the matters that will be addressed by the speaker(s).

# 7 MINUTES OF THE PREVIOUS MEETING

Ordinary Meeting - 25 May 2021

# MINUTES OF WAIROA DISTRICT COUNCIL FINANCE, AUDIT & RISK COMMITTEE MEETING HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA ON TUESDAY, 25 MAY 2021 AT 1.30PM

- **PRESENT:** Cr Jeremy Harker, Cr Denise Eaglesome-Karekare, Mr Philip Jones, Cr Danika Goldsack (via Zoom)
- **IN ATTENDANCE:** Kitea Tipuna (Tumu Whakarae Taupua Interim Chief Executive), Kimberley Tuapawa (Pouwhakarae – Pārongo/Wheako Kiritaki Group Manager Information and Customer Experience), Gary Borg (via Zoom) (Pouwhakarae – Pūtea/Tautāwhi Rangapū Group Manager Finance and Corporate Support), Stephen Heath (Pouwhakarae-Hua Pumau Hapori/Ratonga/Group Manager Community Assets and Services), Kimberley Tuapawa (Pouwhakarae -Pārongo/Wheako Kiritaki Group Manager Information and Customer Simon Mutonhori (Pouwhakarae-Whakamahere Experience), me te Waeture/Group Manager-Planning & Regulatory), Lauren Jones (Kaikaute Accountant), Putea Financial Gay Waikawa (Kaiurungi Mana Arahi/Governance Officer), Alannah Marshall (Governance and Economic Development Officer | Kaiurungi Mana Ārahi Whakawhanake Ōhanga)

#### 1 KARAKIA

Karakia was given by the Tumu Whakarae Taupua Interim Chief Executive Kitea Tipuna.

#### 2 APOLOGY FOR ABSENCE

#### APOLOGY

#### COMMITTEE RESOLUTION 2021/141

Moved: Cr Jeremy Harker Seconded: Cr Denise Eaglesome-Karekare

That the apology received from His Worship the Mayor, Craig Little be accepted and leave of absence granted.

#### CARRIED

# 3 DECLARATION OF CONFLICT OF INTEREST

None

#### 4 CHAIRPERSON'S ANNOUNCEMENTS

The Chairperson thanked Kitea Tipuna Tumu Whakarae Taupua Interim Chief Executive and his staff for the outstanding work that was done, the information for the CouncilMark report and the works that has gone into it basically by staff through the 12-18 months. The Chairperson asked

that it be passed onto all the Council staff not just the ones sitting at the table. Cr Eaglesome-Karekare re-iterated the Chairperson's acknowledgement.

Philip Jones spoke on a related but unrelated matter. Mr Jones had a meeting with the Assistant Auditor General of Local Government, Wairoa's CD came up they were impressed with it. The issue was they had debated the financial strategies and the financial strategy where Council had their rates line and says this is what Council is wanting to achieve but need to go short and hard in the first couple of years rather than prolong it they thought it was actually really good and Mr Jones told them to mention that in their report to parliament.

#### 5 LATE ITEMS OF URGENT BUSINESS

None

#### 6 PUBLIC PARTICIPATION

None

#### 7 MINUTES OF THE PREVIOUS MEETING

#### COMMITTEE RESOLUTION 2021/142

Moved: Cr Jeremy Harker Seconded: Mr Philip Jones

That the minutes [and confidential minutes] of the Ordinary Meeting held on 13 April 2021 be confirmed.

#### CARRIED

#### 8 GENERAL ITEMS

#### 8.1 FINANCIAL PERFORMANCE TO 30 APRIL 2021

#### COMMITTEE RESOLUTION 2021/143

Moved: Cr Jeremy Harker Seconded: Cr Danika Goldsack

That the Committee receive the report.

#### CARRIED

The Kaikaute Putea Financial Accountant presented her report and reported on the summary report providing information in Council's operating financial performance for the 10 months to 30 April 2021 and forecast to 30 June 2020.

The report also provides an update on Council's progress against objective established and decisions previously made in the Annual Plan 2020-21 and Long Term Plan 2018-28.

#### The Committee discussed:

- Variance explanations.
- NZTA subsidy whether subsidy is caried over to next financial year.
- Capital expenses unbudgeted.
- Operating income equally operating expenditure.
- Financial strategy.
- Disaster response vs disaster resilience

#### 8.2 FA&R WORK PLAN

#### RECOMMENDATION

That Committee receive the report.

The Meeting closed at 2.27 with a karakia by Tumu Whakarae Taupua Interim Chief Executive Kitea Tipuna.

The minutes of this meeting were confirmed at the Finance, Audit & Risk Committee Meeting held on 6 July 2021.

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**CHAIRPERSON** 

#### 8 GENERAL ITEMS

#### 8.1 3 WATERS STIMULUS PROJECT UPDATE

Author: Jonny Hardie, Kaiwhakahaere Kaupapa-Whaipainga Project Manager-Infrastructure

Authoriser: Stephen Heath, Pouwhakarae – Hua Pūmau Hapori / Ratonga Group Manager Community Assets and Services

Appendices: 1. Appendix 1 - Project Tracking Spreadsheet 🔱

- 2. Appendix 2 Opoutama Wastewater Upgrade Information Sheet 😃
- 3. Appendix 3 Photos 👃

#### 1. PURPOSE

- 1.1 This report provides information for Committee on the Three Waters Stimulus package.
- 1.2 No decisions are required by Committee at this stage.

#### RECOMMENDATION

The Kaiwhakahaere Kaupapa-Whaipainga Project Manager-Infrastructure RECOMMENDS that Committee receive the report.

#### 2. BACKGROUND

2.1 This report forms a summary only of projects "at a glance". Additional reports will continue to be provided where further direction is sought from Infrastructure Committee.

#### 3. DIRECTION

- 3.1 This section will outline the direction that Infrastructure Committee & Council provide CAAS. It will outline how projects align with Council's direction and how these projects are being delivered in line with relevant policies and strategies i.e. Infrastructure strategy, procurement guidelines, AMPs, LTP, Annual Plan.
- 3.2 **Delivery Plan** 8<sup>th</sup> September 2020, Council Meeting.

Resolution: That Council approve the 3 Waters Reform tranche one and delegate the Chief Executive Officer to spend the grant funds.

3.3 **Memorandum of Understanding** - 11<sup>th</sup> August 2020, Extraordinary Council Meeting.

Resolution: Agreeing to sign a Memorandum of Understanding (MoU) with the Crown, agreeing to participate in the initial stage of a central/local government three waters service delivery reform programme and authorising the Chief Executive to enter into the Funding Agreement, to accept a grant from the Crown to spend on operating and/or capital expenditure relating to three waters infrastructure and service delivery.

#### 4. MONITORING

- 4.1 This section will refer to the project dashboard at Appendix 1. Any project areas such as budget or delivery that are highlighted Amber or Red in the dashboard will be commented on here.
- 4.2 Project budgets continue to be adjusted as more information becomes available. Some scopes are increased or reduced depending on the nature and priority of each project, and to cover unforeseen variations.
- 4.3 The Mahanga water supply referendum result indicated the supply will remain operational. The original budget for this project has been reduced to \$75,000 which will include an additional concrete water tank, upgrading the chlorination dosing system, electrical controls, new SCADA monitoring with alarming, new smart meter volumetric data collection, and reservoir level monitoring. This project will commence towards the end of the year
- 4.4 The upgrade of the Opoutama Wastewater Treatment Plant has begun, firstly on the plant itself. The overall upgrade project includes three parts: underground effluent storage tanks to allow the caravan dump station to reopen; treatment plant upgrade to improve treatment quality; expansion of the disposal field beside the plant. See Appendix 2 showing project information sheet.
- 4.5 Fulton Hogan have completed approximately 400 toby replacements in Wairoa Township, out of more than 2200, as part of the smart meter/backflow prevention project. Progress is on target for a March 2022 completion.
- 4.6 The River Parade watermain replacement project is scheduled to begin in July 2021. There has been a hold up with pipe supply which has delayed the start date.
- 4.7 See below in Risks for the identified risks of the Three Waters Stimulus Projects.

#### 5. RISKS

- 5.1 This section will refer to the project dashboard at Appendix 1. Any risks outlined will be summarised with mitigation actions outlined. This will focus on the high or extreme risk levels.
- 5.2 Cost overruns are expected on certain projects, which will be balanced out by projects where known tender prices/quotes are less than budgets, or where projects have been removed or scaled down. However the total \$11.04 million stimulus package will not have any cost overrun.
- 5.3 The quality of discharge from the Blue Bay / Opoutama Wastewater Treatment Plant is currently non-compliant and breaching conditions of resource consent AUTH-118685-02. The deadline for improvements and to comply with the abatement notice is 31 October 2021. Works are commencing on site starting 22/06/2021. Voluntary engagement with the community has begun via our Maori Relationships Manager, Duane Culshaw. Feedback to date has been mostly positive. As above, see Appendix 2 for further information regarding the planned upgrades.
- 5.4 Quarterly reporting to the Department of Internal Affairs (DIA) has identified several key risks to the project. The following table is taken from the most recent April quarterly report and identifies the current top 5 risks to the project. The latest report is due to DIA at the end of June 2021; and these risks will be reviewed and updated at that time.

Top 5 Risks and Contractor Claim Risk Name	s Risk Level	Commentary					
Completion of programme by 31 March 2022	High	Current programme indicates completion by March 2022. However, some works are yet to be procured, and some are experiencing resourcing issues which may become more of an issue closer to the completion date. The programme completion deadline is putting extra pressure on our already stressed resources, especially in a small town like Wairoa where it can be difficult to attract skilled suppliers and competition.					
Under expenditure - \$11.04M programme is significant compared to prior years' expenditure.	Medium	Three new WDC staff have been appointed to deliver this stimulus package. Suppliers are also resourcing to accommodate influx of work, however some are having issues finding suitably skilled staff.					
Minor variation to existing consent and landowner approval required for the Opoutama/Blue Bay WWTP effluent disposal field.	Low	This amendment is ready to be lodged. This should not present any risk to programme delivery.					
Smart metering (\$2.98M) is new to the Wairoa DC.	Medium	Fulton Hogan Gisborne have provided the expertise to begin delivery, originally planned to start March 2021, but has been delayed to April 2021. They are currently delivering a metering programme for Gisborne District Council, and have proven experience in this area. However, there remains a significant risk to completion in such a tight time frame due to lack of resource readily available The programme and completion trajectory will be monitored closely. Fulton Hogan will continue to advertise for extra resource as delivery begins to roll out.					
Covid related delays for overseas equipment orders	High	This remains a significant risk to our delivery programme. Suppliers are experiencing shortages in the country and delays when ordering from overseas some items as basic as pipes. Other items with supply shortages/delays that have impacted our programme include: Inlet screens, water manifolds, water meter boxes.					
Lack of suppliers available to deliver accelerated works programme in such a tight timeframe	High	As indicated above, resourcing a delivery programme of this scale in such a tight timeframe comes with its challenges. Wairoa often relies on suppliers from outside of the district, and this case is no different. Currently the largest risk to delivery is the 'smart' metering programme which has been allocated over a quarter of the funding alone.					

Quarter 2 (April 2021) Update

#### 6. **RESOURCES**

- 6.1 This section will discuss levels of resourcing such as budget, equipment, contractors or staffing.
- 6.2 Three full time Council staff have been employed through this stimulus package.
- 6.3 Overall budget is still on track to be spent by the required completion date of 31<sup>st</sup> March 2022; However due to tight time frames and speed of delivery the majority of projects do not yet have a current fixed price which means there will be ongoing project adjustments and therefore variations are likely. Department of Internal Affairs understand this and are comfortable with unders and overs, i.e., some projects costing more and some projects costing less, resulting in the total Funding not being exceeded. As scoping progresses, there will be more clarity on how final budgets will sit for each project.
- 6.4 The risk of delays due to COVID-19 remain high. Several items of equipment have been ordered from Europe with an estimated 6-month lead time. Ongoing COVID lockdowns are a possibility.
- 6.5 Several work packages are being delivered through our existing three waters contractor Fulton Hogan. Their size and presence allow access to further resource if required, which will help mitigate any project delays.

# Signatories

Add	MA
Author	Approved by
Jonny Hardie	Stephen Heath

	Risk			Financials			C	elivery		
				Variation						
roject	1 1	Phase		Budget		Forecast spend	Delivery			Commentary
Vater Meter Upgrade & Backflow Prevention (Smart' Meters) Nairoa Water Treatment Plant Improvements		Delivery	\$ 2,725,876	\$ 145.906	\$ 166,163	\$ 2,071,062		ar 22	20	<ul> <li>- Smart meters ordered through FH. ManTabl &amp; boxes supplied by Accultow. Rest risk of project duration extended beyond required March 202 completion date, this will be monitored closely. FH contractually convolted to deliver 3600(2300 by December 2021.</li> <li>- VYTP improvements undervay</li> </ul>
Vater Main Replacements - Achilles Street		Design	\$ 1,000,000	\$ 242,483	5 -	\$ 797,517	0	ct 21		Preliminary quote from FH well under budget. Start date October 2021, Start date has been delayed due to resource availability.
Vater Main Replacements - River Parade (Perry Hotel)		Delivery	\$ 180,000	\$ \$2,577	\$ 1,600	\$ 192,177	A	ug 21	20	River Pde water main alignment selected. To be relocated in July 2021. Delayed start date due to lack of pipe supply.
Vahanga Water Supply Improvements		Design	\$ 410,000			\$ 75,000		8n 22	3	<ul> <li>Referendum complete. Residents chose to maintain existing supply. WDC to complete minor improvements for extra storage, pumping, SCADA Max Tarr approaced to help finalise scope and price work.</li> </ul>
hlorination Dosing Pumps / Resilience - Raupunga Water Supply		Completed	\$ 12,000	-\$ 1,565	\$ 10,435	\$ 10,435	P.	eb 21	100	- Complete
Bue Bay WWTP Upgrode - Stage 1 (Point / Dump Station)		Delivery	\$ \$50,000	\$ 80,113	\$ 259,656	\$ 790,118	•	ict 21	8	<ul> <li>Design being completed by Penlink &amp; WaterSolutioV2, Design to toou on a re-fit of the existing plant fostprint.</li> <li>Designed undergrande encapsulates this to be initialities to regim noncomme sump stations compliance. Dumped waste will be monitored over a periodi. And it substation will be pumped to the Bluebey WVPF in Mare.</li> <li>Digiting higher than ongran Eucopsulate, but will be convent contrasting by restactions in others.</li> <li>Viel&amp;C have agreed to make the date for compliance to October 2022 via an amendement to the abatement notice, to allow more time to imprement organizes.</li> </ul>
Blue Bay WWTP Upgrade - Stage 2 (Disposal Meld)		Design	\$ 800,000	4 211,225	\$ 2,705	\$ 556.775	0	ct 21	3	<ul> <li>Accounted to load adjustment to the eniging disposel field is being completed by WSP, to show disposel to take place.</li> <li>The design of the new field is being completed by WSP to ensure co</li></ul>
Weiros WWTP Upgrede - Biological Nutrient Removal & Activated Studge	Ηŀ	Delivery	\$ 897,000	5 242,436	5 723,434	5 1,139,436	0	ct 21	60	Design to be completed by the end of July: Tender process in August: Construction in September/October.     Arrecesting sightly over budget due to actual quotes exceeding original estimate.
Wairos WWTP Upgrade - Disposal to Land / Imgetion (Mucato / Powdrell)	hr	Design	\$ 106,000	s -	\$ .	\$ \$06,000		ar 22	30	Agreement signed far supply and institution of an intel Soree currently on order from Europe (\$610.000 outure).     Venomendum of Understanding signed with theoremen Powdelland Alkacia.     Site visit canducted in April with tech landowners to discuss structure of trial intgetion system to be implemented this year.
wairos WWTP Upgrade - Filtration / UV	Hh	investigative	\$ 710,000	\$ -	s -	\$ 710,000	M	er 22		<ul> <li>interstors supposed registerer of the Marks scheme is being excesses to deliver here too, usive Environments providing advice.</li> <li>Wonsing on Severaping an overall strategy for the WWTP to ensure correct components are installed.</li> <li>Vi and Fitnetion method to be determined in conclusion with encoding discharge consent process.</li> </ul>
CCTV Wastewster Pipe Network - Wairos Township	<b></b>	Completed	\$ 157,930	5 83,805	\$ 74,145	\$ 74,145	4	pr 21 1	100	<ul> <li>Complete</li> </ul>
Nastewater pipes upgraded / renewed or new - Reining Wastewater Ripe Network (Wairoa Township); Scott St Sever; Naria Sever Ruing Main Resilience	П	Delivery	\$ 1,140,500	\$ 457,543	\$ 388,326	\$ 1,795,043		Br 22	в	<ul> <li>First package was completed in April by Papertern via. Puttan integra, Remaining work to be completed in October 2021, and Petruary 2022. An accelerated programme will allow 5 years of relining to be completed in 2021 &amp; 2022.</li> <li>Scope increased to include soft Sterer construction, and Mahia Sever Milling Nails Resilience projects. These are both currently in the</li> </ul>
Dedicated Pump Station Generators - Wairoa Township		Design	\$ 451,350	-\$ 201,350	\$ 84,241	\$ 250,000	0	ec 21	20	Sociale and investigation trake. - Sociality is explored and the service of the service of the social of the soci
Telemetry Base Sets / Pump Station Renewals - Wairoa Township	H	investigative	5 454,825	\$ 214,825	\$ *	\$ 200,000	M	er 21		- Fictory & enerator is aloce swalline commissionine.     - Scoping in progress.     - Sugget reduced to accommissele other project overruns.
Hauke's Bay Regional Contribution - Water Safety Plans, alc		Delivery	\$ 166,420	\$ \$00,000	\$ -	\$ 246,420	~	er 22	13	RPF for private water supplies has been issued with WSP and Beza shortisted. Presentations to 5-Council group on 22/06/2021. Expected completion November 2021.     - Other resonation includes to follow.
***NEW*** Piping Open Drains - Kitchener St to Clyde Rd intersection (contribution) - BACKUP PROJECT		Delivery	5 -	\$ \$00,000	5 -	\$ 100,000		NF 21	5	- FH have begun work.
Nue Bay Water Supply Upgrade (DELETED)			\$ 200,000	\$ 200,000	5 -	5 .		-		Removed from scope - no action required by Council, insufficient time to implement suitable solution
GTAL OVERHEAD ALLOCATION	HH		\$ 808,305	5 149.044		\$ 972.567				Overhead costs - Staff wages, including OIA RFI costs incurred
UNDS COMMITTED TO DATE THROUGH WORK INSTRUCTIONS			3 -	3 .	\$ 4,994,681					Smart meters contract. Advilles St water main, river parade water main contribution incl. Scott St; CCTV wastewater pipes; BNRAS total; Regiona project contribution; Water Treatment Plant minor resilience; Blue Bay design & components
	HE				\$ 8,781,394	\$ 11,040,490				
	Risk Ke	n line	Can	uderable	Hun	Datroa	_			

#### **ÖPOUTAMA WASTEWATER TREATMENT PLANT INFORMATION SHEET**

#### What, Why, How and When

#### Projects planned to improve the wastewater system at Opoutama:

- 1: Installation of underground storage tanks at the caravan dump station.
- 2: Upgrading the wastewater treatment plant to improve discharge quality.
- 3: Expansion of the underground disposal field beside the treatment plant.

#### WHAT is being done to improve the treatment process?

- 1. Installation of underground storage tanks at the caravan dump station.
- Two underground tanks are to be installed at the location of the existing caravan dump station near the toilets in Blue Bay (see attached plan). This will allow the caravan dump station to reopen.
- There will be no discharge to the surrounding environment as the effluent will be contained within the tanks and pumped out and transported to the Wairoa WWTP when full.
- An alarm will notify WDC staff via. SCADA when the tanks need emptying.
- 2. Upgrading the wastewater treatment plant to improve discharge quality.
- The new treatment system being installed harnesses the power of natural, environmentally friendly bacterial processes to treat the water better than what is currently being done.
- The existing concrete tanks will be reused to house a new Advanced Fixed Bed Biological Treatment System.
- The tank lids will be taken off so that the existing, ineffective equipment can be removed.
- New tank partitions, biological media, aeration, and associated equipment will be installed and commissioned, to remove more harmful nutrients from the water.
- A temporary side-stream process will be used to treat the flow of wastewater during construction to ensure no decline in quality.
- 3. Expansion of the underground disposal field beside the treatment plant.
- The underground disposal field works like an underground drainage system where the treated water is evenly spread through the ground. The microorganisms growing and living in the soil and the vegetation of the disposal field treat the water again to make it even safer.
- This extra discharge field will not have any negative effects on the environment.
- The new disposal field will be similar to the existing disposal field which consists of a series of 25mm diameter plastic pipes evenly distributed over top of 1m depth of 100-150mm diameter clean stone wrapped in drainage cloth.
- The location of the upcoming disposal field expansion is shown in green below.



Figure: Locations of existing and proposed disposal fields.

#### WHY are these changes needed?

- 1. Installation of underground storage tanks at the caravan dump station.
- The two tanks will allow for effluent to be contained and tested, and to enable Wairoa District Council to reopen the dump station. When the tanks are full, the effluent will be transported to the Wairoa wastewater treatment plant for treatment and discharge.
- Collecting the effluent in these tanks will give the Council the opportunity to test the types of waste being disposed from the caravans.
- HBRC have confirmed this project does not require a resource consent as there will be no effluent discharged to the environment.
- 2. Upgrading the wastewater treatment plant to improve discharge quality.
- The wastewater treatment plant is currently not operating correctly and therefore not treating the effluent to an environmentally safe level – the bugs in the water are not being removed properly before being dispersed through the disposal field. The upgrades to the treatment system will fix this.
- The water being discharged from the plant is tested monthly, as well as the ground water and coastal waters nearby to check for any impact to the environment from the disposed water. The testing shows that there is no negative impact on the receiving environment or on seafood.
- The purpose for these upgrades is solely based on the discharged water results not being good enough. However, no evidence has suggested that the environment has been negatively affected to date.

- HBRC have confirmed that the resource consent variation to provide for the upgrade has been processed on a non-notified basis and no consultation or engagement is required.
- 3. Expansion of the underground disposal field beside the treatment plant.
- The expansion of the disposal area (refer green highlight in picture) is allowed for and identified in the existing resource consent and will reduce the likelihood of any surface runoff or surface ponding in the area.
- The amount of treated water going into the ground of the disposal field (refer orange highlight in picture) is at times higher than the 50mm/day application rate that the resource consent allows for, and frequency of this occurring will increase due to ongoing development in the area.
- Opoutama has historically attracted and continues to attract a large population during the holiday period, meaning the wastewater flows to the plant have increased, therefore enlargement of the disposal area is required to ensure compliance.
- As more of the development at Blue Bay has been established, the volume of effluent discharged has begun to exceed the allowable limits and will continue to be breached more frequently in future. The need to expand the disposal field is clear.
- HBRC have also confirmed that there are also no conditions on either the land discharge or air discharge consents, therefore no additional engagement or consultation is required.

#### HOW is the work being done?

- One of the best parts about this work is that it is not funded with ratepayer's money

   these improvements are government funded from the Three Waters Stimulus
   Package that Wairoa was granted to improve our water infrastructure.
- Small cranes, excavators and concrete trucks will visit from time to time. Some shipping containers and equipment will be temporarily stored on site.
- There will be no impact or changes to the roadway access at any point during construction.
- There will be occasional noise from power tools.
- There may be evidence of some odour for a short period when the tank lids are removed.

#### WHEN is the work being done?

• Work will be undertaken at varying times from June to November 2021.























#### 8.2 HEALTH & SAFETY UPDATE

Author: Kevin Stevenson, Kaiurungi Kore Whakawhara Zero Harm Officer

Authoriser: Kitea Tipuna, Tumu Whakarae Chief Executive

Appendices: 1. Health & Safety June 2021 🕹

#### 1. PURPOSE

1.1 This report provides information for Committee on Council's health and safety (H&S) matters. No decisions are required by Committee at this stage.

#### RECOMMENDATION

The Kaiurungi Kore Whakawhara Zero Harm Officer RECOMMENDS that Committee receive the report.

#### 2. BACKGROUND

- 2.1 Regular reporting of health and safety compliance ensures that Wairoa District Council recognises its moral and legal responsibility to provide a safe and healthy work environment for its workers (employees, contractors, and volunteers). This commitment extends to ensuring its operations do not place the local community at risk of injury, illness, or property damage.
- 2.2 Consideration of this matter contributes to Council's vision of 'Connected Communities; Desirable Lifestyles; Treasured Environments', it also contributes to the following community outcomes:
  - A safe and secure community.
  - A lifetime of good health and well-being.
  - A safe and integrated transport system.
  - Strong district leadership and a sense of belonging.
  - Safe and accessible recreational facilities.

#### 3. CURRENT SITUATION

**3.1** Hazard Identification/Register/Accident or Near Miss Reports: Ten incidents have been reported for the period since my last report to this Committee. The incident reporting has increased with greater awareness of staff to report potential hazards and minor incidents.

Four incident of staff abuse have been reported and were of a minor nature and have been resolved. Two incidents were from animal control and were related to the same event. The other two involved the library and resulted in a trespass notice being issued by Police.

Broken and damaged windscreen's have accounted for three damage reports due to stones from logging trucks and this problem is being addressed.

Two vehicle damage incidents that were reported and where no injury was present resulting in minor damage to Council utilities vehicles.

A staff member has suffered an eye irritation from dust at the Archives Building and this has been remedied by repairs and maintenance to the ceiling of the ground floor. The staff member has since recovered.

There have been four incidents involving Council Contractors over the last month having resulted in several changes being made to operational practises.

A contract electrician dislodged a fire extinguisher off the wall at the Water Treatment plant causing minor lacerations to his hand and was treated at the hospital. His company undertook an investigation and found the Council was not at fault.

A Council roading contractor had a loader leave the road in wet and slippery conditions damaging the handrail of a one-way bridge and coming to rest below the bridge. The driver was transported to hospital and released without any injuries.

A customer at the Landfill lost balance and slipped over the wall in wet weather causing minor lower back injuries and was transported to hospital for treatment. The person concerned has since made a full recovery. The Landfill contractor has completed a comprehensive accident investigation and with Council's input have made substantial changes to processes that take place when using the facility.

A Hazardous substance spillage occurred at the sewage treatment plant resulting in a contractor mowing the grass to have traction problems on an incline and slid into a ditch. No injuries occurred to the driver. The contractor responsible was contacted to remove the spillage and investigate the reason this occurred. This is ongoing and will be reported on when the report is finalised.

#### 3.2 Staff Training

First Aid Training for staff certificate renewals will begin in mid-July and is to be provided by Fire and Rescue Napier. New staff will be offered opportunity to do the full course.

#### 3.3 Health and Safety Committee.

The Committee met on the 23<sup>rd of</sup> June with a full agenda and received reports on Covid vaccine and Flue injection timing for staff and Councillors. Training options were discussed for new Health and Safety reps that have just begun their term and will require new training. As a result of the continual and ongoing complaints from staff of windscreen damage and careless driving by logging trucks on our country roads, we will be investigating good quality dash cams for the roading engineers. The dash cams will be invaluable not only for safety but for auditing and monitoring the condition of roading before and after weather events.

# 3.4 Safety Audits Summary

Several on site safety inspections have been undertaken on the work being carried out on the Sewage Pump Station fencing and the playground at Alexander Park. This work is ongoing and will be completed when weather and parts are available.

# **Further Information**

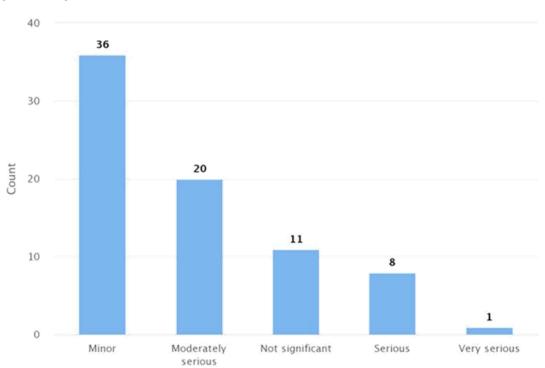
http://www.worksafe.govt.nz/worksafe/

https://www.sitesafe.org.nz/

http://www.guardianangelsecurity.co.nz/

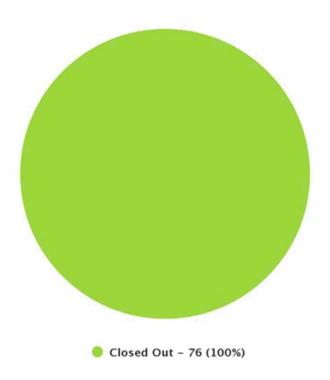
# Signatories

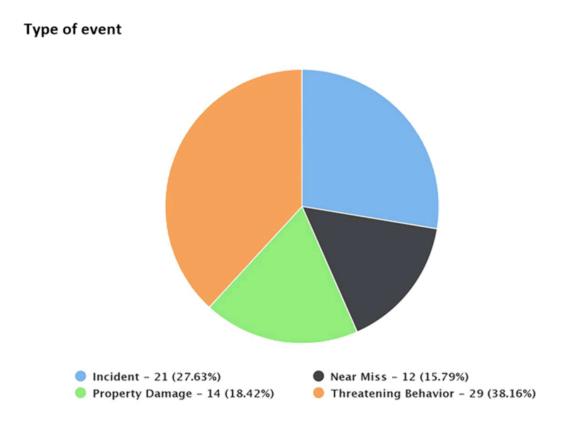
yna Author Approved by **Kevin Stevenson** Kitea Tipuna



**By Severity** 

Status of events





#### **Events reported over time**



#### 8.3 FINANCIAL PERFORMANCE TO 31 MAY 2021

Author: Lauren Jones, Kaikaute Putea Financial Accountant

Authoriser: Gary Borg, Pouwhakarae - Putea / Tautawhi Rangapu Group Manager Finance and Corporate Support

Appendices: 1. May 2021 Monthly Report 👃

#### 1. PURPOSE

- 1.1 This monthly report provides information on Council's operating financial performance for the 11 months to 31 May 2021 and forecast to 30 June 2021.
- 1.2 This is an information report-only report because it provides an update on Council's progress against objectives established and decisions previously made in the Annual Plan 2020-21 and Long-term Plan 2018-28. No decisions are required by Committee at this stage.
- 1.3 The full third quarter performance report was presented to Council at its meeting on 04 May 2021.

#### RECOMMENDATION

The Kaikaute Putea Financial Accountant RECOMMENDS that Committee receive the report.

#### 2. BACKGROUND

- 2.1 Council's minimum statutory obligations regarding reporting, public accountability and financial management are contained in Part 6 of the Local Government Act 2002. Monitoring financial performance on Council's behalf is included in the Committee's Terms of Reference.
- 2.2 Beyond this, regular performance reporting is good practice, keeping Council and the community informed of its financial performance and position.
- 2.3 In addition, reporting during the year provides an indication of full year outcomes and informs the decision-making process for each subsequent Annual Plan and Long-term Plan.
- 2.4 The financial performance report, attached as **Appendix 1**, sets out the financial results.

#### **References (to or from other Committees)**

Financial Performance reports are delivered to the Finance, Audit and Risk Committee every month.

Full Performance reports are delivered to Council every quarter.

#### **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

FINANCE, AUDIT & RISK COMMITTEE MEETING

#### 6 JULY 2021

# MONTHLY REPORT TO 30 APRIL 2021





Item 8.3- Appendix 1

#### INTRODUCTION

This monthly report covers the period 1 July 2020 to 30 April 2021. PGF and other externally funded projects influence our comparison of actual to budgeted financial performance for the period. These impacts are identified and the underlying performance (removing the impact of one-off externally funded revenue and expenses) is used when assessing year on year.

The activity managers have estimated project and operational costs and revenues to estimate the full year financial results as at 31 December 2020, and have revised these based on progress over the last 3 months. A commentary is provided on any significant resultant variances to budget.

#### FINANCIAL COMMENTARY

At the end of April 2021, Wairoa District Council had an underlying surplus<sup>\*</sup> on operations of \$5 million against a YTD budget of \$8.5 million. The variance relates to primarily to \$5.8 million in NZTA general / renewals subsidy revenue that was budgeted for but has not been received YTD.

The forecast to 30 June 2021 results in an underlying surplus<sup>\*</sup> on operations of \$5.53 million against a budget of \$8.59 million. The main cause of this variance is again NZTA subsidies, with the current forecast indicating that \$2.5 million of budgeted subsidies may not be received.

These financial results reflect the Council's ongoing commitment to managing its finances prudently while delivering community services and critical infrastructure to support the district's growth. However there is a tension between maintaining levels of service and controlling costs. The ratepayers of Wairoa District have indicated during the Long-Term Plan pre-engagement that they wish to maintain current **levels of service** and this is a focus of discussion during the formal consultation and decisions on the LTP. Our SSP measures are reported quarterly and demonstrate how well me are meeting our stated service aims.

The NZTA subsidies are dependent on phasing of workplans, with PGF projects and subsidies covering a lot of the planned capital work YTD. As NZTA subsidies also relate to capital work, the corresponding reduction in expenditure does not offset in the YTD surplus. Total forecast capital works specified in the funding impact statement for transport exceed budget, demonstrating the impact of PGF funding on improving our roading infrastructure where the budget had relied on NZTA subsidies. Council is better off having a capital project fully funded by PGF rather than partially funded by NZTA and/or reserves.

Confirmation of budgeted maintenance funding from NZTA was received in December 2020. Workplans were stepped up at this point, to include an increased focus on NZTA-funded maintenance and capital works, with the intention to utilise and receive all budgeted maintenance and capital contributions from NZTA by year end. The residual subsidy gap forecast to year end relates primarily to budgeted emergency works. This NZTA subsidy is dependent on the frequency and severity of storm events requiring remedial work, with the current financial year not impacted as much to date as previous years therefore resulting in the reduced forecast to year end.

Works budgeted using NZTA funding have a contribution from Council which is either rated for or funded from reserves or loans. Therefore any projects rated for but not completed this financial year will be funded from reserves in future years, meaning the there is no duplication in rating. Furthermore, as the Council has not been fully rating for depreciation or recovery of exiting loans in transport there is no risk that funds collected from rates in this activity are duplicated.

\*The underlying surplus refers to a adjustment of our actual result for one off project revenues and expenses that come from unbudgeted external funding. Refer to page 5.

FINANCE, AUDIT & RISK COMMITTEE MEETING

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# NGĀ TAUĀKĪ PŪTEA

## FINANCIAL STATEMENTS

### HE TAUĀKĪ PŪTEA WHIWHI ME TE PŪTEA WHAKAHAERE

#### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

		YTD				Full year (30	June)	
	Actual	Underlying	AP	2020	Forecast	Underlying	AP	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Rates	11,877	11,877	13,987	13,215	13,987	13,987	13,987	13,215
Subsidies and grants	21,159	14,353	20,211	18,453	27,622	17,390	20,211	18,453
Petrol tax	63	63	88	75	51	51	88	75
Fees and charges	1,833	1,833	2,101	1,954	2,179	2,179	2,096	1,954
Investment revenue	98	98	928	750	369	369	1,154	750
Miscellaneous revenue	-	-	-	768	-	-	-	768
Total revenue	35,030	28,224	37,315	35,215	44,208	33,976	37,536	35,215
_								
Expense								
Water supply	1,851	1,851	1,830	2,369	2,312	2,312	1,731	2,369
Stormwater	467	467	567	554	554	554	507	554
Wastewater	2,068	1,778	1,747	4,393	2,642	2,255	1,739	4,393
Solid waste	1,312	1,312	1,895	1,900	1,767	1,767	1,915	1,900
Transport	11,153	11,013	13,269	13,862	12,576	12,389	13,277	13,862
Community facilities	1,906	1,843	2,510	2,508	2,305	2,273	2,525	2,508
Planning and regulatory	1,395	1,334	2,694	1,980	1,750	1,689	2,696	1,980
Leadership and governance	3,849	2,522	3,529	3,348	4,829	3,880	3,538	3,348
Corporate	1,260	1,120	697	980	1,312	1,093	1,021	980
Total expense	25,261	23,240	28,738	31,894	30,047	28,212	28,949	31,894
Net surplus (deficit) operations	9,769	4,984	8,577	3,321	14,161	5,764	8,587	3,321
Subvention income	100	100		200	250	250		200
Taxation		-						
Net surplus (deficit) for period	9,869	5,084	8,577	3,521	14,411	6,014	8,587	3,521
Other comprehensive revenue								
<b>and expense</b> Fair value movement PP&E				6,050				6 050
		-		0,050		-		6,050
Fair value movement in equity investments	-	-	-	(13)	-	-	-	(13)
Total comprehensive revenue and expense for the period	9,869	5,084	8,577	9,558	14,411	6,014	8,587	9,558

For the period ended 30 April 2021

		derlying iance		Forecast underlyin variance		
	\$000	%		\$000	%	
Revenue						
Rates	(2,110)	-15%		*	0%	
Subsidies and grants	(5,858)	-29%	A	(2,821)	-14%	A
Petrol tax	(25)	-28%		(37)	-42%	
Fees and charges	(268)	-13%		83	4%	
Investment revenue	(830)	-89%	В	(559)	-60%	B
Miscellaneous revenue		0%			0%	
Total revenue	(9,091)	-24%		(3,334)	<b>-9</b> %	
Expense						
Water supply	21	1%		483	26%	0
Stormwater	(100)	-18%		(14)	-2%	
Wastewater	31	2%		507	29%	C
Solid waste	(583)	-31%	с	(128)	-7%	
Transport	(2,256)	-17%		(880)	-7%	
Community facilities	(667)	-27%		(230)	-9%	
Planning and regulatory	(1,360)	-50%	D	(1,005)	-37%	F
Leadership and governance	(1,007)	-29%	E	352	10%	
Corporate	423	61%	F	403	58%	¢
Total expense	(5,248)	-18%		(512)	-2%	
Subvention income	100	100%	в	250	100%	

#### Variance explanations (underlying actual YTD and underlying forecast compared to annual plan)

- A Underlying subsidies and grant income at half year is 29% (\$5.9m) less than budgeted. Workplans were stepped up at this point, to include an increased focus on NZTA-funded maintenance and capital works, with the intention to utilise and receive all budgeted maintenance and capital contributions from NZTA by year end. By year end it is expected that some of these NZTA works will have been completed and the subsidies claimed, however the forecast revenue still has a shortfall of \$2.8 million. The residual subsidy gap forecast to year end relates primarily to budgeted emergency works. This NZTA subsidy is dependent on the frequency and severity of storm events requiring remedial work, with the current financial year not impacted as much to date as previous years therefore resulting in the reduced forecast to year end.
- B Investment income is lower than budgeted both at half year and year end. \$250k of this relates to the change of income received from the subsidiary QRS Limited a dividend had been budgeted for the same amount that is now expected to be received by year end as a subvention payment which appears in a different part of this financial statement. The remaining variance relates to budgeted property sales that are no longer expected to be completed by year end (\$245k) and reduced interest revenue and market gain on investments due to the impacts of COVID-19.
- C Solid waste expenditure YTD is \$583k (31%) lower than budgeted, due to the timing of the waste levy payment (\$117k less than budgeted YTD), tempered by reduced recycling (\$85k) and landfill monitoring (\$70k) costs. These costs are expected to be back on track to budget by year end.
- D Planning and regulatory costs YTD are 50% (\$1.36m) lower than budgeted, which is mostly due to unspent YTD budget for the district plan and e plan including consulting (\$702k). These funds are not expected to be spent in the next 3 months, which is the main reason for the favourable variance in expenditure at year end.
- E Leadership and governance expenditure is 29% (\$1m) below budget. There are significant savings in payroll costs (\$280k), although in some instances these costs have been absorbed by other activities due to staff transfers. Savings have also been made in communications and website costs (78k) and consultancy (\$39k).
- F Corporate expenses are \$423k above budget at 30 April and are expected to be \$403k (58%) above budget at year end. Budget phasing has impacted some costs, however the main impact on the year end forecast and multiple small overspend in costs for various computer licenses, legal and consultancy costs, insurance and interest charges.

### RECONCILIATION: REVENUE AND EXPENDITURE RELATING TO UNBUDGETED PROJECTS AND GRANTS

The Wairoa District Council has been successful in securing external funding for a number of projects. These grants are primarily recognised as revenue in proportion to the amount of expenditure. Some expenditure (especially in relation to PGF funding for transport projects) is capital (reflected in the FIS and the increase in assets on the balance sheet) however the revenue from grants received is shown in the statement of comprehensive revenue and expense. Subsidy and grant revenue therefore shows a positive variance to budget so it is prudent that the statement of comprehensive revenue and expense is adjusted to show the surplus (deficit) excluding these one-off amounts.

Below is a breakdown of key project amounts recognised as revenue, operational and capital expenditure:

	YTD
REVENUE	\$000
Alternate Nuhaka- Õpoutama Road investigation	194
Māhia East Coast Road traction sealing	2,966
Nuhaka River road	986
Pātangata bridge	695
Rangatahi dropout	765
Recovery emergency event costs	57
Regional Digital Hub income	291
National Library operational subsidy	63
Wairoa youth employment subsidy	16
Waste management grants & subsidies	340
Wairoa CBD upgrade PGF funding	355
Three Waters funding	78
Total unbudgeted revenue	6,806

Total unbudgeted operational expenses	1,771
Three Waters funded operational expenses	142
Digital Hub expenses	102
Sewerage resource consent discharge	290
Project support	228
Wairoa CBD upgrade PGF expense	612
Wairoa youth into employment	196
Emergency event costs	61
Alternative Route Nuhaka- Õpoutama Road investigation	140
OPERATIONAL EXPENSES	\$000

CAPITAL EXPENSES	\$000
Rangatahi Droput Repair PGF	765
Nuhaka River road PGF	1,001
Patangata Bridge PGF	750
Clyde Court and Pilot Hill toilets	355
Big belly bin install	111
Digital Hub capital costs	73
Three Waters DIA funded capital projects	1,544
Total unbudgeted capital expenses	4,599

#### ΗΕ ΤΑUĀKĪ TU PŪTEA

#### STATEMENT OF FINANCIAL POSITION

#### As at 30 April 2021

	YT	D		Full Year				
	Actual	AP	Forecast	AP	2020	Var	iance	
	\$000	\$000	\$000	\$000	\$000	\$000	%	
Current Assets								
Cash and cash equivalents	4,187	4,105	459	1,972	2,795	82	2%	
Inventories	79	57	57	58	78	22	39%	
Trade and other receivables	6,544	2,411	3,006	3,120	7,305	4,133	171%	1
Financial assets at fair value	-		-	-	2,072	-	0%	
Total current assets	10,810	6,573	3,522	5,150	12,250			
Current liabilities								
Trade and other payables	8,302	9,076	7,648	9,782	6,480	(774)	-9%	
Advance funding - PGF	3,126		2,814		1,508	3,126	100%	
Borrowings	-		-		1,000		0%	
Total current liabilities	11,428	9,076	10,462	9,782	8,988			
Working Capital	(618)	(2,503)	(6,940)	(4,632)	3,262			
Non-current assets								
Property, plant and equipment	270,016	279,282	273,442	279,284	274,975			
1 971 11		279,282		,	5,252	(6,861)	-2%	
Work in progress Investment in subsidiary	23,009 1,250	1,250	31,339 1,250	20,604 1,250	1,250		0%	
,	405	1,250	405	1,250	383	-	0%	
Investment property Biological asset - forestry		260	260	260				
Available for sale financial	115	200	200	260	115	(145)	-56%	
assets	21	23	21	23	21	(2)	-9%	
Intangible assets	22	198	37	198	37	(176)	-89%	
Financial assets held to maturity	144		144		148	(4.0.7)	-	
Financial assets at fair value	5,851	6,122	5,978	8,256	3,882	(127)	2%	
Total non-current assets	300,833	307,739	312,876	309,875	286,063			
Non-current liabilities								
Employee entitlements	87	112	66	112	66	(25)	-22%	
Landfill aftercare	1,197	730	1,397	730	1,197	467	64%	
Borrowings	9,000	10,901	10,000	10,901	8,000	(1,901)	-17%	0
Total non-current liabilities	10,284	11,743	11,463	11,743	9,263			
Net assets	289,931	293,493	294,473	293,500	280,062			
				·	-			
Represented by								
Equity	289,931	293,493	294,473	293,500	280,062			

#### Variance explanations (30 April 2021 actual compared to YTD annual plan)

A Trade and other receivables are \$4m higher than budgeted. This is due to timing of billing, collections and payment compared to budget.

B The valuation received for the Council's forestry asset as at 30 June 2020 was lower than budgeted. The forest is revalued every 3 years and this valuation took a more comprehensive approach resulting in a more accurate however lower than expected value.

C Borrowings are \$1.1m less than budgeted. Borrowings are used to fund capital projects to ensure intergenerational equity. The cash received for Three Waters funding has enabled us to pay off debt whilst retaining an open credit facility. Council's treasury management balances interest payable from debt against interest and gains from investments, whilst ensuring sufficient liquidity to meet payments when due.

STATEMENT OF CHANGES IN EQUITY									
	For the period e	ended 30 April	2021						
	YT	D		Full Year					
	Actual \$000	AP \$000	Forecast \$000	AP \$000	2020 \$000				
Total equity - opening balance	280,062	284,916	280,062	284,913	270,504				
Net surplus (deficit) for period	9,869	8,577	14,411	8,587	3,52				
Other comprehensive income	-		-	-	6,03				
Total comprehensive income	9,869	8,577	14,411	8,587	9,55				
Total equity - closing balance	289,931	293,493	294,473	293,500	280,06				
Components of equity									
Ratepayer's equity - opening balance	143,500	144,919	143,500	137,936	135,15				
Net surplus/(deficit) for period	9,869	8,577	14,411	8,587	3,52				
Transfers from restricted reserves	368		368	(2,196)	7,16				
Transfers to restricted reserves	(289)		(289)	4,250	(5,846				
Transfer from revaluation reserve	(2,534)		(2,534)		3,50				
Ratepayer's equity - closing balance	150,914	153,496	155,456	148,577	143,50				
Special funds - opening balance	20,756	13,022	20,756	20,003	22,07				
Transfer to ratepayer's equity	289		289	(4,250)	5,84				
Transfer from ratepayer's equity	(368)		(368)	2,196	(7,166				
Special funds - closing balance	20,677	13,022	20,677	17,949	20,75				
Revaluation reserves - opening balance	115,806	126,975	115,806	126,974	113,27				
Net transfer to ratepayer's equity	2,534	120,975	2,534	120,574	(3,503				
Revaluation recognised in other	2,554		2,334	-	(5,505				
comprehensive revenue and expense			-		6,03				
Revaluation reserves - closing balance	118,340	126,975	118,340	126,974	115,80				
Total equity - closing balance	289,931	293,493	294,473	293,500	280,06				

### HE TAUĀKĪ MANA TAURITE

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#### HE TAUĀKĪ KAPEWHITI

#### STATEMENT OF CASHFLOWS

For the period ended 30 April 2021

		YTD F		Full year	ull year		
		Actual \$000	Forecast	AP	2020 \$000		
Cash flows from operating	activities						
Cash was provided from:	Rates received	8,489	14,518	14,737	12,874		
	Other revenue	28,822	34,925	22,752	21,468		
	Investment income	98	369	1,154	550		
		100	250		200		
Cash was applied to:	Payments to suppliers and employees	(18,270)	(26,945)	(19,129)	(23,369)		
	Interest paid	(197)	(202)	(1, 186)	(217)		
Net cash flows from opera	ting activities	19,042	22,915	18,328	11,506		
Cash flows from investing	activities						
Cash was provided from:	Sale of property, plant and equipment			16	1,158		
cash was provided from:	Insurance proceeds			10	1,158		
	Sale of financial assets	2,072	1 0 2 9		1,564		
Cash was applied to:	Purchase of financial assets		1,928	(2,115)	(1,655)		
cash was applied to:	Purchase of property, plant and equipment	(1,965)	(2,092)	(20,604)	(16,450)		
Net cash flows from invest		(17,757) (17,650)	(26,087) (26,251)	(20,804)	(15,184)		
net cash nows nom myes	activities	(17,000)	(20,232)	(22,103)	(10,104)		
Cash flows from financing	activities						
Cash was provided from:	Loans raised	1,000	2,000	2,702	4,500		
Cash was applied to:	Borrowings repaid	(1,000)	(1,000)		(500)		
Net cash flows from finance	ing activities	-	1,000	2,702	4,000		
Net increase/(decrease) in c	ash and cash equivalents	1,392	(2,336)	(1,673)	322		
Cash and cash equivalents a	-	2,795	2,795	3,645	2,473		
Cash and cash equivalents		4,187	459	1,972	2,475		
cash and cash equivalents		4,107	433	1,512	2,755		
Made up of:							
Cash		(18)	6	50	6		
Short term deposits		4,205	453	1,922	2,789		
Cash and cash equivalents	at end of period	4,187	459	1,972	2,795		

The Council's operating activities YTD have resulted in a net cash inflow of \$4m. This includes the first \$5 million of the \$11 million of Three Waters funding. The cash generated by operating activities has been applied to the purchase of property, plant and equipment (\$17.8m) and an increase in cash held in the form of short term deposits (to \$4m). The increase in investment spending, and reduction in short term deposit from previous months is mostly a result of the utilisation of Three Waters funding. We expect to see all of the \$5 million utilised by 30 June 2021 and the next tranche of cash due in the following financial year. Overall there is a healthy cash balance to meet our operational funding requirements.

6 JULY 2021

FINANCE, AUDIT & RISK COMMITTEE MEETING

# HE TAUĀKĪ WHAKAAWEAWE PŪTEA

# FUNDING IMPACT STATEMENTS

#### **Understanding Funding Impact Statements**

These statements set out Council's sources of operating and capital funding to be used for the 2020/21 financial year, and how this funding is to be applied. Council's sources of operating funding include items such as fees and charges, and its applications of operating funding include items such as payments to staff and suppliers. Council's sources of capital funding include items such as subsidies and grants for capital expenditure, and its applications of capital funding include capital expenditure to improve levels of service or replace existing assets. The difference between the value of total capital funding and application of this funding is the amount that Council needs to fund from rating for depreciation, both in the current year and from reserves which have built up over several years. These statements do not include depreciation. This is because it is a non-cash item. The Whole of Council Funding Impact Statement provides combined totals of all Council's sources of operating and capital sources of funding and application, and activity-level funding impact statements which separates this information into Council's key activity groups such as water supply and waste management.

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 (WHOLE OF COUNCIL)

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	3,590	3,590	3,523	3,523	3,317	3,317
Targeted rates (other than a targeted rate for water supply)	9,023	9,626	10,464	10,464	8,339	8,339
Subsidies and grants for operating purposes	6,804	6,965	8,041	7,908	8,041	6,833
Fees and charges	2,060	2,066	2,273	2,270	2,273	1,915
Interest and dividends from investments	570	750	761	619	642	199
Local authorities fuel tax, fines, infringement fees, and other receipts	87	75	88	51	88	64
Total operating funding (A)	22,134	23,072	25,151	24,835	22,700	20,667
Applications of operating funding	~~ • • •	04.000	~~ ~ ~ ~	22 702		00.147
Payments to staff and suppliers	22,191	24,820	23,213	23,783	23,213	20,147
Finance costs	144	459	202	268	83	245
Internal charges and overheads applied				-		-
Other operating funding applications Total applications of operating funding (B)	22,336	25,279	23,416	24,051	23,296	20,392
rotat applications of operating funding (b)	22,330	23,215	23,410	24,031	23,250	20,352
Surplus (deficit) of operating funding (A - B)	(202)	(2,207)	1,736	784	(596)	275
Sources of capital funding Subsidies and grants for capital expenditure Development and financial contributions Increase (decrease) in debt Gross proceeds from sale of assets	10,029 1,880 31	11,745 3,781	12,168 2,702 16	19,713 - 1,174	12,168 - 4,960 16	13,968 - 777 -
Lump sum contributions				-		
Other dedicated capital funding						
Total sources of capital funding (C)	11,939	15,526	14,886	20,887	17,144	14,745
Application of capital funding Capital expenditure						
- to meet additional demand						
- to improve the level of service	9,776	7,103	9,364	10,314	6,516	8,060
- to replace existing assets	6,639	9,347	11,239	15,771	14,086	9,694
Increase (decrease) in reserves	(4,678)	(3,131)	(3,980)	(4,414)	(4,054)	(2,734)
Increase (decrease) of investments	(4,010)	(0,101)	(5,500)	(+,+1+)	(4,004)	(2,134)
Total applications of capital funding (D)	11,737	13,319	16,623	21,671	16,548	15,020
		-			-	
Surplus (deficit) of capital funding (C-D)	202	2,207	(1,736)	(784)	596	(275)
Funding balance ((A-B) + (C-D))	•	-			-	
Expenses for this activity grouping include the following depreciation/amortisation charge		(5,806)	(5,317)	(6,066)	(815)	(1,076)

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR WATER SUPPLY

	2019/20	2019/20	2020/21	2020/21	YTD	YTD
	AP	Actual	AP	Forecast	AP	Actual
	\$000	\$000	\$000	\$000	\$000	\$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties						-
Targeted rates (other than a targeted rate for water supply)	1,289	1,289	1,295	1,295	1,192	1,192
Subsidies and grants for operating purposes						-
Fees and charges	309	307	307	293	307	243
Internal charges and overheads recovered	427	535	436	536	436	402
Internal interest income	65		124		124	-
Interest and dividends from investments						-
Local authorities fuel tax, fines, infringement fees, and other						
receipts						
Total operating funding (A)	2,090	2,131	2,163	2,124	2,059	1,837
Annelise time of an analysis for the s						
Applications of operating funding			204		700	
Payments to staff and suppliers	1,039	1,315	781	1,246	782	989
Finance costs		*	-	-	-	-
Internal charges and overheads applied	833	893	827	908	827	690
Internal interest charged Other operating funding applications		186	83	44	83	37
Total applications of operating funding (B)	1,872	2,394	1,693	2,198	1,692	1,716
	2,012	2,001	2,000	_,	2,002	_,
Surplus (deficit) of operating funding (A - B)	219	(263)	470	(74)	367	121
		. ,		. ,		
Sources of capital funding						
Subsidies and grants for capital expenditure				980		78
Development and financial contributions						-
Increase (decrease) in debt	3	274	140	600	243	344
Gross proceeds from sale of assets	9			-		-
Lump sum contributions				-		-
Other dedicated capital funding						-
Total sources of capital funding (C)	12	274	140	1,580	243	422
Application of capital funding						
Capital expenditure						
- to meet additional demand				-		-
- to improve the level of service	97	50	20	1,036	50	96
<ul> <li>to replace existing assets</li> </ul>	293	239	1,155	1,083	1,125	622
Increase (decrease) in reserves	(159)	(278)	(565)	(613)	(565)	(175)
Increase (decrease) of investments	-	-				-
Total applications of capital funding (D)	231	11	610	1,506	610	543
Surplus (deficit) of capital funding (C-D)	(219)	263	(470)	74	(367)	(121)
Funding balance $((A, B) + (C, D))$						
Funding balance ((A-B) + (C-D))	•	-	•	-	•	-
Expenses for this activity grouping include the following		(592)	(572)	(650)	(572)	(539)

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR STORMWATER

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-	-	-		-
Targeted rates (other than a targeted rate for water supply)	415	415	373	373	383	383
Subsidies and grants for operating purposes		-		-		-
Fees and charges		2		-		-
Internal charges and overheads recovered						-
Internal interest income	39		95	-	95	-
Interest and dividends from investments				-		-
Local authorities fuel tax, fines, infringement fees, and other						
receipts						
Total operating funding (A)	453	417	469	373	478	383
Applications of operating funding						
Payments to staff and suppliers	118	105	117	120	117	112
Finance costs			-		-	
Internal charges and overheads applied	159	133	153	35	153	29
Internal interest charged	55	141	106	148	106	114
Other operating funding applications Total applications of operating funding (B)	331	379	377	303	376	255
Total applications of operating funding (b)	331	375	311	303	370	255
Surplus (deficit) of operating funding (A - B)	122	38	92	70	102	128
Subsidies and grants for capital expenditure Development and financial contributions Increase (decrease) in debt Gross proceeds from sale of assets Lump sum contributions Other dedicated capital funding	231	43	8 -	- (68) - -	- (2) -	(125)
Total sources of capital funding (C)	231	43	8	(68)	(2)	(125)
Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets	386 108	81 58	100	- 5 3	100	- 74 29
Increase (decrease) in reserves	(140)	(58)		(6)		(101)
Increase (decrease) of investments	,2)	(/		-		()
Total applications of capital funding (D)	353	81	100	2	100	3
Surplus (deficit) of capital funding (C-D)	(122)	(38)	(92)	(70)	(102)	(128)
Funding balance ((A-B) + (C-D))	•	•	-	-	•	-
Expenses for this activity grouping include the following depreciation/amortisation charge		(222)	(192)	(252)	(192)	(210)

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR WASTEWATER

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-		-		-
Targeted rates (other than a targeted rate for water supply)	1,163	1,163	1,513	1,513	1,075	1,075
Subsidies and grants for operating purposes				-	-	-
Fees and charges	130	25	105	47	105	56
Internal charges and overheads recovered	1	-		-		-
Internal interest income	64		67	-	67	
Interest and dividends from investments		-		-		-
Local authorities fuel tax, fines, infringement fees, and other						
receipts						
Total operating funding (A)	1,358	1,188	1,686	1,560	1,247	1,131
Annulise time of an another funding						
Applications of operating funding						
Payments to staff and suppliers	815	3,630	999	1,833	999	1,413
Finance costs	•		-	-	-	-
Internal charges and overheads applied	307	134	295	96	295	80
Internal interest charged Other operating funding applications	54	268	179	277	179	215
Total applications of operating funding (B)	1,177	4,032	1,474	2,206	1,473	1,708
Total applications of operating funding (b)	1,117	4,052	1,474	2,200	1,475	1,700
Surplus (deficit) of operating funding (A - B)	181	(2,844)	213	(646)	(226)	(577)
Sources of capital funding Subsidies and grants for capital expenditure Development and financial contributions Increase (decrease) in debt Gross proceeds from sale of assets Lump sum contributions Other dedicated capital funding	- 62 -	- 3,053 - -	- - - - -	1,871 - 1,119 - -	- 1,983 - -	1,564 - 630 - -
Total sources of capital funding (C)	62	3,053	1,545	2,990	1,983	2,194
Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets Increase (decrease) in reserves	- - 798 (556)	217 222 (230)	2,691 (933)	- 2,308 472 (436)	- 1,420 1,271 (933)	- 1,575 495 (454)
Increase (decrease) of investments		(200)	(000)	(	(200)	(101)
Total applications of capital funding (D)	243	209	1,757	2,344	1,757	1,617
					_,	
Surplus (deficit) of capital funding (C-D)	(181)	2,844	(213)	646	226	577
Funding balance ((A-B) + (C-D))			-	-		-
Expenses for this activity grouping include the following depreciation/amortisation charge		(410)	(275)	(435)	(275)	(362)

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR WASTE MANAGEMENT

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	-	-		-	-	-
Targeted rates (other than a targeted rate for water supply)	984	984	1,260	1,260	910	910
Subsidies and grants for operating purposes	-			645	-	494
Fees and charges	641	635	635	687	635	543
Internal charges and overheads recovered	-	-		-		-
Internal interest income						-
Interest and dividends from investments	-		-			-
Local authorities fuel tax, fines, infringement fees, and other receipts				-		-
Total operating funding (A)	1,626	1,620	1,897	2,592	1,545	1,947
Applications of operating funding						
Payments to staff and suppliers	1,299	1,511	1,512	1,470	1,512	1,082
Finance costs	-	21		-		-
Internal charges and overheads applied	224	52	216	27	216	22
Internal interest charged	58	197	61	204	60	158
Other operating funding applications				-		-
Total applications of operating funding (B)	1,582	1,781	1,790	1,701	1,788	1,262
Surplus (deficit) of operating funding (A - B)	44	(161)	107	891	(243)	685
Sources of capital funding Subsidies and grants for capital expenditure Development and financial contributions Increase (decrease) in debt	570	473	(107)	- - (468)	- - 243	- - (356)
Gross proceeds from sale of assets	510	415	(107)	(400)	245	(550)
Lump sum contributions						
Other dedicated capital funding						
Total sources of capital funding (C)	570	473	(107)	(468)	243	(356)
			1	(100)		
Application of capital funding						
Capital expenditure						
- to meet additional demand				-		-
- to improve the level of service	570	312		636		542
<ul> <li>to replace existing assets</li> </ul>	-	-		-		-
Increase (decrease) in reserves	44	-		(213)	-	(213)
Increase (decrease) of investments				-		-
Total applications of capital funding (D)	614	312	-	423	-	329
Surplus (deficit) of capital funding (C-D)	(44)	161	(107)	(891)	243	(685)
Funding balance ((A-B) + (C-D))						-
Provide a state of the second s						
Expenses for this activity grouping include the following depreciation/amortisation charge		(130)	(107)	(68)	(107)	(51)

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR TRANSPORT

	2019/20 AP	2019/20	2020/21 AP	2020/21	YTD AP	YTD
	\$000	Actual \$000	\$000	Forecast \$000	\$000	Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	62	62	101	101	58	58
Targeted rates (other than a targeted rate for water supply)	3,449	3,449	3,594	3,594	3,188	3,188
Subsidies and grants for operating purposes	6,744	6,429	7,887	5,833	7,887	5,447
Fees and charges	49	54	52	75	52	55
Internal charges and overheads recovered	-			-		-
Internal interest income						
Interest and dividends from investments				-		
Local authorities fuel tax, fines, infringement fees, and other						
receipts			•	-		-
Total operating funding (A)	10,305	9,994	11,635	9,603	11,185	8,748
Applications of operating funding						
Payments to staff and suppliers	8,747	8,254	8,526	7,461	8,526	6,984
Finance costs	0,147	0,254	0,520	7,401	0,520	0,504
Internal charges and overheads applied	1,635	89	1,562	1	1,562	3
Internal interest charged	1,055	1,412	39	1,449	39	1,120
Other operating funding applications					-	-
Total applications of operating funding (B)	10,385	9,755	10,127	8,911	10,127	8,107
Surplus (deficit) of operating funding (A - B)	(80)	239	1,509	692	1,058	641
Sources of capital funding						
Subsidies and grants for capital expenditure	10,029	11,694	11,568	16,363	11,568	11,891
Development and financial contributions				-		-
Increase (decrease) in debt	426	(182)	(1,508)	(693)	(1,058)	(641)
Gross proceeds from sale of assets	8			-		-
Lump sum contributions				-		-
Other dedicated capital funding				-		-
Total sources of capital funding (C)	10,463	11,512	10,060	15,670	10,510	11,250
Application of capital funding						
Capital expenditure						
- to meet additional demand						
- to improve the level of service	7,882	5,248	6,362	5,042	3,087	5,034
- to replace existing assets	4,893	8,456	7,120	13,947	10,394	8,383
Increase (decrease) in reserves	(2,393)	(1,953)	(1,914)	(2,628)	(1,914)	
Increase (decrease) of investments	(2,393)	(1,955)	(1,914)	(2,020)	(1,914)	(1,526)
Total applications of capital funding (D)	10 202	11 751	11 560	16 262	11 560	11 001
Total applications of capital funding (D)	10,383	11,751	11,568	16,362	11,568	11,891
Surplus (deficit) of capital funding (C-D)	80	(239)	(1,509)	(692)	(1,058)	(641)
Funding balance ((A-B) + (C-D))	•	•	•	•	•	-
Expenses for this activity grouping include the following		(4,185)	(3,142)	(3,665)	(3,142)	(3,048)

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR COMMUNITY FACILITIES

	2019/20 AP	2019/20 Actual	2020/21 AP	2020/21 Forecast	YTD AP	YTD Actual
	\$000	\$000	\$000	\$000	\$000	\$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	767	767	786	786	708	708
Targeted rates (other than a targeted rate for water supply)	1,452	1,452	1,256	1,256	1,342	1,342
Subsidies and grants for operating purposes	60	29	39	(282)	39	(170)
Fees and charges	48	66	70	77	70	79
Internal charges and overheads recovered						
Internal interest income						
Interest and dividends from investments				1		1
Local authorities fuel tax, fines, infringement fees, and other						
receipts						-
Total operating funding (A)	2,327	2,314	2,151	1,838	2,159	1,960
Applications of execution funding						
Applications of operating funding	1 727	1 027	1 000	1 772	1 009	1 501
Payments to staff and suppliers	1,737	1,837	1,908	1,773	1,908	1,501
Finance costs	-		-	-	-	-
Internal charges and overheads applied	299	142	290	57	290	46
Internal interest charged Other operating funding applications	23	268	69	281	69	217
Total applications of operating funding (B)	2,060	2,247	2,268	2,111	2,267	1,764
rotat applications of operating running (b)	2,000	2,247	2,200	2,111	2,201	1,704
Surplus (deficit) of operating funding (A - B)	267	67	(116)	(273)	(108)	196
Sources of capital funding						
Subsidies and grants for capital expenditure			600	424	600	362
Development and financial contributions		-		-		-
Increase (decrease) in debt	127	51	627	389	619	(145)
Gross proceeds from sale of assets			-	-		-
Lump sum contributions						-
Other dedicated capital funding				-		-
Total sources of capital funding (C)	127	51	1,227	813	1,219	217
Application of capital funding						
Capital expenditure						
- to meet additional demand						-
- to meet additional demand - to improve the level of service	121	153	1,546	635	1,557	
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> </ul>	230	58	78	38	67	33
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> </ul>						33
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> <li>Increase (decrease) of investments</li> </ul>	230	58	78	38	67	- 454 33 (74) -
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> </ul>	230	58 (93)	78	38	67	33 (74)
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> <li>Increase (decrease) of investments</li> </ul>	230 44 -	58 (93) -	78 (513)	38 (133) -	67 (513)	33
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> <li>Increase (decrease) of investments</li> </ul> Total applications of capital funding (D) Surplus (deficit) of capital funding (C-D)	230 44 - <b>395</b>	58 (93) - <b>118</b>	78 (513) <b>1,111</b>	38 (133) - <b>540</b>	67 (513) - <b>1,111</b>	33 (74) - <b>413</b>
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> <li>Increase (decrease) of investments</li> </ul> Total applications of capital funding (D)	230 44 - <b>395</b>	58 (93) - <b>118</b>	78 (513) <b>1,111</b>	38 (133) - <b>540</b>	67 (513) - <b>1,111</b>	33 (74) - <b>413</b>
<ul> <li>to meet additional demand</li> <li>to improve the level of service</li> <li>to replace existing assets</li> <li>Increase (decrease) in reserves</li> <li>Increase (decrease) of investments</li> <li>Total applications of capital funding (D)</li> <li>Surplus (deficit) of capital funding (C-D)</li> </ul>	230 44 - <b>395</b> (267)	58 (93) - 118 (67)	78 (513) 1,111 116	38 (133) - 540 273	67 (513) 1,111 108	33 (74) - <b>413</b>

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR PLANNING AND REGULATORY

	2019/20	2019/20	2020/21	2020/21	YTD	YTD
	AP \$000	Actual \$000	AP \$000	Forecast \$000	AP \$000	Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	112	112	193	193	103	103
Targeted rates (other than a targeted rate for water supply)	1,084	1,084	1,219	1,219	1,001	1,001
Subsidies and grants for operating purposes		12	-	38	-	28
Fees and charges	452	589	631	725	631	626
Internal charges and overheads recovered		-	-	-		-
Internal interest income				-		-
Interest and dividends from investments		-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts		-		-		
Total operating funding (A)	1,648	1,797	2,044	2,175	1,735	1,758
Applications of operating funding						
Payments to staff and suppliers	1,560	1,532	2,015	1,115	2,015	914
Finance costs	18	22		9	-	7
Internal charges and overheads applied	336	10	598	7	597	4
Internal interest charged	5	369	7	552	7	421
Other operating funding applications				-		-
Total applications of operating funding (B)	1,919	1,933	2,621	1,683	2,619	1,346
Surplus (deficit) of operating funding (A - B)	(271)	(136)	(577)	492	(884)	412
Sources of capital funding						
Subsidies and grants for capital expenditure				-		-
Development and financial contributions		-		-	-	-
Increase (decrease) in debt	17	136	650	(492)	884	(
Gross proceeds from sale of assets	9					(412)
				-		(412)
Lump sum contributions					-	(412)
Lump sum contributions				-		(412) - -
-		136		- - - (492)		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C)				(492)		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding				- - (492)		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure				- - - (492)		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand	. 26			- - (492)		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service				- - (492) - -		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets	. 26	136		- - (492) - - - -		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service	. 26	<b>136</b>	- 650 - -	- - (492) - - - - - -		(412) - - (412) - - - - - - -
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets	- 26	136	- 650 - - -	- - - (492) - - - - - - -		-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets Increase (decrease) in reserves	- 26	136	- 650 - - - 73	-	- 884 - - - -	-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets Increase (decrease) in reserves Increase (decrease) of investments	- 26 62 (307)	136 73 38 (111)	- 650 - - 73 -	-	- 884	
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets Increase (decrease) in reserves Increase (decrease) of investments Total applications of capital funding (D) Surplus (deficit) of capital funding (C-D)	26 (307)	136 73 38 (111)	- - - - 73 - 73 - 73 - 73 - 73		- 884 - - - - - - - - - - - - - - - - -	-
Lump sum contributions Other dedicated capital funding Total sources of capital funding (C) Application of capital funding Capital expenditure - to meet additional demand - to improve the level of service - to replace existing assets Increase (decrease) in reserves Increase (decrease) of investments Total applications of capital funding (D)	26 (307)	136 73 38 (111)	- 650 - 73 73	-	- 884	

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR LEADERSHIP AND GOVERNANCE

	2019/20	2019/20	2020/21	2020/21	YTD	YTD
	AP \$000	Actual \$000	AP \$000	Forecast \$000	AP \$000	Actual \$000
for a standard stan						
Sources of operating funding	0.705	0.705	0.000	2 602	2 500	2 500
General rates, uniform annual general charges, rates penalties	2,705	2,705	2,603	2,603	2,500	2,500
Targeted rates (other than a targeted rate for water supply)	655	655	540	540	606	606
Subsidies and grants for operating purposes	-	496	115	1,455	115	1,035
Fees and charges	312	219	302	187	302	160
Internal charges and overheads recovered				-		-
Internal interest income				-		-
Interest and dividends from investments		-		-		-
Local authorities fuel tax, fines, infringement fees, and other				-		-
receipts Total operating funding (A)	2 672	4.075	2 661	4 705	2 5 2 2	4 201
Total operating funding (A)	3,672	4,075	3,561	4,785	3,523	4,301
Applications of operating funding						
Payments to staff and suppliers	1,817	1,849	1,971	3,118	1,971	2,548
Finance costs	1		1	1	1	1
Internal charges and overheads applied	1,630	12	1,644	2	1,644	2
Internal interest charged	3	1,551	31	1,704	31	1,317
Other operating funding applications				-		-
Total applications of operating funding (B)	3,450	3,412	3,647	4,825	3,647	3,868
Surplus (deficit) of operating funding (A - B)	222	663	(86)	(40)	(124)	433
Sources of capital funding						
Subsidies and grants for capital expenditure		51		76		73
Development and financial contributions				-		-
Increase (decrease) in debt	6	(95)	86	40	124	(433)
Gross proceeds from sale of assets				-		-
Lump sum contributions				-		-
Other dedicated capital funding				-		-
Total sources of capital funding (C)	6	(44)	86	116	124	(360)
Application of capital funding						
Capital expenditure						
- to meet additional demand				-		-
- to improve the level of service	11	629		76		73
- to replace existing assets	11	36		-	-	-
Increase (decrease) in reserves	207	(46)		-		-
				-		-
Increase (decrease) of investments						
Increase (decrease) of investments Total applications of capital funding (D)	228	619	•	76	•	73
Total applications of capital funding (D)					•	
	228 (222)	619 (663)	- 86	40	- 124	(433)
Total applications of capital funding (D) Surplus (deficit) of capital funding (C-D)	(222)	(663)	86	40	124	
Total applications of capital funding (D)						
Total applications of capital funding (D) Surplus (deficit) of capital funding (C-D)	(222)	(663)	86	40	124	

#### FUNDING IMPACT STATEMENT FOR 1 JULY 2020 TO 30 APRIL 2021 FOR CORPORATE FUNCTIONS

	2019/20 AP \$000	2019/20 Actual \$000	2020/21 AP \$000	2020/21 Forecast \$000	YTD AP \$000	YTD Actual \$000
Sources of operating funding						
General rates, uniform annual general charges, rates penalties	(56)	(56)	(160)	(160)	(52)	(52)
Targeted rates (other than a targeted rate for water supply)	(1,469)	(866)	(586)	(586)	(1,357)	(1,357)
Subsidies and grants for operating purposes				220		
Fees and charges	117	168	171	179	171	153
Internal charges and overheads recovered	5,119	4,685	5,314	5,153	5,314	3,975
Internal interest income	265	796	1,295	269	547	224
Interest and dividends from investments	570	750	761	618	642	198
Local authorities fuel tax, fines, infringement fees, and other receipts	87	75	88	51	88	64
Total operating funding (A)	4,634	5,552	6,885	5,744	5,353	3,205
			-			
Applications of operating funding						
Payments to staff and suppliers	5,059	4,786	5,385	5,650	5,385	4,604
Finance costs	126	416	201	258	82	237
Internal charges and overheads applied	122	39	166	-	166	
Internal interest charged	233	120	1,006	167	257	126
Other operating funding applications				-		-
Total applications of operating funding (B)	5,540	5,361	6,759	6,075	5,890	4,967
Surplus (deficit) of operating funding (A - B)	(906)	191	126	(331)	(537)	(1,762)
Subsidies and grants for capital expenditure Development and financial contributions Increase (decrease) in debt Gross proceeds from sale of assets	- 437 5	- 28	1,261 16	- - 748 -	- 1,924 16	- - 1,915 -
Lump sum contributions				-		-
Other dedicated capital funding		*		-		-
Total sources of capital funding (C)	442	28	1,277	748	1,940	1,915
Application of capital funding Capital expenditure						
- to meet additional demand				-		
- to improve the level of service	647	340	1,336	575	401	211
- to replace existing assets	306	240	195	228	1,129	132
Increase (decrease) in reserves	(1,417)	(361)	(127)	(386)	(127)	(190)
Increase (decrease) of investments				-	-	-
Total applications of capital funding (D)	(464)	219	1,403	417	1,403	153
		(100)	(10.0)			
Surplus (deficit) of capital funding (C-D)	906	(191)	(126)	331	537	1,762
Funding balance ((A-B) + (C-D))						-
Expenses for this activity grouping include the following depreciation/amortisation charge		(104)	(659)	(659)	(659)	(489)





Each year the Council budgets for a number of projects varying from computer purchases through to infrastructural improvements. These projects form part of our work in project budget and are funded in one of 4 ways:

**Reserve funding:** Reserves are built up each year from depreciation (a non-cash charge which forms part of our expense in the statement of comprehensive income) and from retained earnings (when a project was rated for in one year but not completed or deferred – the residual budget that was rated for is transferred to reserves and then this is utilised in future periods to ensure projects are not rated for twice).

**Loan funding:** Borrowings are used to fund capital projects which exceed reserve amounts, , or for brand new assets for which no alternative funding is available. This ensures intergenerational equity in costs.

**Subsidies / grants:** Subsidies and/or grants can cover all or part of a project cost. Council has a number of PGF grants which fully cover current projects. NZTA subsidies are received on a cost share basis, ranging from a minimum of 75% of the cost of roading infrastructure that meet the NZTA criteria.

**Sale proceeds:** For some assets, in particular vehicles, sale proceeds of a fully or partially depreciated asset are utilised in conjunction with the depreciation reserve to fund a replacement purchase. Insurance proceeds are used in the same way when relating to an asset replacement or repair.

#### PROJECT MONITORING

Project monitoring is achieved through reports to the infrastructural and Economic Development committees on a regular basis. Risks associated with projects are highlighted to the relevant committee. The salient points on projects from the most recent meetings are summarised below:

#### Infrastructure Committee

Meeting : 18 May 2021

*Kitchener Street piping open drain/safety improvements-* Following rainfall intensities of up to 27mm/hr, one section of the culverts currently being installed along Kitchener Street (Clyde Road Corner to Hospital Entrance) floated. This is a very uncommon occurrence for concrete culverts. Each culvert weights 4.2 tonne. It appears that the water from the heavy rain has penetrated the backfill around the culverts getting under the culverts creating an uplift. Ground water also attributes to this. This uplift can amount to up to 1 tonne of pressure per 1 square metre of pipe surface. Normally there would be added weight additional to the weight of the culverts, created by the water inside the culverts which keeps the downward forces greater than the upward forces. However due to Fulton Hogan still being in the process of installing the culverts, they had a very efficient dewatering system in place. This resulted in only a little amount water being in the culverts. Also backfilling above the culverts had not been completed. Fulton Hogan have Construction Insurance in place which is being looked at to cover this incident. The effected section of culverts are being removed and re-laid.

*Wastewater Consent* : the last month has seen a few developments with the wastewater programme. After experts from the Regional Council and WDC team met at the end of March, there has been further refinement of the consent conditions. They are collectively in agreement on most. These will be submitted back to the hearing panel for consideration. The management of the wastewater abatement notice is requiring WDC and HBRC to meet and agree on what needs to occur, specifically whether modifications can be made to the existing discharge structure before the consent is granted. HBRC have not confirmed a meeting date yet. There has been a meeting of the Matangirau Reserve board to update them on the consent process and reiterate the proposal and its current status. The need to potentially change the concession application was also discussed. Staff are in the process of developing a master plan for the Wairoa WWTP facilities. This includes identification and tracking of future project. This include projects funded through the 3 water funding allocation. There has been a meeting with land owners to discuss irrigation design. There is to be a follow up meeting before the end of May.

*Project Smart Meter Installation* is experiencing supply and resourcing problems which resulted in a delayed start. Fulton Hogan have recently employed staff to get the delivery programme under way. Fulton Hogan have indicated Gisborne staff will also be available if required to ensure target delivery dates are met. Delivery of this project remains one of the most significant risks due to its size and value. As a result, WDC have imposed conditions on Fulton Hogan via. Separable Portions detailed in NTC #15, to provide tension and ensure FH's commitment to deliver by March 2022 is legitimate.

*Blue Bay Water supply*: The quality of discharge from the Blue Bay / Opoutama Wastewater Treatment Plant is currently non-compliant and breaching conditions of resource consent AUTH-118685-02. WDC were ordered to meet discharge conditions or cease discharge from the plant by 31 July 2021. WDC submitted a request under section 325A(4) of the Resource Management Act (1991) to amend the deadline to comply, specified in Abatement Notice EAC-20428, by three months to 31 October 2021, to allow enough time to implement a suitable upgrade solution. HBRC agreed to this extension on 23/04/2021, removing the risk of breaching the abatement notice at this time.

#### Overall DIA 3 Waters Project Risk

Quarterly reporting to the Department of Internal Affairs (DIA) has identified several key risks to the project. The table below is taken from the most recent April quarterly report and identifies the current top 5 risks to the project.

	Quarter 2 (April 2021) Update									
fop 5 Risks and Contractor Claims										
Risk Name	Risk Level	Commentary								
Completion of programme by 31 March 2022	High	Current programme indicates completion by March 2022. However, some works are yet to be procured, and some are experiencing resourcing issues which may become more of an issue closer to the completion date. The programme completion deadline is putting extra pressure on our already stressed resources, especially in a small town like Wairoa where it can be difficult to attract skilled suppliers and competition.								
Under expenditure - \$11.04M programme is significant compared to prior years' expenditure.	Medium	Three new WDC staff have been appointed to deliver this stimulus package. Suppliers are also resourcing to accommodate influx of work, however some are having issues finding suitably skilled staff.								
Minor variation to existing consent and landowner approval required for the Opoutama/Blue Bay WWTP effluent disposal field.	Low	This amendment is ready to be lodged. This should not present any risk to programme delivery.								
Smart metering (\$2.98M) is new to the Wairoa DC.	Medium	Fulton Hogan Gisborne have provided the expertise to begin delivery, originally planned to start March 2021, but has been delayed to April 2021. They are currently delivering a metering programme for Gisborne District Council, and have proven experience in this area. However, there remains a significant risk to completion in such a tight timeframe due to lack of resource readily available. The programme and completion trajectory will be monitored closely. Fulton Hogan will continue to advertise for extra resource as delivery begins to roll out.								
Covid related delays for overseas equipment orders	High	This remains a significant risk to our delivery programme. Suppliers are experiencing shortages in the country and delays when ordering from overseas some items as basic as pipes. Other items with supply shortages/delays that have impacted our programme include: Inlet screens, water manifolds, water meter boxes.								
Lack of suppliers available to deliver accelerated works programme in such a tight timeframe	High	As indicated above, resourcing a delivery programme of this scale in such a tight timeframe comes with its challenges. Wairoa often relies on suppliers from outside of the district, and this case is no different. Currently the largest risk to delivery is the 'smart' metering programme which has been allocated over a quarter of the funding alone.								

*Blue Bay taps*: In October 2018 council put the Blue Bay water treatment plant upgrade on hold and at the time installed three roadside non-potable water taps prior to Christmas 2018. Council had no obligation to offer this service and it was done as a good will gesture for Blue Bay residents as they were expecting water for the 2018 Christmas holiday period. At the time Wairoa District Council were also concerned that Blue Bay residents may try to access water from other riskier sources. The taps are connected to the existing non-potable water supply, and allow the residents over the holiday periods to use this for general use such as, filling up caravan grey water

systems etc. Council have recently reviewed the risk and now consider it appropriate to remove the 3 roadside taps due to increasing risks such as:

- Locals going into the Blue Bay subdivision and filling and taking bulk water in 1,000 Litre cubes on trailers.
- Public health risk will increase with the upgrade of the Opoutama/Blue Bay wastewater treatment plant.
- Ongoing vandalism, taps broken, hose removed, signage removed.
- Fire and Emergency New Zealand has expressed concern that the water tank levels may diminish over time as the public taps are utilised potentially resulting in insufficient water supply in the event of an emergency leaving the three fire hydrants compromised.

Council will communicate the removal of the three roadside taps to the property owners with the intention of removing the 3 x road side taps by approx. end of July / August 2021.

#### **Economic Development Committee**

Meeting: 11 May 2021

#### Te Wairoa E Whanake

Contact milestones to date have been met. Designs have been finalised and plans are being prepared for consenting. Interior finishing and fixtures are being finalised, sourced and costed. Concrete repair is underway on the beams and columns. Archaeological assessments have been submitted and Heritage NZ is expected to grant authority by the end of May which will enable construction in the courtyard to begin. There are no major changes to the project timeline. An updated Business Case is being developed for Stage 2, using existing project information. This will be reported to the EDC as well as Finance Audit and Risk Committee.

#### Centennial Library and Archive Redevelopment

The external funding project to source funding of the proposed redevelopment is progressing to schedule.

Tourism Infrastructure Fund: Two new funding applications have been submitted to MBIE for this funding round.

At 31 March 2021, activity managers reviewed the projects under their control and forecast spend and completion as at 30 June 2021. This forecast was assessed against the full year budget. Explanations were provided for any projects which activity managers identified may have significant deviation from the original budget or other issues.

The projects have been split into 3 categories for reporting:

- 1. Unbudgeted externally funded projects
- 2. Budgeted projects on track
- 3. Current projects requiring highlight

#### The below projects are funded by PGF or other unbudgeted external funding:

As most of these projects were awarded after the 2021 Annual Plan was completed, there was no budget allocated and therefore they need to be reported separately as their inclusion in total projects would skew variance results.

	To 30 June 2021 (\$000)	Fun	ding source	
	Forecast spend	Subsidy	Reserve	Loan
Three waters	3,278	100%	0%	0%
Community Facilities	964	100%	0%	0%
Digital Hub	76	100%	0%	0%
Roading	9,439	100%	0%	0%
Waste Management	124	100%	0%	0%
Total	13,881			

### The below projects were budgeted for or arose out of business as usual operations.

		To 30 June 2021 (\$000)					Fun	ding sourc	e
	Forecast spend	Full year budget	Carryover from prior budgets	Total budget	Forecast variance		Subsidy	Reserve	Loan
Three waters	1,714	1,961	190	2,152	(438)	А	0%	100%	100%
Administration	93	72	16	88	5		0%	100%	100%
Community Facilities*	410	313	33	346	64		0%	100%	100%
IT	3,451	534	103	637	2,814		0%	100%	100%
Engineering BAU	40	40		40			0%	60%	0%
Property**	251	145	80	225	26		0%	100%	100%
Roading BAU	11,714	9,686	3,821	13,507	(1,793)	в	76%	33%	0%
Waste Management	513	-	258	258	255	с	0%	100%	100%
Total	18,186	12,753	4,500	17,253	933				

\* Including carparks, footpaths, halls, playgrounds

\*\* Pensioner and staff housing, commercial property

A Variance relates to budgeted spend on Fitzroy Plant and flood control protection at intake not expected to be utilised by year end. The Fitzroy Plant is dependent on the Waste Water Consent before commencing.

**B** This variance relates to NZTA subsidies budgeted for not expected to be received, refer also analysis in the financial statements.

C \$220K of this variance relates to the Recycling Centre Renewal which will be paid for by the waste levy.

**Issues have been identified with the below projects:** either a need has arisen that was not budgeted for, or other constraints have occurred which mean the activity managers responsible have highlighted these projects.

		To 30 J	lune 2021 (\$0	00)		
	Forecast spend	Full year budget	Carryover from prior budgets	Total budget	Forecast variance	Activity manager comment
Nuhaka River road (PGF project)	1,096	0	0	0	(1,096)	PGF funding came after the development of the budget. Design changes have seen cost increase. This will be offset against emergency works, RS5613. Road is complete.
Tuai sand filters	35	0	0	0	(35)	Sandbeds are impacting on effluent quality, poor irrigation, sand used in original design no longer produced. Have to seek alternative product or design. This investigation into alternatives may continue into the next financial year.
Library building	150	1,500	0	1,500	1,350	Likely carryover for expanded development.
Replacement building for archive storage	36	1,000	0	1,000	964	Council endorsed Library/Archives development on 20 Oct. Grant awarded from National libraries, to be spent by 30 June.
Tuai playground equipment	0	40	0	40	40	Carryover from previous budgets to facilitate Tuai playground redevelopment, subject to community led design and delivery, this is an ongoing project, supported by council. Will likely be carry over again due to slow community development
Basketball court	0	0	100	100	100	Delays due to COVID19 and PGF funding taking priority. Unlikely to be developed this FY, may need to carryover/reassess in LTP. Funds held to reserve for this area's enhancement.
Pavement Rehabilitation	756	756	0	756	0	This budget is not approved through Waka Kotahi. However, there is allowance in the low cost low risk Waka Kotahi budget (TIO) that will be used to offset this amount.
Traffic services renewals	81	231	0	231	150	M,O, & R cost scope adjustment saw this budget being reduced in Waka Kotahi (TIO)
Rangatahi dropout repair (PGF Project)	1,100	0	0	0	(1,100)	PGF - funding came after the development of the budget. Nuhaka River Road design costs mean this needs to be offset by RS5613, as this is an original emergency works project.
Total	3,254	3,527	100	3,627	373	

#### 8.4 ANNUAL REPORT 20/21 TIMETABLE AND AUDIT PLAN RISK ASSESSMENT

Author: Lauren Jones, Kaikaute Putea Financial Accountant

Authoriser: Gary Borg, Pouwhakarae - Putea / Tautawhi Rangapu Group Manager Finance and Corporate Support

Appendices: 1. Annual Report Timetable 2020/21 👃

#### 1. PURPOSE

1.1 To present to the Committee the timetable for the preparation and audit of the Annual Report for the year ending 30 June 2021.

#### RECOMMENDATION

The Kaikaute Putea Financial Accountant RECOMMENDS that Committee receives the timetable for the Annual Report 2020/21.

#### 2. BACKGROUND

- 2.1 This matter is presented to the Committee in support of its obligations under its Terms of Reference to monitor Council's audit programme and oversee the compilation of the Annual Report.
- 2.2 Although no decisions are required form the Committee, it has a critical role in ensuring that effective oversight is applied to the integrity and timeliness of the process and the information contained in the final Annual Report that is recommended for adoption by Council.
- 2.3 This paper presents a timetable and risk assessment of the key milestones and critical path that will determine successful execution of the plan and hence Council meeting its statutory obligations.

#### 3. CURRENT SITUATION

3.1 The timetable is attached as **Appendix 1** and includes qualitative assessments of the risk referred in 2.3. The schedule identifies key milestones and target dates for completion, audit, and adoption of the Annual Report. It is dependent on all areas of Council's operations providing the required information within the indicated timeframes. More detailed task lists will be employed as part of the project plan.

In preparing this timetable additional attention has been applied to areas that have been challenging in previous reporting cycles, with a view to enhancing mitigations with

#### 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

Bres	
Author	Approved by
Lauren Jones	Gary Borg

#### Annual Report Timetable 2020/21

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
Prepare Financial Statements template and annual report template (including comparatives and disclosure wording)	23 July	Delayed sending of the workbooks. Unanticipated Incorrect Target information included Very rare	Adds work to Auditors and managers to correct, delays signoff of the Audit process	Financial statement template prepared and in use with quarterly reporting therefore turnaround quicker and more accurate, with Financial Accountant familiar with the layout and expectations.
Interim Audit	22 June			Completed. 100% of requests submitted before audit was onsite, resulting in a smooth and easy audit.
<ul> <li>Regular Year-End Adjustments</li> <li>Investment Adjustments</li> <li>Debtors – Aging of Rating Debtors and Provision for Doubtful Debts</li> <li>Stocks on Hand</li> <li>Payroll</li> <li>Grants</li> <li>Landfill provision</li> <li>Rates reconciliation</li> </ul>	23 July	Delayed completion of this work <b>Rare</b> Systemic challenges to production of base data <b>Rare</b>	Work would need to be done in August Delayed close of ledgers and completion of notes to accounts	Stock on hand requested 24/6/21 for stocktake completion on 30 June. Draft landfill provision calculations provided for review at interim audit. Last year we made detailed notes on how to prepare the workbooks to enable easy follow through.

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
Creditors - Non-Contractual Creditors O Processed Invoices ex GL Invoices not received or processed - Contract claims/Prepayments and accruals	23 July	Creditor costs are not accurately recorded in the accounts Moderate Cost information incomplete Unanticipated PO's are not receipted, have wrong value or not raised Likely	Understated expenditure and capital costs in the accounts.	Control list has been created for completeness and reconciled to contracts. PO matching has been adopted and accuracy improved throughout the organisation. Liaison with activity managers Open POs reviewed post year end Post year end payments/creditor invoices reviewed for inclusion in year end accruals
Revenue not recognised including NZTA Claim – Check for Wash-up DIA and PGF claims	10 July	Income not included in accounts. Very rare Not all items claimed by Engineering Rare	Understated Revenue and Receivables	<ol> <li>Reconciliation of income to Claims.</li> <li>Review of expenditure to claims.</li> <li>Emergency spending FAR claims</li> <li>As it is the end of the triennium NZTA will be cut off and closed by 05 July.</li> </ol>
Ledgers closed	31 July	Timing and completeness Moderate	Delay completion of financial statements	As above. Enhanced monthly reporting schedule brings all standard tasks forward to completion by the 15 <sup>th</sup> .

Action	Target	Risk (Likelihood)	Impact	Mitigation
	<b>Completion Date</b>			
Compilation of Service Performance Reports	30 July (AM and SLT review)	Late or incomplete returns. Unanticipated Supporting information not reliable/ inconsistent Moderate	Additional audit work, reporting delays	SSP template prepared and in use with quarterly reporting therefore turnaround quicker and more accurate, with managers more familiar with the layout and expectations. Finance and CAAS working closely to ensure data validation and commentary in advance of audit review to pre-empt queries.
Capital Adjustments (Additions/Deletions/Depreciation & Valuation allocations) and Accruals	23 July	Completion delayed Unanticipated Additions/disposals not recognised Moderate Operating expenditure incorrectly capitalised Moderate	Delays finalisation of Depreciation, Reserve Movements and reporting Asset values and depreciation misstated Asset values and depreciation misstated, operating expenditure and overall profit misstated	<ul> <li>Year to 30 April for infrastructure review was completed mid June.</li> <li>Non-financial asset capitalisation to 30 April to be completed by 30 June.</li> <li>Financial accountant and AMs working together to clarify capitalisation considerations and ensure operating expenditure is identified and classified correctly.</li> <li>Funding Impact Statement templates to be prepared in advance of final capitalisations.</li> </ul>

Action	Target Completion Date	Risk (Likelihood)	Impact	Mitigation
Overhead Allocations, Reserve Interest and Special Reserve funds	5 August			
Notes, Funding Impact Statements, Financial Prudence Benchmarks	5 August	Complete information	Delayed reporting,	Dependent on above milestones, however much of the required
Performance stories, joint statement	23 July (AM) followed by review 31 July (SLT)	not available in timely fashion. <b>Moderate</b>	additional audit work	information is now routinely prepared.
Full annual report draft completed Draft annual report - SLT review Draft summary report completed Audit	22 August 27 August 13 September 20 September – 08 October	- - -		
Presentation of Council only draft to Finance Audit & Risk Committee along with audit update	28 September			
Consolidation of CCO financial statements	15 August	QRS unable to pass info until audit is finalised Moderate	Delays completion of the accounts	Consolidation workbook and entry into the accounts template workbook to be setup in July, ready for data entry which will self populate to ensure a fast turnaround once data received.
Audit report on Control Findings, Draft opinion and Representation Letter	11 October	Moderate		

Action	Target	Risk (Likelihood)	Impact	Mitigation
Report finalisation and Audit Opinion	Completion Date 11 October	Moderate		Workplans have been brought forward and all documentation will be available to audit before they commence on 20 <sup>th</sup> September. Areas of scrutiny have been discussed with audit and the Financial Accountant has requested examples of documentation and testing
				processes so that these can be ready and complete for fieldwork. Annual report will be reviewed in July/August once rolled so any wording or disclosures can be updated and audit fieldwork will focus on the numbers.
Presentation of audited reports to Council for adoption	19 October	Moderate	Breach of statutory deadline for adoption of the report, would need to schedule an extraordinary meeting.	Ordinary Council Meeting scheduled for 19 October, agenda closes 11 October.

Project dashboard shows a snapshot of progress and key deadlines (below data current as at midday 25/6/21)

Key deadlines		Progress
Preliminary workpapers	30-Jul	
Draft TB ready	30-Jul	
SSP	30-Jul	
Performance stories	30-Jul	
Draft annual report	22-Aug	
Audit documentation	13-Sep	
Review of draft	27-Aug	
Final report for adoption	11-Oct	
Adoption	19-Oct	
Summary report	30-Oct	
Publish	20-Nov	



Project progress		
	14%	
Target		

A detailed task list has been setup on a shared drive so that all individuals know when their deadlines are and the Financial Accountant can monitor progress against deadline dates (below data current as at midday 25/6/21)

A	c	D	E	1	G	н	
				Status Key Due in the next 7 days Overdue			
				In progress Complete			
ken	Owner (VDC)	- Department -	Deadline	Status	Completion >	File location	- File name
Capitalisation to 30 April sent to MagiQ	Lauren/Finance Team	Finance	33-May		100%		
Audit engagement letter	Laven	Finance	35-May		100%	G (2020-21Mnnual Report 2020-2110 - Audr (Inal)	20 through 22 Watroa DC Standard OAG audit engagement letter - final pdf
Audtworkplan	Lauren	Enance	Bahn		10074	enaled Shabb + tryt o get this earlier in March neut year	
Infrastructural asset review	Lauren	Enance	Sala		100%	Serr 275 to AM, due back 196	
SSP -complete to 31 May	Madson	CAAS	5-JA		100%	V 2020-202 Mercual reportSSP	CAAS full Detail Summary to May 2021 vice
Lease Commitments Schedule review editor changes compared to PV	Laven /Sanda	France	5-JA		100%	W 2020-202 Mersus Mersus report	Future Companyal Commitmenes 2021 Max
(ie nev/changed agreements). Aude interim fields.ork		France	23-340		100%	25-27 Are automate	
	Finance team					27-27 Are audi orate	
Send impariment request and deadline to all managers	Lauren	Finance	25-Jun		100% 60%	A same test, the same test is a second state of the	
Capitalisation to 31 April complete	Lauren/Finance Team	Finance	30-Jun			G (2020-2NAnnual Report 2020-2N05 - Non Current Asset/Plived Asset/Additions	Asset details 2021 Hupikoad Tulisii Asset details 2021 Hupikoad Zulisii
List of any properties held for sale (if any) at 30 June 2020	Luke	CAAS	30-Jun		100%	G x2020-21/2020-21 Annual Report09 - Notes to the Accounts	Nil at 30/06/2021 refer Nil properties held for sale 30.06.21 msg
Landill provision	Lauren	Finance	30-Jun		100%	G (2020-21/2020-21 Annual Report07 - Non Current Liabilities/LandHill provision	21L and # provision. day
Stocktake: Water treatment plant	Lauren/Morgan	Finance/CAAS	30-Jun		014	G 12020-21/2020-21 Annual Report04 - Current Assets/Inventory	2006-17 GLJUL 2637 - Stock on Mand
Stocktake: Gaiety Theatre	Lauren /Natasha	Finance / Community & Engagement	30-Jun		(trc	G. 2020-292020-21 Acrual Report04 - Current Assentitiventory	2006-17 GLJJJ, 2637 - Stock on Hand
Stocktaire: Gite	Lauren? Rubyanne	Finance / Community& Engagement	30-Jun		0%	G-2020-252020-21 Annual Report04 - Current Assertimentory	2006-17 GLJUL2637 - Stock on Hand
Request confirmations for all investments	Lauren	Enance	5-34		014	G (2020-21/2020-21 Annual Report05 - Non Current Assert/Investments	Requested 3 7 20
Request Legal Confirmations for all lawyers used during the year.	Laurenillessie	Finance	5-34		014	G (2020-21/2020-21 Annual Report D - Audrit, egal Contemations and G (Restrict/Enance Serior Management/2020-21 Annual Account (Annual Report	all received, charles' reply in restrict folder
Bank Reconciliation for all bank accounts as at 30 June.	Kay	France	5-14		0%	G (2020-21)2020-21 Annual Report04 - Current Assemblank	Cash and Back 30062020 dee
List of all employees terminated including listing of all severance payments that have been made in the financial year.	Lasen	Finance	7-34		90%	G PersonPearce Serior Management2020-21 Annual Account Annual ReportEngloyee disclosures	Pr20 Employee Severance Payments Listing visio
List of all new employees	Lasen	France	7-34		90%	G Pleasant/Finance Series Management/2020-21 Annual Accounts/Annual ReportEmployee disclosures	20 List of starters view
Support for any prepayments > #50k.	Lazer	France	10-34		01	G (2020-2%2020-21 Avyual Report04 - Current Assemithepauments	Prepayments and reclassified S Debrors visio
Breakdown of contract teteritions holding account at 30 June (detailed down to each contract with access to each contract as requested)		Finance	10-34		0%	G (2020-21/2020-21 Annual Report/06 - Current Liabilities	Retensions breakdown 30.06.20 visw
FBT correspondence with PWC / FD	Lazen	France	10-14		100%	G (2020-2/Mexical Report 2020-2/30) - Aude Brual/CGST returns/Conexpondence with FD	
Review open purchase orders: cancel old / unused. Check all open orders	Sandta/Leeanne	Fnance	10-14		80%	In MapQ1/Ne ket of open orders relating to year end in Gr2020-212020-21 Annual ReportOS - Current	Complete to 30 April
over #50k and check whether these relate to year end	1	Provide State	10-34		01	Liabities	20.5 mm - Million Demons 17 20 de-
Holiday pay provision / TOL, and ALT days	Lauren	Finance				G @estionFinance Serior Management2020-21Annual Accounts/Annual ReportEmployee disclosures	20 Summary Holiday Register 17 20. dox
Reconciliation from YTD payroll software report (shoving all expenses) to GL	Lauren	Finance	10-34		054	G RemonFinance Serior Management2020-21 Annual Accounts Annual ReportEngloyee disclosures	Pay Monthly Reconciliations July 2019 - June 2020 Misk
Copies of for access to) all valuations for the year ended 30 June including asset information sent to values - Le. data extracts from RMMM to Land Transport.	NaPl	Finance	10-34		N00%	G 12220-232220-21 Annual Report/65 - Non-Current Assets/Fund Assets/Laburtona, Roading is in Prifinance/Laburona/2020	2020 Marios DC Pump Starton Asser Valuation Dah Report 2020 Marios DC Valuet Mater Rund Asser Valuation Revised Dah Report, TexrCheck1 2020 Marios DC Valuet Revolution Asser Valuation Dah Report V3 20200720 2020 Marios DC Valuet Revolution Roser Valuation Dah Report V3 20200720 2020 Marios DC Valuet Revolution Roser Valuation Dah Report V3 20200720 2020 Marios DC Valuet Revolution Report Valuet 2020 Final
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Impairment of assets: Galery (hearte (projector in particular) Impairment of assets: General (asset list and value to managers)	Laven IAM	Fnance	10-34		01	G (2020-21/2020-21 Annual Report/05 - Non Current Assert/Fixed Assert/Impaintent	MEMO implaiment of Council assets doors
A listing by employee of the Council's liability for annual leave, retirement	LavenIAM	Enance	10-14		0%	G Plemont nance Serior Management 2020-21 Annual Accounts Annual PlegomEnglovee disclosures	20 Retrement lability calculation, slow, leave balance report, odhilisk

## 8.5 CAPITALISATION POLICY

Author: Lauren Jones, Kaikaute Putea Financial Accountant

Authoriser: Gary Borg, Pouwhakarae - Putea / Tautawhi Rangapu Group Manager Finance and Corporate Support

Appendices: 1. Asset Capitalisation and Disposal Policy 🗓

## 1. PURPOSE

1.1 This report provides information on the Capitalisation policy adopted in March 2021 by the senior leadership team.

## RECOMMENDATION

The Kaikaute Putea Financial Accountant RECOMMENDS that Committee receive the policy.

## 2. BACKGROUND

- 2.1 Asset capitalisation and disposal has previously been performed by the Finance team with ad hoc guidance offered to activity managers involved in asset procurement.
- 2.2 The Council must comply with Financial Reporting Standard PBE IPSAS 17 when accounting for assets.
- 2.3 An asset capitalisation Policy is necessary to establish a reasonable capitalisation threshold for all types of assets and facilitate depreciating those assets over their useful lives.
- 2.4 This policy defines the Council's principles and policy for managing capital expenditure and the accounting of fixed assets. This ensures that the Council's capital expenditure is planned, evaluated, authorised, implemented, monitored, and reported in a systematic manner that is consistent with best practice.
- 2.5 This policy ensures an appropriate and consistent distinction is made between capital and operating expenditure throughout Council.

## **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

Bres	
Author	Approved by
Lauren Jones	Gary Borg

# ASSET CAPITALISATION AND DISPOSAL POLICY





## Stored:

Approved by: Department: Policy author: Date Approved: Next Review Date: Reviewed: Revision No: Relevant: Legislation related policies: Related forms:

## SLT Finance Lauren Jones March 2021

Asset Transfer Form Asset Disposal form

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## **PURPOSE**

To provide clear standards and practical guidance for the financial management of Wairoa District Council's (WDC's) property, plant and equipment (PP&E) and intangible assets.

## **OVERVIEW**

There are two types of expenditure:

- Capital expenditure where expenditure is going to provide benefit to the Council for more than one financial year.
- Operational expenditure where the expenditure is only generally of benefit for one financial year or less.

This policy assists in deciding whether expenditure is operating or capital in nature and how then to treat it.

WDC need to have accounts that present a true and fair view, therefore it is essential that capital and operating expenditure is classified correctly.

Furthermore:

- Balanced budget assessment from either a DIA or LGA perspective looks at achieving a net surplus. If real operating expenditure is being hidden in capital expenditure, this view is distorted (and vice versa).
- If capital expenditure is higher than it should be then, this ultimately impacts on depreciation by increasing it. It also distorts the amount of renewals that need to be accounted for in future LTPs and annual plans.
- If operating expenditure is not being accounted for, especially the cost of operating the infrastructure and maintaining it, then it is difficult to correctly budget for that operating expenditure in the future.

This policy covers PP&E and Intangible Assets and apply to the following:

• Capital PP&E and intangible assets where the asset purchase cost exceeds the capitalisation threshold of \$1,000;

• Non-capital PP&E and intangible assets where the purchase cost is below capitalisation thresholds (expensed as operating items).

This policy excludes the asset classes listed below. Budget centre managers must consult with Finance on the capitalisation and operating assumptions associated with these assets classes.

- Biological Assets
- Vested assets

Intellectual Property

The definitions in **Appendix B** of this policy provide further explanation of the technical terms used in this document.

## SECTION 1: MANAGEMENT OF ASSETS

#### 1. OWNERSHIP

All Assets funded or otherwise acquired by the WDC are owned by the Council and not by a specific individual, department or other operating unit.

#### 2. RESPONSIBILITY

a. All WDC employees are responsible for protecting WDC assets entrusted to them and for helping to safeguard WDC assets in general. This responsibility includes proper care and maintenance, and guarding against loss, damage or theft, and extends to assets in the temporary care of WDC. b. Cost centre managers are ultimately responsible for the management and safe keeping of all equipment and other assets assigned to their department or budget centre. An important internal control objective is the safeguarding of assets.

c. Assets should only be used for WDC business purposes and in accordance with WDC policies.

## 3. APPROVALS TO PURCHASE ASSETS

a. All expenditure on Assets must have an approved budget before an asset is procured.b. The purchase of assets must be planned and procured in accordance with the Procurement

Policy and Financial Delegations Policy.

c. Planning, budgeting and financial management for capital projects and assets will be undertaken in accordance with the Project Management Policy.

## 4. INTERNAL TRANSFERS

a. Internal transfers apply to capital assets recorded on the WDC asset register

b. Transfers between budget cost centres are required to ensure correct assignment of management responsibilities and depreciation.

c. An Asset Transfer Form (Appendix F) must be completed and submitted to Finance.

## 5. DISPOSALS, DAMAGED AND STOLEN ASSETS

a. Assets no longer required, not serviceable or not providing an economic benefit to the Council must be disposed of in accordance with sound environmental management

b. Disposal includes any sale, trade-in, loss, destruction, theft or write-off. The sale or gifting of an asset to another Council department is NOT a Disposal - see Internal Transfer procedures above. c. The Council must receive the maximum value for asset disposals and disposal processes should be fair. GST must be accounted for in asset sales as the Council is GST registered.

Disposal options include trade-in, transfer to another Council department, sale by auction, dismantling and public tender. Electronic equipment and components should be recycled.

d. Disposals, damaged or stolen assets that are recorded on the asset register must be reported to the Finance Manager who will amend the register and make subsequent adjustments to depreciation. An Asset Disposal form is available in Appendix G.

e. Information and Communication Technology (ICT) equipment eligible for disposal, damaged, stolen or no longer required, must also be returned, or if stolen, reported to Information Services and the Finance Manager who will amend the register and make subsequent adjustments to depreciation. An Asset Disposal form is available in Appendix G.

f. Damaged assets must have their value on the asset register appropriately reduced before any remediation or replacement PP&E is capitalised to ensure the book value does not significantly exceed the asset's fair market value. Refer to Section 2 (7) and definitions.

g. Damaged or Stolen assets must also be reported to the Council's insurer, please contact Group Manager Finance and Corporate Support if an insurance claim is required.

## 6. PHYSICAL VERIFICATION OF ASSETS

a. The asset register is one of the key tools in ensuring assets can be accounted for. An audit of the main asset register will be carried out on a regular basis to ensure that the accuracy and completeness of the register is maintained.

b. Cost centre managers must annually verify the existence of equipment and intangible assets assigned to their department. For additional guidance on this verification please consult with Finance representatives

c. Finance will undertake a verification of building and infrastructure assets as part of the asset revaluation procedure. A building and infrastructure re-valuation is typically undertaken every three years.

d. The Finance team will perform an annual verification of high value fixed assets in selected classes. The audit will take the form of a cyclical check to ensure that all assets per the register are still in the department, that all new assets have been correctly added to the register, and that other information included in the register is accurate.

e. Damaged, missing, or obsolete assets must be reported in accordance with Section 1 (5) Disposals, Damaged or Stolen Assets and Section 2 (6) Impairment.

## SECTION 2: MEASUREMENT AND RECORDING OF ASSETS

## 1. STATEMENT OF ACCOUNTING POLICIES

a. The valuation and recording of Assets is undertaken in accordance with the Council's Accounting Policies and financial reporting standards.

This policy is based on the current accounting standard (PBE IPSAS 17<sup>4</sup>) and IIMM (International Infrastructure Management Manual<sup>2</sup>) and is intended to provide a guide as the correct treatment of expenditure relating to assets.

The accounting standard (PBE IPSAS 17) states that an item of expenditure can be treated as capital only if:

- (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) The cost or fair value of the item can be measured reliably.

b. The statement of accounting policies is included in the Council's Annual Reports. These policies are aligned to Public Benefit Entities International Public Sector Accounting Standards (PBE IPSAS). <u>https://www.wairoadc.govt.nz/documents-and-forms/</u>

## 2. CAPITALISATION

a. Capitalisation is the conversion of cash assets into PP&E or intangible assets with future economic value to the Council. Capitalisation is applied to Assets with a useful life greater than one year and exceeding the capitalisation threshold (section 2(3) refers).

b. The cost of an item of property, plant and equipment comprises:

(a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

- (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

c. Accumulation of capital costs does not commence until the full business case has been approved.

d. Preliminary project costs (prior to business case approval) and post completion costs (after implementation of practical completion) cannot be capitalised and must be expensed when incurred (Appendices C, D and E refer).

e. Capitalisation occurs when practical completion is achieved and the asset is "available for use". f. Assets with diminished useful life resulting from delays between procurement and 'in use' operation, in particular electronic technology, will be subject to impairment due to technological obsolescence (Section 2(6) refers).

g. Capital costs are accumulated in individual project accounts as work in progress (WIP) until capitalisation occurs.

h. Project managers must inform the Finance Manager to capitalise a project when the asset is "available for use'. Where projects are completed in stages, each 'available for use' stage must be capitalised.

## 3. CAPITALISATION THRESHOLDS

a. The capitalisation threshold is the minimum financial value (the asset's purchase cost excluding GST) at which an asset must be added to the Council's asset register and recorded on the balance sheet.

b. Assets are capitalised when the value of an individual item or the value of an Asset Set, is greater than \$1,000. The exception is that all purchases of computers, including personal computers, laptops, iPads, mobile phones and other similar tablet devices, are to be capitalised regardless of the purchase price. All equipment which comes with the computer and is required for the computer to operate, such as keyboard, monitor and mouse is deemed to be an integral part of the computer and is to be included in the amount capitalised.

The cost of repairing or replacing computer components and ancillary equipment such as keyboards and monitors is to be expensed unless the cost exceeds \$1,000 and the expenditure increases the useful life of the computer to which it is related.

c. Assets must have a Useful Life of greater than one year to be capitalised.

d. Expenditure splitting to fall below the capitalisation threshold is not permitted. Items paid for by instalment or purchased in parts should be considered in total for the purposes of capitalisation.

e. Operating items including low value Assets below the capitalisation thresholds defined in 3b and 3c must be expensed to an operating budget and are not recorded on the asset register.

## 4. DETERMINING WHAT EXPENSES (COSTS) CAN BE CAPITALISED

a. In determining what costs can be capitalised the general rule is:

i. Do the goods or services being supplied, materially add to the fair market value of an existing asset such as increase the asset's capacity or remaining life, enhance or add additional features to the asset or establish a new asset?

ii. Do the goods or services exceed the capitalisation thresholds?

There are two types of Capital Expenditure

(a) Additional Capital & Enhancements

Expenditure which is used to create new assets or to increase the capacity of existing assets beyond their original design capacity or service potential.

(b) Capital Renewal Expenditure

Works to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability. Therefore it requires significant work that restores or replaces an existing asset towards its original size, condition or capacity. It does not increase asset capacity. Often there is replacement of a component. For renewal to take place there must be an existing asset or component.

Note: The Local Government Act requires capital expenditure to be reported or forecasted under the following categories:

- (a) meet additional demand for an activity; and / or
- (b) improve the level of service; and / or
- (c) replace existing assets.

Examples of project capital and operating expenses are provided in Appendices C-E.

b. Projects will include both operating and capital costs, and business cases must budget for both. Business cases must clearly separate capital and operating expenditure associated with projects.

c. Budget centre managers and project managers will consult with Finance to determine the correct allocation of capital and operating expenditure if they are unclear on the correct treatment.

d. Operating costs included in project contracts shall be identified and expensed to operating budgets in the year they are incurred (E.g. building and landscape maintenance costs, software maintenance costs which don't meet the intangible asset recognition criteria etc.).

e. Software purchased to operate instruments or machines, where the software is integral to the operation of the equipment should be capitalised as a part of the equipment, as PP&E (e.g. Computer operating systems should be capitalised with the computer hardware).

j. Annual licence costs for a Software as a Service (SaaS) solution cannot be capitalised, but any developmental costs incurred to bring the SaaS solution to the point it is available for service should be capitalised.

k. Borrowing costs: WDC does not capitalise borrowing costs.

l. Retentions: Retentions are payments for a product or service which are withheld until a specified condition is complete. E.g. Council may withhold a percentage of payment until the

replacement of water meters are successfully installed and operational. Any retentions must be included in the cost of the asset.

m. Contributions to capital costs: All development contributions, subsidies or donations must be recorded as revenue and not netted off against the cost of the asset. *For example* any money received from NZTA for a Roading Capex project should be allocated to the capital subsidy account (revenue) and not deducted from the cost of the road.

n. Building or Resource consents: all consents should be finalised before assets are completed and ready for use. These costs can be capitalised.

o. Costs that must <u>not</u> be capitalised:

- a) Costs of feasibility study or evaluation of a number of proposals
- b) Evaluating alternative proposals
- c) Community consultation
- d) Investigative work\*

If a - d are part of a resource consent then they can be capitalised.

- e) Physically relocating an asset
- f) Costs relating to projects that are cancelled
- g) Professional fees relating to disputes
- h) Disposal or removal costs of an asset that is abandoned or being replaced. (exceptions may apply here, e.g. land purchased with the intention of removing an old building or structure)
- i) Costs of opening a new facility
- j) Costs of advertising and promotional activities
- k) Administration and general overheads

\*Investigation costs for uncertain projects cannot be capitalised – although they can be parked in WIP for a maximum of 3 years. E.g. WDC Airport – until suitable ground for a new airport is identified and all barriers to using that ground (resource consents, \$ to purchase & develop) are dealt with there is not a certain project so the investigation costs need to be expensed.

#### 5. DEPRECIATION AND AMORTISATION

a. Depreciation is the recognition of the cost of use, wear and tear or obsolescence of an asset over its useful life. Depreciation also serves as a cash management tool whereby a portion of Council's cash inflows is set aside for the renewal or replacement of assets.

b. Depreciation is charged against PP&E recorded on the asset register.

c. Amortisation is applicable to the obsolescence of non-physical assets and is charged on all intangible capital assets.

d. The maximum depreciation rate or amortisation rate used for any asset is 50% or a useful life of two years.

e. Appendix A provides a summary of the asset classes, useful lives' of assets and depreciation rates.

#### 6. IMPAIRMENT

a. An asset is financially impaired (reduced in value) if the depreciated value (also referred to as the carrying amount or net book value) on the asset register exceeds the recoverable amount.

Recoverable amount is the greater of:

- the fair market value (less sale costs), or
- value to the Council when the asset is in use.

b. Impairment can occur if the asset is aged, damaged, obsolete, no longer providing an economic benefit or through a decline in the market value. The level of impairment will typically be determined based on the market value.

c. When an asset is impaired then the value of the asset is reduced, and this amount is recognised either:

- (a) as an expense or
- (b) (only if the impairment is permanent\*) as a reduction in the revaluation reserve for that class of assets if there is an excess revaluation amount available to be utilised for this purpose.

\*Example of temporary is a slip on a road, a damaged bridge, or a swimming pool that leaks and then is repaired. Impairment expensed in year of damage then asset improved and fixed with repair amount being capitalised to asset and useful life then reassessed.

When the expenditure to restore the asset to its original value is incurred this is recognised as capital expenditure similar to a renewal.

d. Asset managers and budget centre managers should assess if the renewal is required due to impairment (e.g. flooding / slip on road). They must advise the Finance Manager of any known asset impairment affecting the usability of the Asset or reducing its value.

e. Council assets will be reviewed for impairments annually by the Finance team as part of year end reporting procedures.

## 7. RECORDING AND REPORTING CAPITAL EXPENDITURE

a. Accurate financial and project records must be maintained and retained in accordance with legislative compliance.

b. Asset costs must be assigned to the correct GL account, for the activity being undertaken. This ensures costs against individual assets are accurately reflected.

c. Internal staff costs charged to capital projects must be clearly attributable, by staff member, to individual projects or the costs will be expensed to operating budgets when incurred.

d. Financial transfers (journals) between project accounts or between WIP and OPEX accounts shall be fully transparent to ensure the correct allocation of capital and operating expenditure.

- i. Journals must have an accurate description reflecting:
  - 1. the nature of the expenditure, and
  - 2. the source or destination account for each credit and debit transaction.

ii. Journals transactions may be:

- 1. One-to-one account and item code transfers, or
- 2. One account and item code, to one account and many item code transfers.
- iii. Using journals to consolidate transactions (many to one) is not permitted.

## APPENDIX A ASSET CLASS AND USEFUL LIFE SUMMARY

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

	ESTIMATED LIFE
Quarries	30-40
Buildings	30-40
Other improvements	10-50
Plant, equipment and vehicles	4-10
Library collection	2-10
Office equipment, furniture & fittings	5-10
Computer equipment	4-5
Sources	
Sewerage Structures	50
Oxidation ponds	40
Pipes	80-120
Manholes	80
Pumps	10-35
Plant	10-35
Construction of the second	25
Resource consents	25
Stormwater	
Reticulation piping	50-100
Culverts	50-120
Manholes/sumps	50-100
Open drains	Not depreciated
Water Supply	
Structures	50
Pumps	15-35
Reticulation piping	60-120
Meters	20
Hydrants	40
Resource consents	20-25
Reservoirs	80-100
Roads	
Top surface (seal)	14
Basecourse	Not depreciated
Formation	Not depreciated
	20-80
Bridges	15-40
Footpaths Kerbs	50
Streetlights (poles)	50

## APPENDIX B DEFINITIONS

Amortisation	Similar to depreciation as defined below, amortisation is the recognition of the cost of obsolescence for intangible assets.
Asset	A resource controlled by the entity as a result of past events that has the potential to produce economic benefits. (see also intangible assets as defined below).
Asset Set	A 'set' of assets is: • a group or pool of like assets having the same useful life, and where the value of the individual items is less than \$1,000, (e.g. a set of chairs), or • a group of components making up a singular system where component interdependency exists for the system to operate effectively (e.g. Instrumentation and its application software necessary to operate the instrument effectively).
	<ul><li>This does not include items of a consumable nature or items that can be readily destroyed in the course of normal use (e.g. survey forms).</li><li>An "Asset Set" is recorded on the asset register as a single entry with notation indicating the separable components or the number of like items (e.g. 20 security doors for pensioner housing village).</li></ul>
Capital Expense	The fixed, one-time expenses incurred on the purchase of an asset used in the production of goods or in the delivery of services, or The total cost needed to bring a project to a commercially operable status.
Capitalisation	Capitalisation is the conversion of cash assets into PP&E or intangible assets which have future value to the Council and which are then recorded on the Finance asset register and on the Council's balance sheet.
Depreciation	Depreciation is the recognition of the cost of use, wear and tear or obsolescence of an asset over its useful life.
Development	Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Development costs may be capitalised.
Fair Market Value	Fair market value (FMV) is the price an asset would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act and with both having reasonable knowledge of the relevant facts.
Fixed Asset	<ul> <li>PP&amp;E (property, plant and equipment) are tangible items:</li> <li>Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and having an economic useful life exceeding one year.</li> <li>A capital asset when an individual item or Asset Set exceeds \$1,000</li> </ul>

Available for Use	The date when an asset becomes available for its intended use.
Intangible Asset	An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it either: (a) Is separable (i.e is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so) or (b) Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. Intangible assets are classified as computer software, websites, licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, natural resources extraction rights, and other intangible assets.
Operating item	<ul> <li>A non-capital low value item, of property, plant or equipment or an intangible asset, used for normal business operations:</li> <li>That has an economic life of less than one year; or</li> <li>An individual asset or asset set where the purchase cost is below the capitalisation threshold of \$1,000.</li> <li>Operating items are expensed in the financial year the cost is incurred.</li> </ul>
Operating Expense	The day to day costs of running the Council including, but not limited to, salaries, consumables, travel, rentals, repairs and maintenance, utilities and depreciation.
Practical	The time when the contract works or contract is complete,
Completion	notwithstanding minor outstanding items.
Research	Research is original and planned investigation undertaken with the prospect of gaining new technical knowledge and understanding.
	Research is an operating expense and cannot be capitalised The period over which an asset is expected to be available for use, i.e.
Useful Life	years in service before disposal, or years in service before reinstatement or renewal is required
Work in Progress (WIP)	Expenditure directly attributable to an asset are recorded and accumulated in WIP until the point that it is complete and ready for capitalisation into the asset management system. The costs may remain in the WIP account while the asset is under construction. Work in progress items are not depreciated.
	Capitalisation date is the date that the asset is brought into a working condition for its intended use. In the event that material WIP items have been completed but not loaded into the asset management system by year end, Finance will transfer costs to the relevant asset class as additions for the financial year in which they are ready for use. An estimate of depreciation will be made.
	Items of operating expenditure within a capital project should be tagged as o operating expenditure by the project manager and expensed as they are incurred.

Components	Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.
	Assets should be broken down into further asset components when capitalising assets if appropriate. Each component can have a different useful life.
	The level at which an asset is broken down into its components for asset accounting purposes is determined by the expected timing of the replacement (useful life) of each different component. The number of components decided on must be at a level that is practical to account for. Minimum = 20% of an asset or higher, being no less than \$1,000.
	<i>Example</i> A building could be split into: Roof – 28 years, exterior 80 years.
	To replace part of an asset e.g. an impellor for a pump and not have it treated as maintenance but instead as a renewal then the asset has to be recorded in the AMS in separate components. This can be done retrospectively if deemed to be appropriate by the asset manager.
	<i>Example</i> If an existing UV system is currently recorded as a single asset in the Asset Management System (AMS) (e.g. Hansen), and the replacement of a bank of UV tubes is required to be capitalised, then the UV system may be amended in the AMS to provide the degree of asset componentisation to allow the capitalisation.
Investigation costs	These are assets which have no physical attributes but have a recognisable value e.g. software. The accounting treatment for intangible assets is the same as for tangible assets except for that intangible asset are amortised rather than depreciated. Only expenditure that will result in the acquisition of an asset can be capitalised. If it is uncertain that an asset will result from the expenditure, then that expenditure must be treated as operational expenditure.
	On an annual basis items that have been treated as capital investigation costs must be reviewed to ensure that an asset will result from that expenditure. If a decision is made not to proceed with the acquisition of an asset for which investigative costs have been incurred, then the total amount of that expenditure must be written off as operational expenditure.
	Investigative expenditure includes resource consent costs and these should be treated as a separate component of the primary asset.
	Investigative costs can be held in WIP for 3 years and then expensed if there is no certainty about the project proceeding at the end of 3 years.

Maintenance	All actions necessary for retaining an asset as near as practicable to its original condition but excluding rehabilitation or renewal. Maintenance does not increase the service potential of the asset or keep it in its original condition, it slows down deterioration and allows the item to reach the planned useful life. To assist in good asset management practice, maintenance expenditure should be allocated into planned and unplanned expenditure categories.
	<ul> <li>(a) <u>Planned</u></li> <li>Planned activities that enhance the life of the asset, slowing down asset deterioration and delaying the time for asset renewal" (IIMM)</li> <li>Planned maintenance can be described as one of the three activities <ul> <li>(i) Periodic (scheduled) - necessary to ensure the reliability or to sustain the design life of an asset.</li> <li>(ii) Predictive (proactive) - condition monitoring activities used to predict failure</li> <li>(iii) Preventive (programmed) - maintenance it can be initiated without routine or continuous checking (e.g. using information contained in maintenance manuals or manufacturers recommendations) and is not condition based.</li> </ul> </li> </ul>
	(b) <u>Unplanned</u> "Corrective work required in the short term to restore an asset to working condition so it can continue to deliver the required level of service or maintain its level of security and integrity" (IIMM)
Found Assets	Assets that are found and have never been previously recorded, must be valued at fair value at the time the asset is found. The fair value will be recognised as income in the year the asset is found. Fair value for infrastructure assets where there is no reliable market may be estimated using depreciated replacement cost. (IPSAS 17 para 47).
Vested Assets	Assets that are transferred to WDC at nominal or zero cost are valued at fair value.

# APPENDIX C OPERATING VS. CAPITAL CONSTRUCTION PROJECT EXAMPLES

Application: Building Construction and Renovation projects, Infrastructure projects

Preliminary Project Stage and All Other Stages	Development and Implementation Stages	Post Implementation and Operating Stages	
<b>Expense to Operating Budget</b>	Capitalise	Expense to Operating Budget	
Pre-business case costs Investment logic mapping	Design of the chosen path including professional fees,		
Business case preparation Costs relating to project governance	compliance costs Architects, engineers, QS, project manager.		
Business case review	Project quality assurance	Post completion review	
Start-up costs Feasibility studies, concepts and evaluation of alternatives	Site preparation, Demolition costs only when aligned with reinstatement of the asset Initial delivery and handling costs	Costs of demolition, removal and relocation of assets generally	
Final selection of alternatives Procurement Contract negotiations and legal costs	Installation and assembly costs Construction costs Landscape design and installation Signage design and installation	Staff reorganisation and relocation costs	
General administration, overheads and travel costs (including budget development and monitoring)	Staff costs directly contributing to design, project management and construction (Note 2)	Marketing or promotional costs Opening a new facility Staff travel costs	
Training of designers, engineers etc. Conferences and travel costs	Development of O&M manuals and training materials Costs of testing whether the asset is functioning properly	Training of users Travel and accommodation costs	
Catering for project team	Waste management, cleaning and utilities associated with the construction	On-going cleaning, waste management, repairs and maintenance costs, landscape and grounds costs ( <b>Note 1</b> )	
	Furniture, fittings and equipment (See Appendix E for details)	Equipment repairs and maintenance	

**Note 1:** On-going repairs, maintenance and operating costs for buildings, infrastructure and grounds must be expensed in the year the expense is incurred, irrespective of their inclusion in a capital construction or installation contract.

**Note 2:** "The cost of an item of property, plant and equipment shall be recognised as an asset if and only if... (b) The cost or fair value of the item can be measured reliably" (PBE IPSAS 17 para 14). Therefore, internal staff costs charged to projects must be clearly attributable to individual projects or such costs will be re-expensed to operating budgets when incurred.

## APPENDIX D OPERATING VS. CAPITAL SOFTWARE PROJECT EXAMPLE

Application: Business systems development projects

Preliminary Project Stage and All Other Stages	Development and Implementation Stages	Post Implementation and Operating Stages
<b>Expense to Operating Budget</b>	Capitalise	Expense to Operating Budget
Pre-business case costs Investment logic mapping	Design of the chosen path including development of	Software as a Service (SaaS) costs
Business case preparation Research phase	detailed requirements, software configuration and interfaces.	
	SaaS custom configuration	
Business case review	Project quality assurance	Post completion review
Evaluation of alternatives	Software licenses and installation	Annual support costs ( <b>Note 4</b> ) Software maintenance costs
Final selection of alternatives Procurement Contract negotiations and	Software purchased or developed to migrate old information to the new system	Data cleansing and normalisation of old data for the new system.
associated legal costs	Fees to register a legal right	
General administration and overheads (including budget development and monitoring) Catering for project team Stationery	Coding, programming, systems testing and UAT (wherever backfill cost is incurred) Staff costs directly contributing to design, project management and implementation( <b>Note 3</b> )	Application maintenance, operating, backups and DB administration. Internally generated brands, publishing titles, lists of users of a service.
Training of developers Conferences and travel costs	Development of technical manuals	Training of users Travel and accommodation costs
Start-up costs identified inefficiencies and initial operating losses incurred before the asset achieves planned performance	Upgrades to add new modules or significant enhancements in functionality	Upgrades to maintain a supported application
Cost relating to project governance groups	Hardware/equipment to support the software (See Appendix E for details)	Equipment repairs and maintenance
Stakeholder meetings		Staff reorganising costs

Software purchased to operate instruments or machines, where the software is integral to the operation of the equipment should be capitalised as property, plant and equipment. Computer operating systems should be capitalised with the computer hardware.

**Note 3:** If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure as if it were incurred in the research phase only (PBE IPSAS 31 para 51). Internal staff costs charged to projects must be clearly attributable to individual projects or such costs shall be re-expensed to operating budgets when incurred.

## APPENDIX E OPERATING VS. CAPITAL EQUIPMENT PROJECT EXAMPLE

Application: Equipment Purchases

Preliminary Project Stage and All Other Stages	Development and Implementation Stages	Post Implementation and Operating Stages
Expense to Operating Budget	Capitalise	Expense to Operating Budget
Pre-business case costs		
Investment logic mapping		
Business case preparation		
Business case review	Project quality assurance	Post completion review
Feasibility studies and	Site preparation,	Disposal costs generally
Evaluation of alternatives	Freight and handling costs	
Final selection of alternatives	Installation and assembly costs	Warranty Costs (Note 5)
Procurement	-	Insurance
Contract negotiations and legal	refer to Appendix C	
costs	Commissioning Costs	
General administration,	Staff costs directly contributing	Marketing or promotional costs
overheads and travel costs	to project management and	Staff travel costs
	installation (Note 4)	
Training of engineers etc.	Development of O&M manuals	Training of users
Conferences and travel costs	and training materials	Travel and accommodation
		costs
These opex costs also apply to	Costs of testing whether the	Cleaning, operating materials,
the development and	asset is functioning properly	waste management, utility
implementation stage		costs, repairs and maintenance
		costs for the equipment,
		replacement of parts under
		\$1,000 in value.

Assets with diminished *useful life* resulting from delays between procurement and '*in use*' operation, in particular electronic technology, will be subject to impairment due to technological obsolescence (Section 2(6) refers). The time between equipment supply and '*in use*' operation should be minimised. Programmes of work should consider an appropriate procurement strategy with staged supply and payment of equipment.

On-going repairs, maintenance and operating costs for equipment must be expensed in the years the expense is incurred, irrespective of their inclusion in a procurement or installation contract.

**Note 4:** "*The cost of an item of property, plant and equipment shall be recognised as an asset if and only if... (b) The cost or fair value of the item can be measured reliably*" (*PBE IPSAS 17 para 14*). Therefore, internal staff costs charged to projects must be clearly attributable to individual projects or such costs will be re-expensed to operating budgets when incurred.

**Note 5**: Warranties and other operating costs paid in advance at the time of purchase shall be treated as prepayments. Contact the Finance Manager for treatment of prepayments.

## APPENDIX G ASSET TRANSFER FORM

Asset number	
Serial number	
Current cost centre	
Description of item	
New cost centre	
Reason for transfer	
Transfer date	
Transfer authorised by	
Signed	
Date	

## Finance to complete:

New asset number

Transfer completed by

Upon completion, the signed form needs to be emailed to the Finance Manager.

## APPENDIX G ASSET DISPOSAL FORM

Asset number	
Serial number	
Disposal date	
Disposal method	
Account code for proceeds	
Invoice/Receipt number	
Proceeds	
Disposal cost	
Description of item	
Reason for disposal	
Disposal prepared by	
Date	
Disposal authorised by	
Signed	
Date	

Upon completion, the signed form needs to be emailed to the Finance Manager.

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