



FINANCE AND CORPORATE COMMITTEE AGENDA

THURSDAY 2 AUGUST 2018

11:00 am ORC Council Chamber
Level 2, Phillip Laing House, 144 Rattray Street, Dunedin

Membership

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

Disclaimer

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

For our future

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1. APOLOGIES

2. LEAVE OF ABSENCE

3. ATTENDANCE

4. CONFIRMATION OF AGENDA

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

5. CONFLICT OF INTEREST

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

6. PUBLIC FORUM

Minimum Flow Manuherikia Catchment.

Speakers from the Manuherikia Community:

Graeme Martin

Andrew Patterson

Jan Manson

Sally Dicey

7. PRESENTATIONS

8. CONFIRMATION OF MINUTES

Recommendation

That the minutes of the (public portion of the) meeting held on 21 September 2017 be received and confirmed as a true and accurate record.

Attachments

1. Finance and Corporate Committee - 13 June 2018 [8.1.1]

9. ACTIONS

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

Report No.	Meeting	Resolution	Status
10.1. 2018-2018 Long Term Plan Hearing Committee recommendations	13/6/2018	State of the Environment Water Monitoring <i>Amendment - install all three lakes buoys in the next financial year. (Year 1 of the LTP)</i>	Implemented

		<p>Biodiversity & Pests - Predator free Dunedin <i>Approves \$300,000 to Predator Free Dunedin in year 1 LTP funded equally from the environmental enhancement fund and general reserve and that potential funding and funding method for years 2 – 5 is consulted as part of the 2019 Annual Plan.</i></p>	Implemented
		<p>Lake Dunstan – Lagarosiphon control <i>Consider an additional \$25,000 funding in our next year's LTP</i></p>	For consideration in the 2019 Annual Plan.
		<p>Regional Leadership - establishment of an Alpine Lakes Technical Advisory Group (TAG) <i>Direct staff to consider and report back to Council benefits and risks on the establishment of an Alpine Lakes Technical Advisory Group (TAG).</i></p> <p><i>The Chief Executive is asked to report on establishing a water advisory group with technical expertise.</i></p>	
		<p><i>Directs Council staff to implement the recommendations in attachment 1 along with any amendments decided at the 13 June 2018 Finance and Corporate meeting to complete the Long Term Plan for Council approval at its 27 June 2018 meeting</i></p> <p><i>Notes that the Council's external auditors will complete the legal requirement of auditing and reporting on the Long Term Plan 2018-28 based on the recommendations of the 13 June Finance & Corporate Committee meeting</i></p> <p><i>Notes that the Council Rates Resolution will be put to the 27 June Council meeting following adoption of the Long Term Plan 2018-28.</i></p>	CLOSED. Council meeting 27 June 2018
Wanaka Depot leasing proposal	13/6/2018	<p><i>That the motion be left to lie on the table and discuss at next round.</i></p> <p><i>That Council considers whether it</i></p>	

		wishes to financially support community groups such as ALREC either financially or in-kind.	
Passenger Transport Update	13/6/2018	<i>That no further action be taken on the development of a central city bus loop and the DCC be advised of this decision and provided a copy of the attached report.</i>	
Director's Report <u>Peninsula Bus Service Petition</u>	13/6/2018	<p>a) <i>Council grant the ten-minute timetable change 7:47 am bus from Portobello as soon as practicable.</i></p> <p>b) <i>That Council make a small route adjustment as requested in option B of the petition for the now 7:47 am bus and for the new 3:08 pm bus when implemented.</i></p> <p>c) <i>That the introduction of 3:08 pm service is investigated further including undertaking negotiations with the operator and seeking NZTA funding approval and do this as soon as practicable.</i></p> <p><i>That legal comment is sought on the trip point for significance policy of the RPTP and a report be brought back to the 27 June Council meeting</i></p>	

Attachments

1. Actions Finance & Corporate - 13 June 2018 **[9.1.1]**

10. MATTERS FOR COUNCIL DECISION

10.1. Port Otago Ltd - Statement of Corporate Intent

Prepared for: Finance and Corporate Committee
Report No. CS1829
Activity: Governance Report
Prepared by: Nick Donnelly, Director Corporate Services
Date: 18 July 2018

1. Précis

Each year the Board of Port Otago Limited is required to provide, for the comment of Council as shareholder, a Draft Statement of Corporate Intent (SCI). The Draft Statement of Corporate Intent for the three years to 30 June 2021 has been received and is attached for Council's consideration and comment.

2. Draft Statement of Corporate Intent

The Draft Statement of Corporate Intent sets out the objectives of the group, and the intended nature and scope of activities for the three-year period to 30 June 2021. The three-year scenario covered by the Draft Statement is reviewed annually on a rolling basis. The Chair and Chief Executive of Port Otago Limited will be in attendance to answer any questions.

The Statement of Corporate Intent process is the formal opportunity for Council, as 100% shareholder of the Port Otago Group, to have input into the intended activities of the company and its subsidiaries.

Key aspects of the objectives include:

1. To provide a quality service to cargo owners (Customers) and shipping lines (Partners) by way of a competitive choice in the supply chain.
2. To provide staff with, a safe working environment, satisfying rewards and opportunities and training for increased responsibilities and advancement within the Group.
3. To continue to review activities and services focusing on continuous improvements and optimum utilisation of staff and resources to meet the demands of changing trade patterns.
4. To implement pricing and cost management strategies so that long term profits are earned to give shareholders an appropriate return on the port infrastructure and to provide funds for future development of the Group.
5. To recognise in all aspects of the Group's activities the environmental sensitivity of the Otago Harbour and the impact on local communities.
6. To conduct itself as a good corporate citizen consulting on matters of public interest.
7. To communicate the Company's plans and achievements to staff, shareholders and the wider community and to be receptive to constructive comment.
8. To manage the investment property portfolio through active acquisition, development and, at times, divestment to produce a diversified portfolio by property type and location.

9. To manage investment property holdings to achieve the best long-term value gain while limiting exposure to undeveloped land.

Specific activities for the year ending 30 June 2019 include:

Port Otago – port operations

- a. Continue to build the safety culture across all aspects of the business.
- b. Adapt to changes in the global shipping industry to ensure appropriate services are available to our customers, investing in appropriate wharf infrastructure to enable sustainable cargo flows for future generations.
- c. Continue to invest in cruise infrastructure and resources to accommodate the expected 120 cruise ship visits.
- d. Complete the Fryatt Street log yard expansion to provide additional capacity for our log customers.
- e. Continuation of dredging in the harbour to facilitate the safe access of ships to berths and cater for larger ships.
- f. Complete the extension to the Multi-Purpose wharf.
- g. Complete the Boiler Point fishing wharf to enable the public to enjoy this new public amenity.
- h. Obtain a resource consent for the new beach project at Te Rauone and start construction of the groynes.
- i. Evaluate replacing Port Otago Head Office at Port Chalmers.
- j. Commence the removal of material from the Flagstaff Hill.
- k. Complete the removal of asbestos and demolish the Fryatt Street Sheds and make safe for public use. Removal of all remaining asbestos from Port Otago facilities to move to an asbestos-free workplace.
- l. Continue to work constructively with community consultative groups. Continue to review and refresh, when required, community engagement.
- m. Continue to engage and support the Harbourside vision alongside Otago Regional Council, Dunedin City Council and University of Otago.

Chalmers Properties Limited, subsidiary and joint ventures

- a. Continue to implement the strategy for enhancement of the property portfolio.
- b. Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- c. Continue with the development and realisation through land sales or leased assets of the Te Rapa Gateway property in Hamilton.

3. Performance Targets

Performance targets in relation to trade, container terminal productivity, environmental, health and safety, and financial measurement and performance are also set out in the document.

4. Shareholders' Funds

The expected level of shareholders' funds as at June 2019 is \$457 million.

5. Recommendation

That the attached Draft Statement of Corporate Intent for Port Otago Limited and its subsidiaries and associates for the three years to 30 June 2020 be endorsed.

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

1. Port Otago - Statement of Corporate Intent to 2021 **[10.1.1]**

10.2. Passenger Transport Update

Prepared for: Finance and Corporate Committee
Report No. CS1834
Activity: Transport – Public Passenger Transport
Prepared by: Julian Phillips and Stephen Patience
Senior Transport Operations Officers
Gerard Collings, Manager Support Services
Date: 20 July 2018

1. Précis

This report provides the Finance and Corporate Committee with an update on the required change to the Regional Public Transport Plan (RPTP) for the Peninsula Service and an overview of the performance of both the Dunedin and Wakatipu public transport networks.

2. Peninsula Service

Preparation for the required consultation for the Route 18 (Peninsula service) amendment to the Regional Public Transport Plan is underway.

Consultation will be targeted towards current users of the service, with information and feedback forms distributed on-bus. The consultation document will also be available online or by request in hard copy (the draft RPTP amendment).

Staff are currently working on developing the necessary consultation documentation to be made available to the public onboard buses on route 18 as well as online. Staff will also ensure that the appropriate community members are made aware of the consultation period by way of social media.

Targeted consultation is currently scheduled to run from Monday 13th to Friday 24th August with hearings to be scheduled for September.

3. Dunedin Network Performance

Appendix 1 provides an overview of network performance on a month by month basis for the last year showing a strong performance in both patronage and revenue for the 12 month period. June 2018 patronage is up on the same period of 2017 by 10%.

The strong performance of the Dunedin network is as expected as a result of the increased levels of service and higher fuel prices.

4. Queenstown Network Performance

Appendix 2 provides an overview of network performance from the commencement of the new services from the beginning of December 2017. While the network has exceeded expectations to date congestion issues along SH 6 between Frankton and Queenstown continues to be of concern causing issues with some of the connecting services at Frankton Hub.

Recommendation

- a) That this report be received.

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

1. App 1 - Dunedin and Wakatipu Transport Network Performance June 2018
[10.2.1]
2. App 2 - Dunedin and Wakatipu Transport Network Performance June 2018
[10.2.2]

10.3. Insurance Renewal

Prepared for: Finance and Corporate Committee
Report No. CS1831
Activity: Governance Report
Prepared by: Gerard Collings, Support Services Manager
Date: 16 July 2018

1. Précis

Council staff have finalised renewal of Council's insurance cover, with an overall premium increase of 8%.

2. Renewal Update

Staff have completed the renewal of Council's existing insurance policies for the period 4 pm 30 June 2018 to 4 pm 30 June 2019.

This year there has been an increase in most of Council's policies. The most significant being the *Material Damage* policy which is primarily due to an increase in the Fire Service Levy which was signalled last year.

Harbourmaster and wreck removal cover is provided under Council's Professional Indemnity and Public Liability Insurance cover.

3. Summary of Cover

The insurance categories and a comparison of premiums between the 2016/17 and 2017/18 years are scheduled below:

Cover	Premium		
	Excess \$	2017/18 \$ excl. GST	2018/19 \$ excl. GT
Material Damage (property, contents)	See note i)	66,807	79,482
Business Interruption	5,000	3,654	3,919
Motor Vehicle	1,000	46,089	44,362
Fidelity Guarantee	25,000	8,500	9,136
Personal Accident	Nil	4,364	5,222
Professional Indemnity & Public Liability Insurance	5,000/10,000	29,400	31,343
Employers & Statutory Liability & Defence costs		12,694	14,212
Travel		1,518	1,025
Total		173,026	188,161

Notes:

- i) The excess of Material Damage claims are as follows:

Subsidence and Landslip:	\$50,000.
Natural Disasters (as defined in the policy):	5-10% of the Material Damage site. Sum insured minimum \$5,000.
All other claims:	\$5,000 per claim.
- ii) Fidelity, the level of cover at \$2,000,000.
- iii) Public Liability and Professional Indemnity Limit - \$300,000,000
- iv) Harbourmaster's liability at \$25,000,000.
- v) Employers and Statutory Liability at \$2,000,000.
- vi) Defence Costs associated and additional to v) above at \$1,000,000.

4. Recommendation

- a) *That this report be noted*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

10.4. Director's Report

Prepared for: Finance and Corporate Committee
Report No. CS1832
Activity: Governance Report
Prepared by: Nick Donnelly, Director Corporate Services
Date: 18 July 2018

1. Précis

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

2. Account Payments

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

Payment Category	May 2018	June 2018	Total
Trade payments	7,450,553.21	6,716,671.53	14,167,224.74
Payroll	839,355.45	1,048,905.92	1,888,261.37
Total	8,289,908.66	7,765,577.45	16,055,486.11

3. Recommendation

- a) *That this report is received.*
- b) *That the payments summarised in the table above and detailed in the payments schedule, totalling \$16,055,486.11 be endorsed.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

11. MATTERS FOR NOTING

11.1. Financial Report to 31 May 2018

Prepared for: Finance and Corporate Committee
Report No. CS832
Activity: Financial Report to 31 May 2018
Prepared by: Stuart Lanham, Finance Manager
Date: 13 July 2018

1. Précis

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

2. Statement of Comprehensive Revenue and Expenses

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

Otago Regional Council					
Statement of Comprehensive Revenue and Expenses					
for the eleven months ended 31 May 2018					
<i>\$000's</i>					
Description	Note	Annual Budget	Year to date 31 May 2018		
			Budget	Actual	Variance
Revenue:					
Rate revenue		20,910	19,167	19,165	(2)
Government subsidies	2.1	11,926	11,001	8,994	(2,007)
Other revenue	2.2	11,449	10,409	9,504	(905)
Dividend from Port Otago Ltd	2.3	9,000	8,250	8,250	-
Interest & investment income	2.4	1,512	1,386	2,114	728
Rental income		1,002	918	964	46
Investment property revaluation gain	2.5	333	-	-	-
		56,132	51,131	48,991	(2,140)
Less expenses:					
Operating expenses		39,748	36,435	36,256	179
Employee benefits expense		15,311	14,035	14,101	(66)
Depreciation & amortisation		2,014	1,846	1,862	(16)
Finance expenses		2	2	2	-
		57,075	52,318	52,221	97
Surplus/(deficit)		(943)	(1,187)	(3,230)	(2,043)
Income tax benefit		115	105	90	(15)
Surplus/(deficit) after tax		(828)	(1,082)	(3,140)	(2,058)
Other comprehensive revenue & expense:					
Revaluation gain on POL shares	2.6	10,000	-	-	-
Net Comprehensive Revenue and Expense		9,172	(1,082)	(3,140)	(2,058)

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

Note 2.1 – Government Subsidies

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

Subsidy income from the Public Passenger Transport project is down \$1,531,000 on the budget of \$9,372,000.

The main variance in this activity group is the electronic ticketing system replacement project. The annual budget anticipated the project would be funded from NZ Transport Agency subsidies of \$2,003,000 and drawings on transport reserves. This is a complex project involving a consortium of nine regional councils and the project is running behind the budgeted timeline. Consequently, revenue from government subsidies is down \$1,454,000 on the year to date budget of \$1,836,000.

Subsidy income related to contracted bus services in Queenstown is \$198,000 lower than the budgeted amount of \$904,000 due to services commencing later in the year than provided for in the budget.

The Wilding Pines project has actual income of \$764,000 against the budget of \$1,200,000 resulting in a variance of \$436,000. Funding from Ministry for Primary Industries (MPI) for the full year of \$1,185,000 (GST exclusive) has been received, however the amount of revenue reflected in the Statement of Revenue and Expenditure is only the amount required to match the actual expenditure incurred to date and currently that expenditure is running behind the budgeted timeline.

Note 2.2 – Other Revenue

The amount of other revenue earned of \$9,504,000 is \$905,000 less than the budgeted amount of \$10,409,000.

The budgeted other revenue income category largely comprises revenue that is directly related to the level of activity undertaken. The projects contributing significantly to the variance, and being largely due to lower levels of activity, are the resource consents and compliance monitoring projects, with a combined variance of \$752,000 against budgets totaling \$2,160,000, and external pest control contracting with a variance of \$313,000 against the budget of \$403,000 due to lower demand in that activity.

Note 2.3 – Dividend Income from Port Otago Limited

The total dividend budgeted for the year, and expected to be received for the year, amounts to \$9.0 million. This includes a special dividend of \$1.5 million.

In the financial statements, dividend income is accrued evenly during the year based on the total dividends expected to be received in the year to 30 June 2018.

Note 2.4 – Interest and Investment Income

This revenue line comprises interest earned on term deposits and bank accounts of \$1,006,000, and an increase in fair value of the managed fund portfolio of \$1,108,000.

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

Note 2.5 – Investment Property Revaluation Gain

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

Note 2.6 – Revaluation Gain on Port Otago Ltd Shares

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

3. Statement of Financial Position

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

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

		\$000's		
Description	Note	Budget 30 June 2018	Actual 31 May 2018	Actual 30 June 2017
Current assets				
Other financial assets	3.1	41,198	43,897	54,057
Cash and cash equivalents	3.1	3,765	4,128	4,433
Trade and other receivables	3.2	3,286	6,791	3,568
Dividends receivable	3.3	-	4,250	-
Property held for sale		1,284	214	1,093
Other current assets		207	285	261
		49,740	59,565	63,412
Non-current assets				
Shares in Port Otago Ltd	3.4	438,239	439,037	439,037
Property plant and equipment		93,922	89,969	86,313
Investment property	3.5	11,431	10,825	10,825
Intangible assets		3,357	2,224	2,066
Deferred tax asset		98	90	98
		547,047	542,145	538,339
Total assets		596,787	601,710	601,751
Liabilities – all current				
Revenue in advance	3.6	-	2,239	-
Trade and other payables		4,134	8,403	7,159
Employee entitlements		1,483	1,316	1,665
		5,617	11,958	8,824
Net assets		591,170	589,752	592,927
Public equity and revaluation reserves				
Public equity		133,746	129,641	133,549
Available-for-sale revaluation reserve	3.4	418,239	419,037	419,037
Asset revaluation reserve	3.5	9,370	8,764	8,764
		561,355	557,442	561,350
Other reserves				
Building reserve		13,770	13,256	13,614
Kuriwao endowment reserve		6,339	6,424	6,361
Asset replacement reserve		4,560	6,853	5,820
Emergency response reserve		4,168	4,170	4,033
Water management reserve		736	1,103	1,427
Environmental enhancement reserve		242	504	322
		29,815	32,310	31,577
Total equity and reserves		591,170	589,752	592,927

Note 3.1 – Other Financial Assets and Cash and Cash Equivalents

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

Note 3.2 – Trade and Other Receivables

The receivables amount at 31 May of \$6.791 million, includes rate receivables of \$0.956 million, and \$3.0 million in transport subsidies from NZ Transport Agency and other transport receivable accruals.

Note 3.3 – Dividends Receivable

The dividend receivable amount of \$4.25 million reflects the year to date accrual of income of \$8.25 million, less the dividends received to date amounting to \$4.0 million.

Note 3.4 – Shares in Port Otago Ltd and Available-for-sale Revaluation Reserve

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

Note 3.5 – Investment Property and Asset Revaluation Reserve

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

Note 3.6 – Revenue in Advance

Rate revenue is allocated evenly over the twelve-month period to 30 June 2018. The revenue in advance amount includes \$1.744 million being the portion of rate revenue invoiced in August 2017, that will be released to the statement of revenue and expenses in June 2018.

4. Activity Expenditure

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

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

**Otago Regional Council
Statement of Activity Expenditure
for the eleven months ended 31 May 2018**

Activities	Note	Annual Budget	\$000's		
			Year to date 31 May 2018		
			Budget	Actual	Variance
Environment					
Air		423	373	414	(41)
Environmental Incident Response		1,412	1,325	1,474	(149)
Land	4.1	4,113	3,858	3,120	738
Rivers and Waterway Management		1,889	17,60	1,538	222
Water	4.2	9,848	9,087	7,838	1,249
		17,685	16,403	14,384	2,019
Community					
Democracy		1,570	1,443	1,442	1
Public Information and Awareness		2,012	1,852	1,963	(111)
Financial Contributions		350	321	321	-
Land Air Water Aotearoa		427	393	494	(101)
Dunedin Head Office Replacement	4.3	665	611	59	552
Regional Economic Development		0	0	8	(8)
		5,024	4,620	4,287	333
Regulatory					
Policy Development		191	177	518	(341)
Consents		1,798	1,652	1,324	328
Compliance		1,289	1,182	942	240
Harbour Management		406	367	756	(389)
		3,684	3,378	3,540	(162)
Flood Protection and Control Works					
Leith Scheme	4.4	2,993	2,643	4,005	(1,362)
Taieri Schemes	4.5	2,014	1,875	2,518	(643)
Clutha Schemes	4.6	1,977	1,826	1,368	458
Other projects		398	370	282	88
		7,382	6,714	8,173	(1,459)
Safety and Hazards					
Emergency Management		2,412	2,222	2,386	(164)
Natural Hazards		1,329	1,233	1,421	(188)
		3,741	3,455	3,807	(352)
Transport					
Regional Land Transport Planning		318	293	281	12
Public Passenger Transport	4.7	24,357	22,189	21,124	1,065
Stock Truck Effluent Disposal Sites		508	436	161	275
		25,183	22,918	21,566	1,352
Total		62,699	57,488	55,757	1,731

* Variances – bracketed variances denote expenditure that exceeds the budget.

Note 4.1 – Land

The most significant variance in the Land projects is the Wilding Pines project which is underspent by \$409,000 against the budget of \$1,420,000. MPI funding for the project has been approved and received, however the seasonal weather change is beginning to impede further work and will now likely result in an underspend at year end.

The Pest Management Strategy compliance monitoring project is underspent by \$260,000 against the budget of \$1,252,000 and is largely attributable to staff vacancies earlier in the year, which impacted the animal and rabbit work component of the project.

The pest contract work is underspent by \$242,000 against the budget of \$337,000 due to less rabbit contracts being undertaken.

The Control of Pests project is overspent by \$219,000 against the budget of \$70,000 due to K5 virus monitoring work being undertaken.

Note 4.2 – Water

Water related projects with expenditure of \$7,838,000 are \$1,249,000 under-expended against the budget of \$9,087,000.

The rural water quality implementation project is underspent by \$1,012,000 against the budget of \$2,783,000, with the two most significant areas of under-expenditure noted below.

Delays on delivery of the Good Water Project with a change in approach with developing a pilot for the on-site assessments and getting this delivered by an external consultant mean that this element of the project is behind budget. That work is progressing with desktop assessments in progress and the Shag River pilot project underway. Dairy farm inspections were deferred following the July 2017 flood event and the Mycoplasma Bovis outbreak.

The Regional Plan: Water project is underspent by \$586,000, against the budget of \$1,012,000.

Commencement of some plan changes has been reliant on the adoption of the Urban Water Quality Strategy which was delayed but is now progressing. Additionally, a timing variance with the science-related work, the majority of which is yet to be incurred, will reduce following the commencement of external contracts which have now been awarded.

The Coastal Strategy project is underspent by \$338,000 against a budget of \$515,000. The priority of this activity has been reconsidered as part of the 2018-28 Long Term Plan and it is now proposed that preparation of the coastal strategy will be undertaken in later years.

The minimum flows project is overspent by \$725,000 against the budget of \$1,924,000 due to an acceleration of work on the project over the timing reflected in the budget, and additional unbudgeted costs to ensure sufficient hydrological information is available.

Note 4.3 – Dunedin Head Office Replacement

The annual budgeted expenditure of \$665,000 was forecast to be incurred evenly throughout the year, with a year-to-date budget of \$611,000. The acquisition process for the Council's preferred site in Dowling Street has not proceeded in the timeframe envisaged in the budget, and accordingly costs incurred to date have only amounted to \$59,000.

Note 4.4 – Leith Scheme

The Leith Scheme is overspent by \$1,362,000 against the budget of \$2,643,000.

Expenditure of \$2,951,000 has been incurred on the ITS Bend section of the scheme, however the budget for all the ITS Bend work was included in the previous year's budget. In 2016/17 the scheme budget was underspent by \$2,622,000.

The Dundas Street Bridge section of the scheme is underspent by \$1,551,000 against the budget of \$1,943,070. Construction work on this section of the scheme has been deferred until the following financial year.

Note 4.5 – Taieri Schemes

The West Taieri scheme is overspent by \$342,000 against the budget of \$791,000 and the Lower Taieri scheme is overspent by \$274,000 against the budget of \$471,000.

The main cause for the additional expenditure in these schemes is the unbudgeted costs incurred in responding to the significant flood event in late July 2017 and subsequent remediation work.

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

Note 4.6 – Clutha Schemes

The Clutha schemes are underspent by \$458,000 against a budget of \$1,826,000.

The Lower Clutha Scheme accounts for \$416,000 of the variance against a budget of \$1,688,000. The scheme comprises a field operations and maintenance element which is overspent by \$125,000 against a budget of \$610,000, whereas the engineering element of the project is underspent by \$542,000 against the budget of \$1,079,000.

Note 4.7 – Public Passenger Transport

The Public Passenger Transport project is underspent by \$1,065,000 against the budget of \$22,189,000.

The most significant area of under-expenditure is in the cost of contracted bus services, with Dunedin services costing \$407,000 less than the budgeted amount of \$11,458,000 and Wakatipu services costing \$790,000 less than the budgeted amount of \$3,600,000.

Bus services improvements were implemented in Dunedin in September 2017 and Wakatipu services commenced in November 2017. These were budgeted to occur in

July 2017 and October 2017 respectively, and the later commencement dates have resulted in the under-expenditure referred to above.

Expenditure on the electronic ticketing system replacement project is \$444,000 under the budget of \$2,824,000. As referred to in the note to subsidy income, this is a complex project involving a consortium of nine regional councils and the project is running behind the budgeted timeline.

Expenditure on the bus hub project of \$927,000 is \$839,000 more than the budget of \$88,000. This is primarily a timing variance as the budget for the capital expenditure portion of this project reflected in the previous year and has been carried forward.

5. Recommendation

- a) *That this report is received.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

11.2. Council Meeting and Workshop Schedules

Prepared for: Finance and Corporate Committee
Report No. CS1832
Activity: Governance Report
Prepared by: Ian McCabe, Executive Officer
Date: 27 July 2018

1. Précis

The purpose of this report is to brief Council on changes to scheduling for council meetings, committees, and workshops to test options for better utilising councillor and staff time and engagement.

2. Background

Over the last 12 to 18 months, committee agendas have been increasing in size and complexity and there has been a growing demand to allocate quality time for workshops and reference groups. Committees are now routinely full day commitments and opportunities to schedule workshops are being squeezed. We are finding that workshops are forced to be cut short or in many cases deferred because there is no time left available.

Scheduling of workshops to follow council and committee meetings is also not always helpful in terms of informing councillor's discussion and debate. Clearly there are some matters that must be workshopped with staff to get a sense of the scope and the direction that councillors consider a matter should be taken. There will be preparation time required under such circumstances. However, there are also matters where the nuance and finer background detail can sometimes be lost or forgotten when there is an intervening period of at least six weeks between when a matter might be workshopped and then subsequently reported to Council.

3. Proposal

Beginning with this committee round, staff are scheduling committee and council meetings differently to do two things.

Firstly, we are looking at managing the formal workload associated with the committee meetings by scheduling them over two days rather than potentially squeezing them into one. Our observation during recent rounds is that committee meetings held later in the day appear to be under more pressure and tend to be rushed. This affects the quality and robustness of discussion and debate.

There is also scope to ensure that each committee meeting can be formally scheduled for a specific time over the two day period. Current practice around how the committee meetings are run creates uncertainty as to when any specific committee meeting will commence. This affects the accessibility of the meetings to the public. There is no set time for when a meeting will start other than the very first committee meeting of the day.

Secondly, we are looking at establishing a more structured and responsive approach to workshops and briefings by mostly scheduling them before committee and council meetings for each round. Some matters up for discussion during a committee or council meeting may benefit from being workshopped immediately before they are discussed at the meeting proper. This would be particularly helpful in clarifying the

issues included in agendas that are likely to arise during the relevant public discussion and debate and where staff will be required to provide responses and/or advice. These same matters may be covered off during the public debate, but council may find they are able to canvass relevant issues quickly and reach an effective resolution more efficiently.

Changes made for this committee round are set in stone – they are simply a test of whether there is a different or better way. Staff would welcome councillor feedback and input into the effectiveness or otherwise of this round and on potential further changes and/or improvements to future rounds.

At this stage, our intention is to also run workshops in the morning ahead of the next full council meeting on Wednesday 15 August 2018. The council meeting will commence in the early afternoon.

4. Recommendation

That Council:

- 1) **Receive** this report.
- 2) **Note** changes to the scheduling of this committee round and subsequent council meeting are testing options for better and more efficiently utilising councillor staff time and engagement.
- 3) **Provide** feedback to the Chief Executive on the effectiveness or otherwise of the changes to scheduling for this round and on potential further changes and/or improvements for future rounds.

Endorsed by: Sarah Gardner
Chief Executive

Attachments

Nil

12. NOTICES OF MOTION

13. RECOMMENDATIONS OF MEETINGS

13.1. Recommendations of the public portion of the Audit and Risk Subcommittee - 20 June 2018

Recommendations of the public portion of the Audit and Risk Subcommittee meeting held on 20 June 2018, for adoption.

1.1 Annual Report Timetable and Matters Under Consideration

Resolution

That this report is received and noted.

Moved Mr Benham
Seconded Cr Robertson
CARRIED

1.2 Insurance Renewals

Resolution

That this report is received and noted.

Moved Cr Brown
Seconded Cr Robertson
CARRIED

11.1 Risk Report – February 2018

Resolution

That this report is received and noted.

Moved Cr Robertson
Seconded Mr Benham
CARRIED

14. RESOLUTION TO EXCLUDE THE PUBLIC

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

Recommendations of the public excluded Audit & Risk Subcommittee meeting held on 20 June 2018.

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

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General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Adoption of the recommendations of the public excluded portion of the Audit and Risk Subcommittee meeting held on 20 June 2018.	<p>Section 7 (2) (h) Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities; or</p> <p>Section 7 (2) (i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations); or</p>	Section 48(1)(a); Section 7 (2) (h) Section 7 (2) (i)

This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

Adoption of the recommendations of the public excluded portion of the Audit and Risk Subcommittee meeting held on 20 June 2018

Section 7 (2) (h)

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities; or

Section 7 (2) (i)

Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations); or

I also move that Mr Nick Donnelly be permitted to remain at this meeting after the public has been excluded, because of their knowledge of the matters subject to the recommendations. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to the matter because of their membership or attendance of the Audit and Risk Subcommittee.

15. CLOSURE