



# AGENDA

## **Audit, Risk and Finance Committee**

**Tuesday 18 June 2013  
Commencing following the Council meeting  
to Approve the Annual Plan 2013/14  
Council Chamber  
Civic House  
110 Trafalgar Street, Nelson**

### Membership:

Councillor Ian Barker (Chairperson), His Worship the Mayor Aldo Miccio, Councillors Ruth Copeland (Deputy Chairperson), Gail Collingwood, Paul Matheson, and Mr Graeme Thomas

**18 June 2013**

1528273

---

Page No.

## **Apologies**

### **1. Interests**

- 1.1 Updates to the Interests Register
- 1.2 Identify any conflicts of interest in the agenda

### **2. Confirmation of Order of Business**

### **3. Confirmation of Minutes – 23 May 2013**

**4-8**

Document number 1520245

Recommendation

***THAT the minutes of the meeting of the Audit, Risk and Finance Committee, held on 23 May 2013, be confirmed as a true and correct record.***

### **4. Status Report – Audit, Risk and Finance**

There are currently no items on the status report.

### **5. Finance Report for the Period Ending 30 April 2013**

**9-29**

Document number 1520421

Recommendation

***THAT the Finance Report for the Period Ending 30 April 2013 (1520421) be received and the variations noted.***

**6. Interim Audit of Nelson City Council for the Year Ending 30 June 2013**

**30-34**

Document number 1510525

Recommendation

***THAT the Interim Audit of Nelson City Council for the Year Ending 30 June 2013 (1510525) be received.***

**Note:**

- **This meeting will be followed by a briefing for all Councillors.**

---

**Minutes of a meeting of the Audit, Risk and Finance Committee**  
**Held in the Council Chamber, Civic House, Trafalgar Street, Nelson**  
**On Thursday 23 May 2013, commencing at 9.04am**

---

Present: Councillor I Barker (Chairperson), His Worship the Mayor A Miccio, Councillors R Copeland (Deputy Chairperson), G Collingwood, P Matheson, and Mr G Thomas

In Attendance: Councillor E Davy, Chief Executive (C Hadley), Senior Accountant (T Hughes), Executive Manager Network Services (A Louverdis), Acting Executive Manager Community Services (R Ball), Executive Manager Regulatory (R Johnson), Executive Manager Kaihautu/Community Services (G Mullen), Manager Policy and Planning (N McDonald), Manager Community Relations (A Ricker), Manager Community Development (K Inwood), Manager Resource Consents (M Bishop), Acting Manager Building (Chris Wood), Administration Adviser (L Canton)

**1. Interests**

Councillor Copeland declared an interest regarding items relating to events.

Mr Thomas declared an interest regarding items relating to earthquake prone buildings.

**2. Confirmation of Order of Business**

There was no change to the order of business.

**3. Confirmation of Minutes – 16 April 2013**

Document number 1494361, agenda pages 4-7 refer.

Resolved

***THAT the minutes of a meeting of the Audit, Risk and Finance Committee, held on 16 April 2013, be confirmed as a true and correct record.***

Thomas/Matheson

Carried

**4. Status Report – Audit, Risk and Finance Committee**

Document number 1374515 v6, agenda page 8 refers.

Resolved

***THAT the Status Report – Audit, Risk and Finance Committee (1374515 v6) be received.***

His Worship the Mayor/Thomas

Carried

**5. Finance Report for the Period Ending 31 March 2013**

Document number 1502301, agenda pages 9-28 refer.

In response to a question, the Chief Executive advised that resource for the storm water activity would be considered in a report to the Council meeting to deliberate on submissions to the draft Annual Plan 2013/14 on 29 and 30 May. With regard to sewerage issues, she said that there was sufficient budget allocated to undertake all necessary activities.

During a discussion, it was agreed that the capital grant for the Suter Gallery was an operational expense for the Council and should therefore be referred to as a grant to the Suter for capital expenditure.

In response to a question about the programmed maintenance budget, the Chief Executive advised that Council Officers had been asked to exercise prudence with operational expenditure to ensure Council achieved the rates rise it had proposed in the draft Annual Plan 2013/14.

It was noted that, once the Nelson North Waste Water Treatment Plant issue was fully resolved, Council would receive an update on the matter.

The Committee noted that Total Rates Outstanding figure for March 2013 represented a significant increase on March 2012. It was agreed that the Council needed to be mindful of the erosion of economic drivers for Nelson City, and the impact of this on commercial activity.

With regard to the Abbreviated Balance Sheet (Attachment 6), the Chief Executive advised that the Chief Financial Officer would provide an explanation to all Councillors by email of why the Ratepayers Equity figure and the Fixed Assets figure had decreased while the Reserves figures and the Bank Term Loans figure had increased.

Resolved

***THAT the Finance Report for the Period Ending 31 March 2013 (1502301) be received and the variations noted.***

Copeland/Collingwood

Carried

## 6. Events Resource Consent Update May 2013

Document number 1499012, agenda pages 29-33 refer.

Manager Community Development, Kath Inwood, joined the meeting and presented the report. She said that since the report (1499012) had been distributed, the Memorandum of Appeal had been lodged with the Environment Court.

Ms Hughes noted a correction to 4.7 of the report (1499012), replacing the reference to the Suter Gallery with the Nelson School of Music.

In response to questions, Ms Hughes explained that rather than altering the budgets, the reallocation of funding would be reflected in actual expenditure figures, which would ensure transparency.

She added that, if the consents were treated as intangible assets and expensed over their 10 year lifespan, it would be likely that Council would be required to write off a considerable portion of the cost of the consents at the end of the 10 years. The issue was discussed with Audit New Zealand, and Council Officers considered it prudent to treat the entire cost as an expense in the first year, Ms Hughes said.

Attendance: Councillor Copeland left the room at 10.00am.

Resolved

***THAT this update on the Events Resource Consents RM115245 and RM125012 be received.***

Recommendation to Council

***THAT the overspend on the budget for the festival activity be covered from budget savings within the District and Regional Plan activity, and the Social Heritage activity.***

His Worship the Mayor/Collingwood

Carried

## 7. Events Resource Consents: Return on Investment

Document number 1507232, agenda pages 34-39 refer.

Manager Community Development, Kath Inwood, presented the report.

During a discussion, the Committee noted that the proposed fees were a cost effective way for event organisers to utilise the Resource Consents.

Attendance: His Worship the Mayor, A Miccio, left the meeting at 10.04am.

Resolved

**THAT the Committee confirm that the consents (RM115245 and RM125012) are a Council investment for which a return should be sought;**

**AND THAT a fee of \$250 be charged for special events, where the event will be using the Council's Resource Consent RM125012 and Site Noise Management Plans;**

**AND THAT this charging regime be reviewed and reported back to the Audit, Risk and Finance Committee in 12 months;**

**AND THAT this report, including its recommendations, be forwarded to Council – Governance.**

Matheson/Collingwood

Carried

## **8. Regulatory Report for 1 January to 31 March 2013**

Document number 1479310, agenda pages 40-47 refer.

Manager Resource Consents, Mandy Bishop, and Acting Manager Building, Chris Wood, joined the meeting. Ms Bishop presented the report.

Attendance: Councillor Copeland returned to the meeting at 10.10am. Councillor Davy sat back from the table and did not participate in the discussion.

During a discussion about Parking Unit Performance, the Executive Manager Regulatory advised that recruitment for one Officer, and a review of how the Unit's resource was focussed, was currently underway.

In response to a further question, Mr Wood said it was anticipated that the Slope Failure Register would be complete by 31 July 2013.

It was noted that details of any street names approved should be included in future reports relating to Hearing Panel Activities.

Resolved

**THAT the Regulatory Report for 1 January to 31 March 2013 (1479310) be received.**

Thomas/Copeland

Carried

There being no further business the meeting ended at 10.30am.

Confirmed as a correct record of proceedings:

\_\_\_\_\_ Chairperson \_\_\_\_\_ Date





---

## **Finance Report for the Period Ending 30 April 2013**

---

### **1. Purpose of Report**

- 1.1 To inform the members of the Audit, Risk and Finance Committee on the financial results of activities for the ten months ending 30 April 2013 compared to budget and to highlight and explain any material variations.

### **2. Recommendation**

***THAT the report be received and the variations noted.***

### **3. Background**

- 3.1 The commentary is prepared comparing actual amounts with year to date budgets. Budgets are phased evenly throughout the year for operating revenue and expenses, and weighted in the second half of the year for capital. Timing variances against budget are caused when seasonality is a factor (for instance with some classes of maintenance), and when total budgeted income or expenditure occurs within a very short space of time (for example, grants). Projections in this report reflect those proposed to be included in the Final Annual Plan 2013/14.

### **4. Discussion**

- 4.1 For the ten months ending 30 April 2013, there is an operating surplus of \$1.5 million, compared with the budgeted deficit of \$4.3 million, a \$5.8 million positive variance. The reasons for the budgeted deficit are loan-funded items such as grants for capital expenditure and the recovery from the December 2011 rainfall event, along with unfunded depreciation on some assets, particularly roading.
- 4.2 Operating income and expenditure are discussed by activity.
- 4.3 Staff expenditure remains under budget year to date. There are large variances against budget in individual activities, reflecting how staff are spending their time against where it was budgeted to be spent. Anticipating (for the budget process) where staff are likely to spend their time is an inexact science, exacerbated as priorities change throughout the year.

## 5. Transport

- 5.1 The transport activity reports a \$583,000 deficit year to date April, \$2.323 million better than the budgeted deficit. The reasons for the budgeted deficit are the December 2011 rainfall event including Cable Bay Road, along with unfunded depreciation on a portion of roading assets.

Transport activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(6,166,694)	(672,964)	(672,964)	(6,729,643)	(6,729,643)	0	(8,075,572)	(7,665,851)	
Operating Income	(4,426,306)	(667,092)	(651,825)	(5,674,852)	(6,518,245)	(843,393)	(7,821,894)	(6,294,359)	5.2
Total Income	(10,593,000)	(1,340,056)	(1,324,789)	(12,404,496)	(13,247,888)	(843,393)	(15,897,466)	(13,960,210)	
<b>Expenses</b>									
Staff	1,479,738	202,824	166,791	1,707,027	1,667,912	(39,116)	2,001,494	1,944,516	
Base Service Provision	4,786,272	569,970	576,640	5,805,045	5,766,396	(38,649)	6,919,675	6,899,256	
Unprogrammed Maintenance	964,602	(488,936)	343,875	694,919	3,438,750	2,743,831	4,126,500	1,068,000	5.3
Programmed Maintenance	182,193	(56,784)	33,583	26,632	335,833	309,202	403,000	130,000	5.4
Financial Charges	854,778	80,880	95,054	834,819	950,544	115,725	1,140,653	1,019,245	
Depreciation	3,753,384	391,930	399,436	3,919,301	3,994,355	75,054	4,793,226	4,740,045	
Total Expenses	12,020,967	699,884	1,615,379	12,987,742	16,153,790	3,166,048	19,384,548	15,801,062	
Net Surplus/Deficit	1,427,967	(640,172)	290,590	583,247	2,905,902	2,322,655	3,487,082	1,840,852	5.1

- 5.2 New Zealand Transport Agency grants are under budget by \$1.062 million mainly due to the timing and reclassification of the Cable Bay Road project. These changes are reflected in the projections. Parking income is \$370,000 (23%) under budget. This is mainly in off-street meters and is a similar variance to the same time last year. Parking is subject to seasonality however the summer peak has now passed. This is an area that will be investigated further as part of the work around parking strategy scheduled for early next financial year. Offsetting this, Public Transport revenue is \$170,000 above budget from ticket revenue, and unsubsidised roading recoveries is \$303,000 above budget also mainly due to the UFB rollout. Roothing properties revenue is \$66,000 over budget mainly due to rent not being budgeted for.
- 5.3 The Cable Bay Road reinstatement is under budget by \$2.708 million at this time. The construction work is now expected to start August 2013. Please note that this work has been reclassified as capital expenditure in the projections.
- 5.4 Programmed Maintenance is \$309,000 under budget in the Studies and Strategies budgets such as parking strategy and the arterial corridor study which have been moved into the next financial year in the final projections (\$188,000 variance). Also Asset management planning program is \$112,000 under budget year to date due to limited resources.

## 6. Water

- 6.1 The water activity reports a \$410,000 surplus year to date April, \$713,000 better than budgeted. The reason for the budgeted deficit is the December 2011 rainfall event.

Water supply activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	0	0	0	0	0	0	0	0	
Operating Income	(9,178,715)	(924,546)	(920,580)	(9,015,314)	(9,205,798)	(190,484)	(11,046,958)	(10,730,368)	6.2
Total Income	(9,178,715)	(924,546)	(920,580)	(9,015,314)	(9,205,798)	(190,484)	(11,046,958)	(10,730,368)	
<b>Expenses</b>									
Staff	798,954	49,586	55,210	513,102	552,104	39,003	662,525	551,851	
Base Service Provision	1,770,686	319,460	232,759	2,272,618	2,327,588	54,970	2,793,106	2,940,882	
Unprogrammed Maintenance	1,464,539	169,843	209,974	1,471,319	2,099,744	628,426	2,519,693	1,896,693	6.3
Programmed Maintenance	19,475	157	9,876	10,303	98,761	88,458	118,513	33,513	
Financial Charges	1,263,602	111,986	114,577	1,080,695	1,145,774	65,079	1,374,929	1,346,135	
Depreciation	3,170,049	325,720	328,433	3,257,203	3,284,327	27,124	3,941,192	3,915,129	
Total Expenses	8,487,306	976,753	950,830	8,605,239	9,508,298	903,059	11,409,958	10,684,203	
Net Surplus/Deficit	(691,409)	52,207	30,250	(410,075)	302,500	712,575	363,000	(46,165)	6.1

- 6.2 Water revenue is under budget by \$190,000 to April, however given the dry summer it is expected revenue will be higher once the six monthly residential meter readings are finished being invoiced in May.
- 6.3 \$283,000 of the underspend in un-programmed maintenance is due to there being only \$44,000 spent year to date on the December 2011 rainfall event recovery in this activity. The estimations of what was required for the recovery work were too high and excess budget was transferred to the Stormwater activity (see 8.2). Reactive maintenance for water reticulation is currently under budget by \$345,000. Expenditure for both these items has been projected down, by \$333,000 and \$290,000 respectively in the second projection. Urgent maintenance is undertaken as needed, with less urgent maintenance such as pump station overhauls completed in quarter four.

## 7. Wastewater

- 7.1 The wastewater activity reports a \$237,000 deficit year to date April, \$50,000 worse than budgeted. The reason for the budgeted deficit is the December 2011 rainfall event.

Wastewater activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(5,202,028)	(536,352)	(536,352)	(5,363,521)	(5,363,521)	( )	(6,436,225)	(6,456,551)	
Operating Income	(2,022,481)	(302,507)	(304,813)	(2,826,882)	(3,048,125)	(221,243)	(3,657,750)	(3,470,750)	7.2
Total Income	(7,224,509)	(838,859)	(841,165)	(8,190,403)	(8,411,646)	(221,243)	(10,093,975)	(9,927,301)	
<b>Expenses</b>									
Staff	539,365	46,315	43,746	451,159	437,455	(13,704)	524,946	480,221	
Base Service Provision	5,133,329	600,166	513,560	5,045,795	5,135,597	89,801	6,162,716	6,299,499	
Unprogrammed Maintenance	23,321	35,878	60,792	457,357	607,917	150,560	729,500	639,500	7.3
Programmed Maintenance	21,491	25,688	16,917	60,269	169,167	108,898	203,000	139,500	
Financial Charges	0	0	0	0	0	0	0	0	
Depreciation	2,164,237	241,377	224,901	2,413,022	2,249,011	(164,011)	2,698,813	2,902,608	7.4
Total Expenses	7,881,743	949,424	859,915	8,427,602	8,599,146	171,544	10,318,975	10,461,328	
Net Surplus/Deficit	657,234	110,565	18,750	237,199	187,500	(49,699)	225,000	534,027	7.1

7.2 For the purposes of this report, the Nelson Regional Sewerage Business Unit (NRSBU) investment return, year to date \$846,000 against \$745,000 budgeted, has been accrued. Trade waste income is \$37,000 under budget as a result of a prior year rebate adjustment, and some effect from closing down of the Sealord shellfish facility earlier than anticipated. The remainder of this variance relates to the NRSBU consolidation and is offset in expenditure.

7.3 Unprogrammed maintenance is \$150,000 under budget mainly due to the 2011 emergency event.

## 8. Stormwater

8.1 The stormwater activity reports a \$957,000 deficit year to date April, \$874,000 worse than budgeted. The reason for the budgeted deficit is the December 2011 rainfall event and this is also the reason why the activity deficit is worse than budgeted (see 8.2).

Stormwater activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(3,464,443)	(317,823)	(317,823)	(3,178,233)	(3,178,233)	( )	(3,813,880)	(3,572,996)	
Operating Income	(820)	0	0	(23,489)	0	23,489	0	0	
Total Income	(3,465,263)	(317,823)	(317,823)	(3,201,723)	(3,178,233)	23,489	(3,813,880)	(3,572,996)	
<b>Expenses</b>									
Staff	465,927	52,933	39,342	474,213	393,421	(80,792)	472,105	650,890	
Base Service Provision	410,346	17,048	25,035	206,294	250,350	44,056	300,420	279,215	
Unprogrammed Maintenance	472,912	89,825	25,583	1,346,767	255,833	(1,090,934)	307,000	1,382,275	8.2
Programmed Maintenance	0	0	0	0	0	0	0	0	
Financial Charges	986,127	71,370	76,470	748,589	764,701	16,112	917,641	892,778	
Depreciation	1,536,741	138,305	159,726	1,383,055	1,597,262	214,207	1,916,714	1,665,313	8.3
Total Expenses	3,872,053	369,481	326,157	4,158,917	3,261,567	(897,351)	3,913,880	4,870,471	
Net Surplus/Deficit	406,790	51,657	8,333	957,195	83,333	(873,861)	100,000	1,297,475	8.1

8.2 There is a \$1.105 million overspend in the December 2011 rainfall event recovery. The major projects report to the 21 February 2013 Council meeting agreed reallocations from water, wastewater and roading for the 2011 emergency event to cover this, which has been reflected in the projections.

8.3 Depreciation on Flood Protection assets was incorrectly budgeted in this activity. This has been corrected in the projections.

## 9. Flood Protection

9.1 The flood protection activity reports an \$98,000 deficit year to date April, \$98,000 worse than budgeted.

Flood protection activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	0	(10,179)	(10,179)	(101,788)	(101,788)	0	(122,146)	(373,817)	
Operating Income	0	0	0	0	0	0	0	0	
Total Income	0	(10,179)	(10,179)	(101,788)	(101,788)	0	(122,146)	(373,817)	
<b>Expenses</b>									
Staff	0	252	0	1,951	0	(1,951)	0	2,573	
Base Service Provision	0	687	750	4,530	7,500	2,970	9,000	7,000	
Unprogrammed Maintenance	0	3,302	8,583	86,131	85,833	(298)	103,000	326,225	
Programmed Maintenance	0	0	0	0	0	0	0	0	
Financial Charges	0	559	846	3,267	8,455	5,188	10,146	3,775	
Depreciation	0	10,354	0	103,537	0	(103,537)	0	124,244	9.2
Total Expenses	0	15,154	10,179	199,416	101,788	(97,628)	122,146	463,817	
Net Surplus/Deficit	0	4,975	0	97,628	0	(97,628)	0	90,000	9.1

9.2 Depreciation on flood protection assets was incorrectly budgeted in the Stormwater activity. This has been corrected in the projections.

## 10. Environment

10.1 The environment activity reports a \$1.435 million surplus year to date April, \$1.426 million better than budgeted.

Environment activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(4,289,734)	(511,313)	(515,534)	(5,168,908)	(5,155,342)	13,566	(6,186,410)	(5,312,458)	
Operating Income	(4,951,195)	(742,689)	(799,153)	(7,270,535)	(7,991,534)	(720,999)	(9,589,841)	(9,336,099)	10.2
Total income	(9,240,930)	(1,254,001)	(1,314,688)	(12,439,443)	(13,146,876)	(707,433)	(15,776,251)	(14,648,557)	
<b>Expenses</b>									
Staff	3,518,839	408,584	520,900	4,324,717	5,209,003	884,285	6,250,803	5,932,529	10.3
Base Service Provision	5,133,678	551,176	659,892	5,444,698	6,598,923	1,154,225	7,918,708	7,124,357	10.4
Unprogrammed Maintenance	69,398	6,303	17,417	118,463	174,167	55,703	209,000	207,309	
Programmed Maintenance	366,778	20,430	66,483	354,022	664,833	310,811	797,800	575,089	10.5
Financial Charges	425,730	20,822	20,272	215,390	202,721	(12,669)	243,265	256,262	
Depreciation	243,464	33,860	28,825	337,543	288,247	(49,297)	345,896	407,835	
Total Expenses	9,757,887	1,041,175	1,313,789	10,794,834	13,137,893	2,343,059	15,765,472	14,503,381	
Net Surplus/Deficit	516,957	(212,826)	(898)	(1,644,608)	(8,983)	1,635,626	(10,779)	(145,176)	10.1

- 10.2 Building consent fees are \$291,000 under budget, offset by lower staff costs (\$246,000). Solid waste fees and levies total \$480,000 less than budget – in particular, Landfill fees by \$393,000 and Waste Minimisation by \$80,000. Offsetting this Resource consent fees and LIM revenue are \$99,000 and \$28,000 respectively better than budget year to date.
- 10.3 There has been less staff time spent than budgeted particularly in Resource Consents, Environmental Advocacy, Building Services, and Resource management planning. There is some reflection in revenue particularly in the Building unit.
- 10.4 Resource management planning development expenditure is \$322,000 less than budget year to date. There is projected to be a full year underspend of \$276,000 in the second round of projections. Monitoring the Environment is under budget by \$163,000 year to date and the second projection has a saving against budget of \$89,000. The Emissions Trading Scheme levy for Landfill is under budget by \$303,000 as this liability only commenced in January 2013. It is projected that this liability will be less than \$50,000 for the year due to the depressed price of carbon and this has been factored into the projection. Toe Embankment Maintenance with a year to date budget variance of \$187,000 has largely been put on hold and is being done progressively with \$42,000 projected to be spent this year. The remaining variance in Solid waste reflects lower volumes. The Riskpool claim provision is \$142,000 under budget and there will be no claim made this year as reflected in the projections.
- 10.5 The grant for capital expenditure for the Emergency Operations Centre has not yet been made, resulting in an underspend year to date of \$125,000. The Emergency Operations Centre will be finished in December 2013. Waste Minimisation programmed expenditure is under budget by \$84,000, due largely to expenditure occurring late in the year when TDC pass on our share of costs. There are savings across many of the expenditure lines in the Environmental Advocacy/Advice sub-activity, totalling \$67,000 at this time, \$50,000 of which will be projected as a full-year saving.

## 11. Social

11.1 The social activity reports a \$354,000 deficit year to date April, \$57,000 worse than budgeted. The reason for the budgeted deficit is a grant to the Suter Gallery for capital expenditure.

Social activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(7,544,874)	(832,818)	(832,818)	(8,328,180)	(8,328,180)	0	(9,993,816)	(9,884,736)	
Operating Income	(2,260,694)	(491,621)	(233,628)	(2,599,954)	(2,336,282)	263,672	(2,803,538)	(2,927,036)	11.2
Total Income	(9,805,568)	(1,324,439)	(1,066,446)	(10,928,134)	(10,664,462)	263,672	(12,797,354)	(12,811,772)	
<b>Expenses</b>									
Staff	3,689,028	415,120	396,748	4,060,134	3,967,475	(92,659)	4,760,970	4,898,904	
Base Service Provision	2,690,122	245,498	321,976	3,009,514	3,219,760	210,246	3,863,712	3,636,467	11.3
Unprogrammed Maintenance	217,565	24,308	21,191	234,389	211,908	(22,481)	254,290	305,020	
Programmed Maintenance	2,309,700	144,485	239,618	2,821,109	2,396,178	(424,932)	2,875,413	3,278,473	11.4
Financial Charges	252,594	22,989	31,747	230,517	317,469	86,952	380,963	294,519	
Depreciation	856,149	89,480	96,304	926,407	963,040	36,633	1,155,648	1,140,003	
Total Expenses	10,015,158	941,879	1,107,583	11,282,071	11,075,830	(206,241)	13,290,996	13,553,386	
Net Surplus/Deficit	209,590	(382,561)	41,137	353,937	411,368	57,432	493,642	741,614	11.1

11.2 Festivals income is \$173,000 over budget year to date mainly in the Arts Festival revenue and Opera in the Park as a result of both events having higher revenue than budgeted as well as the budget being phased evenly through the year. Also Brook Camp and Tahuna Camp rentals are over budget \$59,000 and \$60,000 respectively.

11.3 Maintenance, water, and insurance costs for the Theatre Royal and the School of Music are not yet the responsibility of Nelson City Council, generating a \$158,000 saving year to date. There are contract savings of \$115,000 at Marsden Valley Cemetery and Public Toilets \$56,000 offset by a number of smaller negative variances. These have been reflected in final projections.

11.4 There is a timing variance of \$56,000 relating to The Suter grant for capital expenditure and \$64,000 underspend in Community Housing maintenance. Programmed expenditure in Festivals currently shows an overspend of \$408,000. The projection indicates that by June 2013 this will not be an issue due to a combination of higher than budgeted income (see 11.2), transfers of budget within the sub-activity, and the budget phasing 'catching up' with expenditure already incurred. Community Assistance grants are over budget by \$87,000 due to phasing of budgets. Community Development budgets are underspent by \$59,000 in total, most of which is a saving as some budgets incorrectly included staff costs.

## 12. Parks and Active Recreation

12.1 The parks and active recreation activity reports a \$1.113 million surplus year to date April, \$2.058 million better than budgeted. The reasons for

the budgeted deficit are the grant for capital expenditure for the Saxton cycle track along with the December 2011 rainfall event recovery.

**Parks and active recreation activity performance for the period ending 30 April 2013**

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(9,207,409)	(1,017,218)	(1,017,218)	(10,172,177)	(10,172,178)	()	(12,206,613)	(10,501,712)	
Operating Income	(2,201,046)	(247,500)	(231,439)	(2,248,198)	(2,314,388)	(66,191)	(2,777,266)	(2,754,435)	
Total Income	(11,408,455)	(1,264,718)	(1,248,657)	(12,420,375)	(12,486,566)	(66,191)	(14,983,879)	(13,256,147)	
<b>Expenses</b>									
Staff	842,435	94,324	116,123	797,523	1,161,233	363,709	1,393,479	935,694	
Base Service Provision	3,576,721	360,447	411,103	3,793,700	4,111,028	317,328	4,933,234	4,519,082	12.2
Unprogrammed Maintenance	358,620	150,732	79,634	1,124,550	796,337	(328,214)	955,604	1,152,021	12.3
Programmed Maintenance	1,319,156	128,845	243,328	1,473,990	2,433,280	959,290	2,919,936	2,076,628	12.4
Financial Charges	2,513,373	196,941	220,475	1,980,438	2,204,753	224,314	2,645,703	2,260,482	12.5
Depreciation	2,029,446	214,557	272,492	2,137,496	2,724,916	587,420	3,269,899	2,632,507	12.6
Total Expenses	10,639,751	1,145,846	1,343,155	11,307,698	13,431,546	2,123,848	16,117,855	13,576,414	
Net Surplus/Deficit	(768,704)	(118,872)	94,498	(1,112,677)	944,980	2,057,657	1,133,976	320,267	12.1

- 12.2 Maintenance contracts show an underspend of \$279,000, including an offset to programmed maintenance in Sports Parks of \$170,000 (see 12.4). There are savings realised for the final projections.
- 12.3 The December 2011 rainfall event recovery has resulted in a \$329,000 overspend year to date. Transfers from other activities will cover this shortfall.
- 12.4 Saxton Cycle Track grant for capital expenditure has not yet been paid, resulting in \$713,000 year to date underspend. No expenditure has yet been recorded against the Brook Sanctuary maintenance grant, rural river channel management, or the Saxton Field marketing plan and implementation, resulting in a further saving of \$127,000. An overspend of \$170,000 in sports parks programmed maintenance is offset by the saving in base service provision in the same sub-activity (see 12.2). Programmed maintenance in other sub-activities show a year to date underspend of \$250,000.
- 12.5 Financial charges are under budget to April due to the phasing of the interest charges and to lack of spend in this activity year to date (mainly Marina hardstand, Trafalgar Centre upgrade, and Saxton capital works).

Depreciation \$424,000 year to date was double counted (in both Sports Parks and Saxton Capital works) in the budget with the remaining variance due to revaluations and timing of the capital programme.

### 13. Economic

- 13.1 The economic activity reports a \$301,000 surplus year to date April, \$301,000 better than budgeted.



Economic activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	(2,340,429)	(121,048)	(121,048)	(1,210,477)	(1,210,477)	()	(1,452,572)	(1,028,865)	
Operating Income	(811,689)	0	0	0	0	0	0	0	
Total Income	(3,152,118)	(121,048)	(121,048)	(1,210,477)	(1,210,477)	()	(1,452,572)	(1,028,865)	
<b>Expenses</b>									
Staff	361,133	1,220	2,152	21,280	21,517	237	25,820	16,393	
Base Service Provision	2,562,432	66,212	58,045	588,953	580,453	(8,500)	696,544	696,544	
Unprogrammed Maintenance	2,714	600	0	703	0	(703)	0	3,000	
Programmed Maintenance	369,853	27,479	59,843	288,257	598,432	310,175	718,118	300,838	13.2
Financial Charges	9,355	1,012	1,008	10,115	10,075	(40)	12,090	12,090	
Depreciation	0	0	0	0	0	0	0	0	
Total Expenses	3,305,487	96,523	121,048	909,308	1,210,477	301,169	1,452,572	1,028,865	
Net Surplus/Deficit	153,369	(24,524)	0	(301,169)	0	301,169	0	0	13.1

13.2 There has been no spending on Economic Impact Assessment (a tool for assessing economic impacts of events), Facilities Marketing, or Economic Development fund to the end of April, and negligible spend against FIFA Under 20 World cup. The contestable fund is underspent \$136,000 year to date as is Special Economic Projects \$36,000.

## 14. Corporate

14.1 The corporate activity reports a \$82,000 surplus year to date April, \$947,000 worse than budgeted.

Corporate activity performance for the period ending 30 April 2013

	YTD Actual Prior yr	Month Actual	Month Budget	YTD Actual	YTD Budget	YTD Budget Var	Full year Budget	Full year Projection	Ref:
<b>Income</b>									
Rates	795,234	(19,154)	(18,334)	(181,384)	(183,340)	(1,956)	(220,008)	(171,327)	
Operating Income	(14,586,204)	(972,266)	(1,096,836)	(10,167,134)	(10,968,361)	(801,227)	(13,162,033)	(13,106,044)	14.2
Total Income	(13,790,970)	(991,420)	(1,115,170)	(10,348,518)	(11,151,701)	(803,183)	(13,382,041)	(13,277,371)	
<b>Expenses</b>									
Staff	4,045,967	296,922	357,883	4,223,325	3,578,826	(644,499)	4,294,591	4,717,888	
Base Service Provision	988,895	114,688	156,900	1,261,515	1,568,999	307,485	1,882,799	1,570,388	14.3
Unprogrammed Maintenance	1,117,183	11,258	6,156	367,710	61,562	(306,148)	73,874	81,253	14.4
Programmed Maintenance	80,704	35,132	43,729	94,213	437,285	343,072	524,742	240,912	14.5
Financial Charges	3,300,309	306,995	361,480	3,334,517	3,614,800	280,283	4,337,760	4,117,623	14.6
Depreciation	878,220	100,571	86,119	984,767	861,193	(123,574)	1,033,432	1,163,228	14.7
Total Expenses	10,411,279	865,566	1,012,267	10,266,046	10,122,665	(143,381)	12,147,198	11,891,292	
Net Surplus/Deficit	(3,379,691)	(125,854)	(102,904)	(82,472)	(1,029,036)	(946,564)	(1,234,843)	(1,386,079)	14.1

14.2 Internal interest income is worse than budget by \$583,000, reflecting prior year capital delays and underspends. There is also a \$369,000 variance in forestry revenue which is partly a timing issue and partly related to inaccurate forecasting in the LTP. Also, the Maitai Forest harvest is on hold due to access issues. The full year projection for Forestry income has been decreased by \$485,000. This is offset by Rental properties income being \$66,000 over budget to April.

- 14.3 Contingency budget year to date of \$125,000 has not been used, however \$60,000 of budget has been transferred in the projections against the tornado damage from late 2012. Civic House rental savings of \$70,000 (for Fletcher Vautier Moore accommodation), Prego remediation not required \$91,000 (removed from projection), and administration and meeting expenditure \$51,000 less than budget at this stage. The Forestry expenditure is currently \$91,000 worse than budget mainly due to the Marsden Forest harvest costs which were budgeted as net revenue. \$99,000 spend for Nelson Development Strategy – budget is in programmed maintenance rather than base service delivery.
- 14.4 Includes \$314,000 payment in March to TDC for December 2011 rainfall event response expenditure – to be recoded to the Disaster Recovery Fund.
- 14.5 The Nelson Development Strategy work is \$208,000 under budget in this category (see 14.3). The second round of projections reflects reduced scope for this work. Forestry programmed maintenance is under budget year to date by \$101,000 as well as Civic House \$34,000.
- 14.6 Internal interest is under budget by \$152,000 in Rental Properties due to interest savings on lower debt and the deferment of strategic property purchases. Also external interest savings of \$69,000 and Ridgeways tax budgeted year to date \$70,000 done as a year end adjustment.

## **15. Capital Related Income**

- 15.1 This includes Capital related grants and subsidies from external parties (New Zealand Transport Agency, Tasman District Council, sports bodies, Housing New Zealand and development contributions), and in 2012/13 gifts of property. This continues to be shown below the line this financial year as it often distorts operating results and is only treated as income for Annual Report purposes. It is tracking \$8.2 million under budget year to date, \$5.7 million due to the fact that the property transfers of the School of Music and Theatre Royal have not yet taken place.
- 15.2 New Zealand Transport Agency 'R' funding has not been claimed so far this year, against a year to date budget of \$1.4 million, reflecting little or no expenditure on these projects year to date. New Zealand Transport Agency funding for Capital improvements is currently running \$403,000 below budget, and funding for Capital renewals is \$152,000 below budget, both reflecting the timing of Capital expenditure.

Development contributions are \$720,000 under budget year to date. Development contributions have historically tracked over budget. Current year performance reflects both lack of activity and the budget being set \$700,000 higher than in previous years. The full year projection has been reduced by \$400,000.

**16. Capital Expenditure**

16.1 Capital expenditure is \$25 million below budget year to date. Please see Attachment 2 for more information on this variance. \$30 million has been removed from the capital projections for the final projections, with \$28 million proposed to be carried forward and \$2 million savings realised.

**17. Outstanding Rates**

17.1 The fourth instalment was due on 27 May 2013. Of this instalment, \$540,429 was still outstanding at 4 June 2013 (96% collected) and \$2,956 was still outstanding for the previous rating year.

**18. Rates rebate scheme update**

Council administers the rates rebate scheme on behalf of the Department of Internal Affairs. The maximum rebate amount and income threshold is adjusted annually by the rate of inflation therefore reducing the likelihood of the scheme not been utilised due to inflation and increasing incomes.

For the 2013/14 year the maximum rebate will be increased from \$590 to \$595 and the income abatement threshold will increase from \$23,650 to \$23,870.

The below table shows the uptake in rates rebates compared to the previous rating year.

Rating year	No of successful applications	\$ of rates granted
2011/12	1996	1,084,614
2012/13	1991	1,097,522

as as 20 April 2013

**19. Borrowings**

19.1 A summary of the borrowings and interest rate position as at 30 April 2013 is attached (Attachment 8).

**20. Conclusion**

20.1 The net operating surplus of \$1.5 million is \$5.8 million better than budget for the ten months ending 30 April 2013. Capital expenditure is below budget by \$25 million, largely related to the timing of the budgeted Theatre Royal and School of Music assets transfers and the timing of other land/building purchases.

## **21. Subsequent Events**

- 21.1 The flood of April 21<sup>st</sup> will affect expenditure in unprogrammed maintenance in infrastructure activities for the remainder of the financial year. It is proposed that activities fund an excess of \$150,000 per activity before any amounts are transferred to the Disaster Recovery Fund. For this event the excess will be \$450,000 and the Disaster Recovery Fund is projected to meet \$698,000. These costs will fall in the current and next financial year.

Tracey Hughes  
**Senior Accountant**

### **Attachments**

- Attachment 1: Nelson City Council Summary Performance [1518983](#)  
Attachment 2: Capital Expenditure by Activity [1518983](#)  
Attachment 3: Capital Expenditure Over \$750,000 [1518983](#)  
Attachment 4: Capital Expenditure Graph [1518983](#)  
Attachment 5: Outstanding Rates [1518983](#)  
Attachment 6: Balance Sheet [1520322](#)  
Attachment 7: Council Borrowings [1518983](#)  
Attachment 8: Interest Rate Position Report [1501575](#)  
Attachment 9: Debtors Report [1234103](#)

No supporting information follows.

Nelson City Council summary performance for the period ending 30 April 2013

ATTACHMENT 1

	YTD Actual Prior yr 000s	YTD Actual 000s	YTD Budget 000s	YTD Budget Var 000s	YTD Budget Var % 000s	Full year Budget 000s	Full year Proj 000s	Projection Budget Var 000s
<b>Revenue</b>								
Rates	37,420	40,434	40,423	(12)	0.0%	48,507	45,068	3,439
Water supply	9,114	8,949	9,179	230	2.5%	11,015	10,673	342
<b>Activity income</b>								
Transport	4,426	5,675	6,518	843	12.9%	7,822	6,294	1,528
Water supply	65	66	27	(39)	-145.2%	32	(284)	317
Wastewater	2,022	2,827	3,048	221	7.3%	3,658	3,471	187
Stormwater	1	23	0	(23)	N/A	0	0	0
Flood protection	0	0	0	0	N/A	0	0	0
Environment	4,951	7,481	7,992	511	6.4%	9,590	9,336	254
Social incl arts and heritage	2,261	2,600	2,336	(264)	-11.3%	2,804	2,927	(123)
Parks and active recreation	2,201	2,248	2,314	66	2.9%	2,777	2,754	23
Economic	812	0	0	0	N/A	0	0	0
Corporate	14,586	10,167	10,968	801	7.3%	13,162	13,106	56
Total revenue	77,860	80,471	82,805	2,335	2.8%	99,367	93,346	6,021
<b>Activity Expense</b>								
Transport	12,021	12,988	16,154	3,166	19.6%	19,385	15,801	3,583
Water supply	8,487	8,605	9,508	903	9.5%	11,410	10,684	726
Wastewater	7,882	8,428	8,599	172	2.0%	10,319	10,461	(142)
Stormwater	3,872	4,159	3,779	(380)	-10.1%	4,535	4,870	(336)
Flood protection	-	199	102	(98)	-95.9%	122	464	(342)
Environment	9,758	10,795	13,138	2,343	17.8%	15,765	14,503	1,262
Social incl arts and heritage	10,015	11,282	11,076	(206)	-1.9%	13,291	13,553	(262)
Parks and active recreation	10,640	11,308	13,432	2,124	15.8%	16,118	13,576	2,541
Economic	3,305	909	1,210	301	24.9%	1,453	1,029	424
Corporate	10,411	10,266	10,123	(143)	-1.4%	12,147	11,891	256
Total expense	76,392	78,939	87,121	8,182	9.4%	104,545	96,834	7,710
Net operating (surplus)/deficit	(1,468)	(1,532)	4,315	5,847	135.5%	5,178	3,489	1,690
Capital related income	3,672	2,473	10,661	8,188	76.8%	12,793	11,507	1,286

1518983

**Capital Expenditure****Total Council - by Activity**

Activity	Actual YTD \$(000)	Budget YTD \$(000)	Variance YTD \$(000)	Annual Budget plus C/fwd \$(000)	Latest Forecast \$(000)	Comments
Transport	5,628	8,207	-2,579	10,943	7,124	Queens Rd , Tasman (Halifax-Grove), Cleveland Tce retaining walls
Water supply	6,222	5,867	355	7,823	7,500	AC renewals/ The Ridgeway
Wastewater	1,490	3,660	-2,170	4,881	2,885	NNWWTP Upgrade, growth projects
Stormwater	648	2,106	-1,458	2,808	962	Queens Rd plus many various.
Flood protection	133	314	-181	419	220	
Environment	260	288	-29	384	366	
Social incl arts and heritage	871	8,298	-7,427	11,063	1,829	SoM, Theatre Royal
Parks and active recreation	3,478	11,807	-8,329	15,743	6,700	Marina Hardstand, Wakefield Quay, Play Facilities, Land Purchase, Saxton hockey turf
Economic	0	0	0	0	0	
Corporate	625	3,789	-3,163	5,052	1,514	IT projects, land purchases
	<u>19,355</u>	<u>44,336</u>	<u>-24,982</u>	<u>59,115</u>	<u>29,101</u>	
					<b><u>(30,014)</u></b>	
Financial reserves	1,313	5,684	-4,371	7,578	1,750	
Nelson Regional Sewerage BU	408	832	-424	1,109	2,063	
	<u>21,075</u>	<u>50,852</u>	<u>-29,777</u>	<u>67,803</u>	<u>32,914</u>	

1518983

# Capital Expenditure

10 Months to 30 April 2013

## Total Council

	Actual YTD \$(000)	Annual Budget plus C/fwd \$(000)	Contract Completion	Latest Forecast \$(000)	Comments
--	-----------------------	---	------------------------	-------------------------------	----------

### Major projects (over \$750,000 in any column)

#### Infrastructure

Maitai Pipeline Duplication	4,626	5,132		5,132	
Princes Drive	122	1,076		45	
Queens Road	983	1,073		984	
Road: Waimea/Motueka Jct	53	1,194		75	
Strategic Land Purchase	4	2,400		0	
Nelson North Wastewater Treatment	231	2,251		750	
Road Renewals: Friction Course	815	989		989	
Emergency 2011 Cable Bay Road	711	0		765	
Maitai Shared Path	157	791		178	
Marsden Valley Trunk Main	462	578		995	
York Stream Channel Upgrade	108	98		150	

#### Community Services

Theatre Royal	33	6,590		40	
Nelson School of Music	21	2,406		20	
Marina Hardstand	45	2,400		30	
Trafalgar Center North Upgrade	384	1,438		532	
Land Purchase: General Reserve	0	1,189		0	
Replace Hockey Turf	11	950		950	

### Total other (under \$750,000)

	10,589	28,561		17,467	
--	--------	--------	--	--------	--

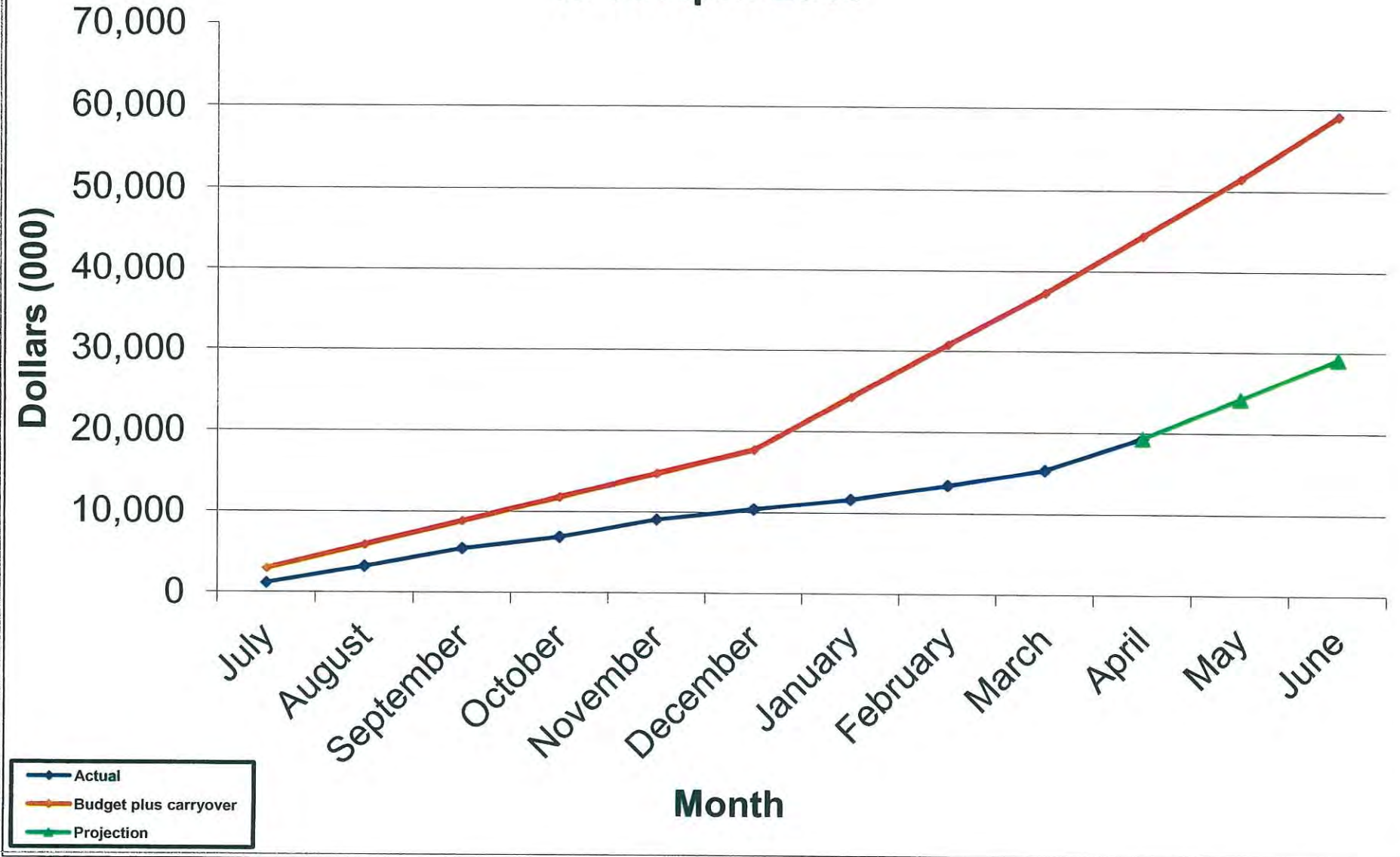
### Council Total

	19,355	59,115		29,101	
--	--------	--------	--	--------	--

Vested Assets	1,313	7,578		1,750	
---------------	-------	-------	--	-------	--

Nelson Regional Sewerage business unit	408	1,109		2,063	
--	-----	-------	--	-------	--

### NCC Capital Expenditure to 30 April 2013





# Outstanding Rates

Attachment 5

Date	Total Rates Outstanding	Latest Instalment	Previous instalments	Previous Years	Commercial included in total
30 June 2007	180,780	0	180,780	0	
30 June 2008	340,391	0	340,391	0	
1 September 2008	907,606	633,127	0	274,479	
1 December 2008	677,694	591,693	? ?	86,001	
1 March 2009	852,643	644,579	169,842	38,222	
4 June 2009	607,313	425,511	181,802	0	
30 June 2009	294,833	0	294,833	0	
1 September 2009	907,209	711,869	0	195,340	
13 October 2009	355,162	246,305	0	108,857	
31 December 2009	337,758	175,274	106,774	55,710	
1 March 2010	630,376	445,311	175,929	9,136	
1 June 2010	660,645	464,202	195,213	1,230	
30 June 2010	337,253	0	337,030	223	
1 September 2010	835,862	650,520	0	185,342	
1 November 2010	260,349	161,242	0	99,107	
1 December 2010	688,461	528,857	129,635	29,969	
31 December 2010	245,476	150,655	78,443	16,378	
1 March 2011	644,113	498,068	141,592	4,453	
1 June 2011	601,476	421,150	178,873	1,453	
30 June 2011	338,162	0	338,162	0	
October 2011	373,025	252,535	0	120,490	
November 2011	246,409	0	166,278	80,131	
1 December 2011	777,480	578,542	150,757	48,181	145,274
5 March 2012	649,187	514,491	129,140	5,556	58,517
30 May 2012	816,798	592,400	224,213	185	181,182
30 August 2012	923,938	753,415	0	170,523	187,299
3 December 2012	793,522	593,648	165,742	34,132	175,194
1 March 2013	1,117,653	704,633	406,606	6,414	198,492
31 May 2013	786,550	540,429	243,165	2,956	151,587

## Nelson City Council

## Abbreviated Balance Sheet

	30/04/2013	31/03/2013	30/06/2012	
<b>Current Assets</b>				
Bank Deposits →	Cash and Bank	477,732	211,933	37,333
	Investments	0	0	2,200,000
Amounts due from customers. →	Rates Debtors	10,043,661	(2,462,682)	(653,063)
	Trade Debtors	6,931,510	9,310,086	12,687,563
	Debtors and Accruals	1,580,938	1,538,486	984,948
		<u>19,033,841</u>	<u>8,597,823</u>	<u>15,256,781</u>
<b>Current Liabilities</b>				
Cash Book Balance →	Bank Overdraft	0	0	(409,863)
Amounts owed to suppliers. →	Creditors	(11,020,770)	(9,940,936)	(14,234,354)
	Commercial paper	(39,718,769)	(39,720,304)	(39,686,764)
Term Loans to be paid in 12 months →	Current Portion of Term Liabilities	(30,000)	(30,000)	(30,000)
		<u>(50,769,539)</u>	<u>(49,691,240)</u>	<u>(54,360,980)</u>
	<b>Net Working Capital</b>	(31,735,698)	(41,093,417)	(39,104,199)
<b>Non Current Assets</b>				
Shares in Subsidiaries etc →	Investments	29,256,707	29,170,604	29,290,709
Total value, net of depreciation of all →	Fixed Assets	1,192,464,131	1,190,037,017	1,185,646,627
		<u>1,221,720,838</u>	<u>1,219,207,621</u>	<u>1,214,937,336</u>
<b>Non Current Liabilities</b>				
	Term borrowings	(21,714,190)	(18,464,190)	(21,286,690)
Money borrowed that requires payment after 12 months →	Other Term Liabilities	(1,055,566)	(1,047,033)	(971,824)
		<u>(22,769,756)</u>	<u>(19,511,223)</u>	<u>(22,258,514)</u>
		<u>1,167,215,384</u>	<u>1,158,602,981</u>	<u>1,153,574,623</u>
<b>Shareholder Funds</b>				
	Ratepayers Equity	328,371,902	318,568,454	326,373,674
	Reserves	838,843,482	840,034,527	827,200,949
		<u>1,167,215,384</u>	<u>1,158,602,981</u>	<u>1,153,574,623</u>

## Council Borrowings & Swaps

The Council borrowing as at 30 April 2013, with maturity dates are as follows:

		NCC	NRSBU	Total	Interest rate
		\$000	\$000	\$000	\$000
May 2013	Call	2,100		2,100	3.80%
May 2013	CP	9,930		9,930	2.84%
May 2013		4,650		4,650	3.67%
May 2013			450	450	3.67%
Jun 2013	CP	9,930		9,930	3.68%
Jun 2013			8,000	8,000	3.68%
Jun 2013		3,110		3,110	3.60%
Jun 2013		2,600		2,600	3.60%
Jul 2013	CP	19,859		19,859	2.84%
Mar 2019	LGFA FRN	5,000		5,000	3.28%
<b>Total Borrowings</b>		<b>57,179</b>	<b>8,450</b>	<b>65,629</b>	

The weighted average interest rate was **3.26%**

Made up of:

NCC	3.20%
NRSBU	3.68%

### Council Interest rate swaps

Weighed average **4.25%**

Deal Date	Pay/Rec Fixed	Bank	Amount (\$millions)	Start Date	Maturity Date	Swap Rate	extend: Actual details	
							Start Date	Maturity Date
11-May-12	pay	WPC	4.00	26-Oct-10	28-Apr-16	4.300%		28-Oct-14
29-Jul-10	pay	WPC	3.00	27-Aug-10	27-May-15	4.835%		
29-Jul-10	pay	WPC	3.00	27-Aug-10	27-Aug-21	4.835%	27-May-15	27-Aug-21
29-Jul-10	pay	WPC	4.00	27-Sep-10	27-Sep-18	5.250%		
29-Jul-10	pay	WPC	5.00	27-Aug-10	27-May-20	5.365%		
4-Aug-10	pay	WPC	4.00	27-Jan-11	29-Jan-19	4.750%		27-Jan-17
3-Sep-10	pay	WPC	5.00	27-Mar-11	27-Jun-19	4.980%		
3-Sep-10	pay	WPC	6.00	27-Apr-11	27-Oct-17	4.820%		
12-Mar-12	pay	WPC	5.00	27-May-11	27-Aug-16	3.580%		27-Aug-14
3-Mar-11	pay	BNZ	3.00	27-Nov-11	27-Nov-15	4.560%		
11-May-11	pay	ANZ	5.00	27-Sep-11	27-Sep-18	4.450%		27-Sep-16
11-May-11	pay	ANZ	4.00	27-Jan-12	27-Apr-18	4.485%		27-Apr-16
11-May-11	pay	ANZ	3.00	27-Jan-12	27-Jan-17	3.980%		27-Jan-15
11-May-11	pay	ANZ	3.00	27-Sep-11	27-Mar-22	3.960%	27-Mar-14	27-Mar-22
2-Aug-12	pay	ANZ	2.00	27-Mar-13	27-Jun-22	3.860%		
2-Aug-12	pay	ANZ	2.00	27-Apr-13	27-Oct-21	3.820%		
2-Aug-12	pay	ANZ	2.00	27-May-13	27-Nov-20	3.770%		
2-Aug-12	pay	ANZ	2.00	27-Jun-13	27-Sep-19	3.660%		
12-Nov-12	pay	BNZ	3.50	21-Dec-12	21-Dec-14	2.620%		
16-May-12	pay	WPC	2.00	22-Dec-12	22-Mar-21	3.830%		
16-May-12	pay	WPC	2.00	22-Dec-12	22-Mar-19	3.570%		
16-May-12	pay	WPC	2.00	22-Mar-13	22-Mar-17	3.220%		
16-May-12	pay	WPC	2.00	22-Mar-13	22-Mar-15	2.770%		
			76.50					

1518983

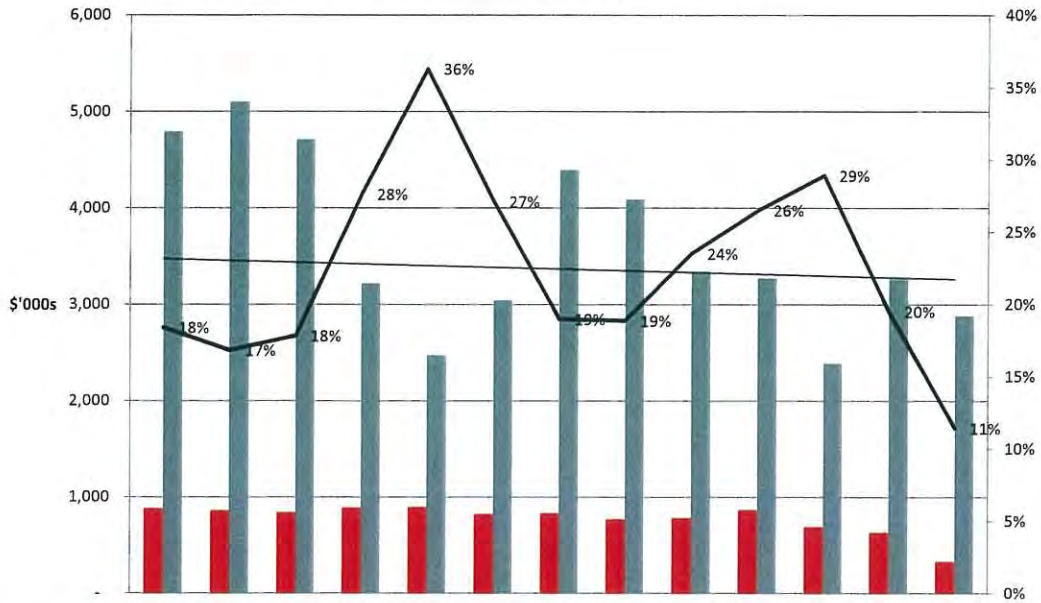
Nelson City Council Interest Rate Position			
<b>12 month forecast core debt:</b>	<b>\$96.4m</b>	<b>30-Apr-13</b>	
Policy Limits	55%-90%		
Overall Fixed:Floating Mix	79%		
Policy Compliance	Y		
<b>Liquidity Ratio:</b>	<b>110%</b>		
Actual	156%		
Policy Compliance	Y		
<b>Fixed Rate Maturity Profile:</b>			
Years	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>5 years plus</b>
Policy Limits	15%-60%	15%-60%	15%-60%
Actual Hedging	20%	26%	54%
Policy Compliance	Y	Y	Y
<b>Funding Maturity Profile:</b>			
Years	<b>0 - 3 years</b>	<b>3 - 5 years</b>	<b>5 years plus</b>
Policy Limits	15%-60%	15%-60%	10%-40%
Actual Hedging	95%	0%	5%
Policy Compliance	X	X	X
Nelson City Council Interest Rate Performance			
<b>Market Rates</b>	90 Day Rate (ave of month) =	5yr Swap Rate (end of month) =	
	3.09%	4.80%	
<b>Interest Cost (incl margin)</b>	<b>This Month</b>	<b>Last Month</b>	
Weighted Av. Cost of Funds			
Benchmark Rate (incl margin of bp)	0.00%	0.00%	
Budget Rate			
Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments)			
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest Rate Risk Management Instruments Only)			10,000,000
<b>Minimum Credit Rating is A-1+/A+</b>	<b>Notional (\$m)</b>	<b>Credit Exposure (\$m)</b>	
<b>Bank</b>			
WPC	47.0	7.1	Within Policy
ANZ	23.0	4.5	Within Policy
BNZ	6.5	0.4	Within Policy
<b>Total (NZ\$m)</b>	<b>76.5</b>	<b>12.0</b>	

Specific borrowing limits		
Net interest expense on external debt as a percentage of total revenue to be less than 15%	2.94%	Y
Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than 20%	5.06%	Y
Net external debt (secured by rates) as a percentage of total revenue to be less than 150%	65%	Y
Net external debt (secured by rates) as a percentage of equity to be less than 20%	6%	Y
<b>Explanation of Funding maturity policy breach</b>		
This policy ensures that Council have a spread of bank facilities and bonds across the maturity profile. With the inclusion of the NRSBU facility and swaps at 30 June 2012, Council now have too much maturing in the 0-3 year band and continue to be outside of policy in the 5 year + band.		
<b>Remedial action</b>		
To meet the 5 year plus band, Council are issuing bonds through the Local Government Funding Agency (LGFA) and by issuing in June 2013 will be compliant by 30 June 2013.		
Council have negotiated extending the Westpac \$25m facility to 2017 to correct the 0-3 year band - effective 1 June 2013. Once LGFA bonds in place Council can start cancelling unused bank facilities.		

1501575

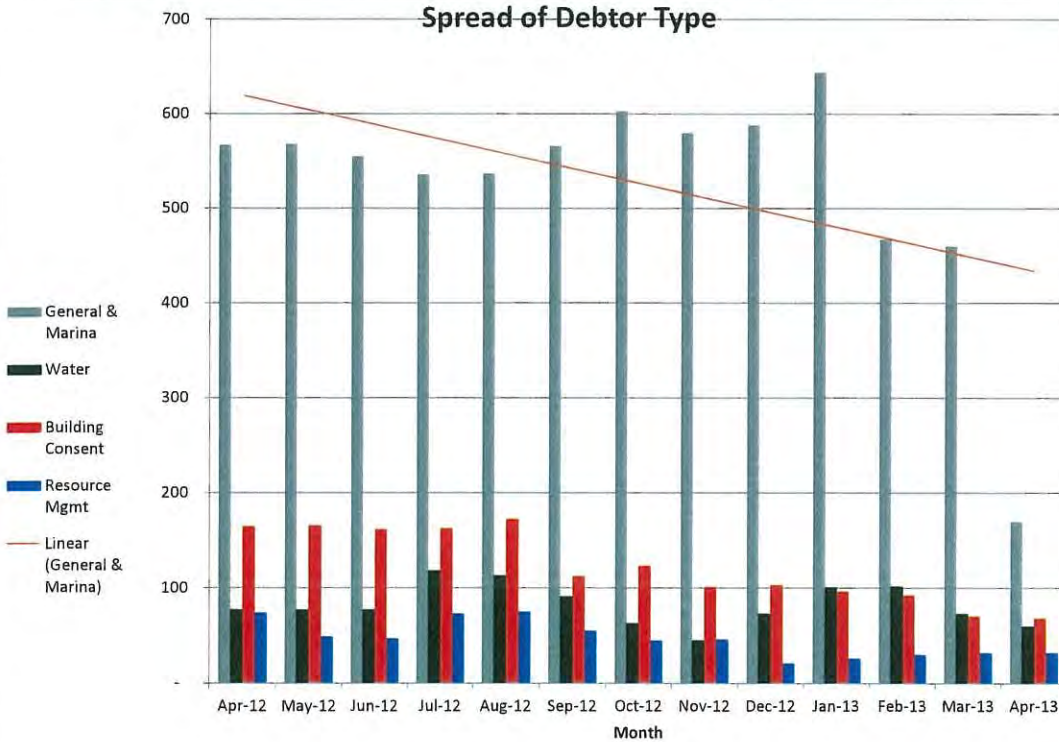


### Debtors Totals & 3 Months Overdue April 2013



	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
Total 3 months & over	882	859	840	889	897	824	834	772	785	867	691	635	330
Total Debtors	4,793	5,103	4,712	3,219	2,473	3,041	4,393	4,091	3,338	3,272	2,390	3,255	2,881
Percent 3 mths to Total	18%	17%	18%	28%	36%	27%	19%	19%	24%	26%	29%	20%	11%

### Spread of Debtor Type



#### April 2013 General Debtors Analysis 3 months overdue

Overdue - no arrangements	Queries	Legal action pending	Payment arrangements in place	With Creditmans	Since Paid	Marina
\$ 2,266.00	\$ 10,000.00	\$ -	\$ 54,044.25	\$ 24,809.63		\$ 77,939.00

1234103

8 May 2013

PO Box 2, Christchurch 8140

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)

Freephone: 0508 AUDITNZ

(0508 283 4869)

Fax: 03 359 4128

Aldo Miccio  
Mayor  
Nelson City Council  
PO Box 645  
Nelson 7040

RECEIVED

10 MAY 2013

NELSON CITY COUNCIL  
Records

cc Ian Barker, Chair of Audit, Risk and Finance  
Clare Hadley, Chief Executive  
Nikki Harrison, Chief Finance Officer

Dear Aldo

## Letter to the Council on the interim audit of Nelson City Council for the year ending 30 June 2013

### 1 Introduction

We have recently completed our interim audit of Nelson City Council (the City Council) and briefly detail the work undertaken and the key findings from our audit below. We have also provided a separate letter to management, which sets out our detailed findings.

#### Work undertaken

Our interim audit focused on updating our understanding of the City Council's internal controls. To achieve this we undertook an assessment of the control environment (see section 2 of this letter) and the issues facing the City Council this financial year (see section 3 of this letter).

We have provided a listing of other key findings in section 4 of this letter.

We have provided an outline of the content of our supplementary letter to management which provides more detail in relation to our interim findings, in section 5 of this letter.

### 2 Our assessment of the control environment

We carried out a high-level review of the City Council's control environment. This included considering the Council's and management's overall attitude toward, awareness of, and actions, in establishing and maintaining effective management procedures and internal controls.

The purpose of our review was to:

- identify aspects of the control environment that can be relied on during the audit; and
- identify potential improvements.

Our conclusions are made in the context of our work in conducting the audit. They are not an assessment of overall management performance or of the City Council's effectiveness in achieving its objectives.

Overall, we consider the control environment is effective and this means we have been able to place reliance on a majority of the key internal controls. We have made this assessment by updating our understanding of the controls and processes, and testing of these system to ensure they are operating effectively.

Particular aspects of the control environment that we comment on are:

## **2.1 Control culture and values**

The control culture and values at the City Council are sound, and it has policies and processes in place that provide clarity in its expectations of what are acceptable and unacceptable behaviours. Its objectives, and how the communication of these expectations are to be made and managed, are also clearly stated. Council and management set clear expectations of values and behaviours and have an open and professional relationship with Audit New Zealand.

## **2.2 Organisation and governance structures**

The City Council has a relatively complex organisational group with a variety of subsidiaries and Joint Ventures. This structure has been in place for several years and no new entities have been added in year. The City Council has not had any significant issues with governance or its external reporting on the group in previous years, and it has an experienced and suitably qualified team to handle both the governance and consolidation aspects of the group.

During the course of our interim audit we did not identify any issues with the City Council's reporting processes for the current financial year.

## **2.3 Planning, budgeting and monitoring**

The City Council has appropriate planning and budgeting processes and controls. There is a clear link from the LTP and the Annual Plan into the budget which City Council employees use on a daily basis. The reporting to Council is also in a suitable format and a timely manner.

## **2.4 Performance monitoring**

The previous individual responsible for collating performance information departed in February 2013 and the City Council is currently in the process of appointing her successor. Upon the individual being appointed, we will meet with them to understand if they are intending to change the process of reporting performance and whether there are any issues which we should be aware of.

## **2.5 Legislative compliance**

We reviewed the City Council's legislative compliance processes to identify and manage its accountability requirements under the Local Government Act 2002 and the levying of rates. No issues arose from our review.

We will undertake further testing of the City Council's compliance with legislation at year end.

## **2.6 Risk assessment process**

As reported in previous years, the City Council does not have a formal risk management policy or a risk management framework in which it monitors strategic and operational risks. A more formalised approach in relation to these aspects of risk management would help improve the City Council's overall management of and response to risk.

We note that the Chief Executive has asked for some work to be done in this area and we will follow up progress as part of our final audit visit.

## **2.7 Internal controls**

We reviewed the internal controls in place for key financial and non-financial information systems. Internal controls are the policies, procedures, and activities that are in place to provide reasonable assurance that processes operate as designed. They are important because effective controls help to minimise the risk of fraud or error.

Overall, we found that the City Council's systems and controls are appropriate, and generally operating effectively. However, there are some areas where we have recommended improvements to systems and where we have identified a control that is not operating effectively, we will undertake additional testing at our final audit visit. We note that the City Council plans to implement an electronic purchase system, which should address some of the issues we identified.

Additionally, we noted areas where management can make improvements to the monitoring of related interests of councillors and senior management. While it is the individual responsibility of councillors and management to provide a full listing of their related interests, this listing should be circulated within the finance team. This will increase the likelihood of identifying transactions with related parties which require disclosure in the Annual Report. It will also provide more assurance to council members that their responsibilities under the Local Authorities (Members' Interest) Act 1968 are being monitored effectively.

Our detailed findings on internal controls are included in our supplementary letter to management and are summarised in section 5 of this letter.

## **3 Our focus for this year**

The matters that we are paying particular attention to this year are outlined in our audit arrangements letter. We will comment in full on these matters in our final management report. However, based on our work to date, we make the following comments:



### **3.1 Rainfall event**

We were satisfied with the City Council's treatment of the flooding event in the 2011/12 Annual Report and the implementation of a new rates remission policy for affected properties.

We understand that in 2012/13, the repair work to Cable Bay road will be recognised as capital expenditure. This is consistent with our expectations. We will review the accounting treatment of the costs of repairs and capitalisation of any repairs as part of our final audit work.

### **3.2 Building assessments**

The City Council intends completing its initial assessments by 30 June 2013. Council will then make decisions in relation to the properties which have been identified as being below code.

At the final audit we will review the accounting for these properties and check that it is in line with any decisions made by Council.

### **3.3 Property, plant and equipment**

The City Council will consult with Quotable Value prior to year-end to establish if there has been a significant movement in the value of its land. The City Council is intending to revalue its infrastructure assets at year end.

We will review the City Council's consideration of which assets require valuation and the infrastructural valuations undertaken at our final audit visit.

### **3.4 Audit of Debenture Trust Deed**

The City Council is in the process of implementing changes to its Debenture Trust Deed. This is a result of the City Council's intention to join the Local Government Funding Agency. We will review any changes at our final audit visit.

We will make arrangements with Council so that we can issue our report to the Trustee within 30 days of signing the annual report.

## **4 Other significant audit findings**

### **4.1 Provision of iPads to Councillors**

Per the draft Expenses Policy for Elected members, the City Council is not intending to deduct the cost of iPads from councillor communications allowances.

The City Council retains ownership of the iPads and is not paying any operating costs in relation to the iPads. We also understand that the City Council has exchanged correspondence with the Remuneration Authority over this issue.

We will update our knowledge at our final audit visit.

## 5 Supplementary letter

We have provided management with a supplementary letter that outlines our findings and recommendations about less significant and miscellaneous matters. The topics covered in this supplementary letter include:

### **Internal controls**

Detailed findings and recommendations in relation to the City Council's systems of control.

### **Other matters**

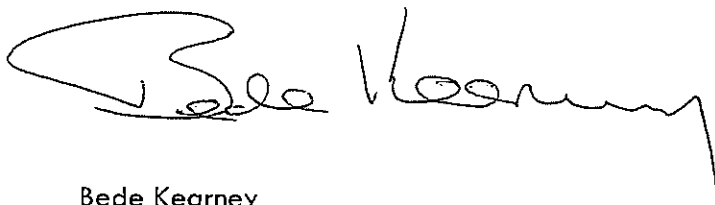
Information from other observations made during the course of our audit.

### **Matter raised in the prior year**

A complete listing of recommendations made in the prior year and the updated position in relation to each.

We wish to thank you and your staff for the assistance and cooperation extended during the course of the audit. If you have any questions please contact me directly on 021 222 8464.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bede Kearney', written in a cursive style.

Bede Kearney  
Director