



A G E N D A

Finance, Audit and Risk Committee

**Council Chambers
36 Weld Street
Hokitika**

**Thursday 23 August 2018
commencing at 9.30 am**

Deputy Mayor L.J. Martin – Chairperson
His Worship the Mayor R.B. Smith
Deputy Mayor Cr H.M. Lash
Crs D.L. Carruthers, R.W. Eatwell, D.M.J. Havill ONZM,
J.A. Neale, G.L. Olson, D.C. Routhan
Chair of Te Rūnanga o Ngāti Waewae Francois Tumahai
Chair of Te Rūnanga o Makaawhio Tim Rochford



FINANCE, AUDIT AND RISK COMMITTEE

AGENDA FOR A MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE, TO BE HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 23 AUGUST 2018 COMMENCING AT 9.30 AM

COUNCIL VISION

We work with the people of Westland to grow and protect our Communities, our Economy and our unique natural environment.

Purpose:

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action, by and on behalf of, communities; and
- (b) To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

1. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER:

1.1 Apologies & Leave of Absence

1.2 Interest Register

2. CONFIRMATION OF MINUTES:

2.1 Finance, Audit and Risk Committee Meeting Minutes – 26 July 2018

(Pages 4-7)

3. REPORTS FOR INFORMATION:

3.1 Financial Performance Report July 2018 (Page 8-18)

3.2 Financial Year End 2018 – Verbal Report

4. REPORTS FOR DECISION:

4.1 Insurances for 3 months July to November 2018 (Pages 19-23)

5. ITEMS FOR DISCUSSION:

5.1 Finance, Audit and Risk Committee Rolling Workplan (Page 24)

6. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'

Resolutions to exclude the public: Section 48, Local Government Official Information and Meetings Act 1987.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

6.1 Confidential Minutes – 26 July 2018

The general subject of the matters to be considered while the public are 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 the resolution are as follows:

Item No.	Minutes/ Report of	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
6.1	Confidential Minutes – 26 July 2018	Confidential Minutes	Good reasons to withhold exist under Section 7	Section 48(1(a) & (d)



Finance, Audit and Risk Committee Minutes

MINUTES OF A MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE OF WESTLAND DISTRICT COUNCIL, HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 26 JULY 2018 COMMENCING AT 9.30AM

The meeting commenced with Chair Deputy Mayor Martin calling for one minute of silence, in respect for the sudden passing of Mr. Mort Cruickshank. Mr. Cruickshank was a highly respected member of the Westland Community.

1. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER:

1.3 Members Present

Deputy Mayor Cr L.J. Martin (Chair)

His Worship the Mayor R.B. Smith, Deputy Mayor Cr H.M Lash, Cr D.M.J. Havill (ONZM), Cr J.A. Neale, Cr R.W Eatwell, Cr G.L Olson, Cr R.C Routhan.

Apologies & Leave of Absence

Apology received from Cr Carruthers.

Moved Cr Routhan, seconded Cr Havill and **Resolved** that the apology from Cr Carruthers for the 26 July 2018, for the Finance Audit and Risk Committee Meeting be received and accepted.

Staff in Attendance:

S.R. Bastion, Chief Executive; L.A. Crichton, Group Manager: Corporate Service, J. Ebenhoh, Group Manager: Community, Planning & Environment, D.R Inwood, Group Manager: District Assets, V.M Watson; Committee Secretary.

1.2 Interest Register

The Chair Deputy Mayor Martin circulated the Interest Register and no amendments were noted.

2. CONFIRMATION OF MINUTES:

2.1 Confirmation of Minutes Finance, Audit and Risk Committee Meeting - 28 June 2018

Moved Cr Havill, seconded Cr Neale and **Resolved** that the Minutes of the Finance, Audit and Risk Committee Meeting held on the 28 June 2018 be confirmed as a true and correct record of the meeting.

3. ITEMS FOR DECISION:

3.1 Rates Write Offs and Remissions 2017-18

Group Manager: Corporate Services spoke to this report.

- Clarification regarding a correction within the IT system from an error of amalgamated properties; which has created the need for the adjustment.
- Assurance was given that rate arrears where possible are being proactively sought for payment.

Moved Deputy Mayor Lash, seconded Cr Eatwell and **Resolved** that Council approves the total proposed rates write offs and remission of \$605,620 including GST for the financial year ending 30 June 2018.

4. REPORTS FOR INFORMATION:

4.1 Westland Holdings Limited Statement of Intent

Group Manager: Corporate Services spoke to this report.

- An overview of the recent process to appoint the new Board was given. A letter of expectation has been provided to the Westland Holding newly appointed Board for the inclusion of quarterly reporting to be provided in addition to the statutory reporting required, which is the annual and half yearly report to the Finance Audit and Risk Committee.

Request from Councillor Neale to amend the Westland Holdings Limited Statement of Intent Report *Page 6 (page 20 July Finance Audit and Risk Agenda)*
Item: 8.3

“The Chair will initiate an independent formal evaluation of the WHL directorate biennially, the first was undertaken in the 2013/14”

“The Chair will initiate an independent formal evaluation of the WHL directorate biennially the next to be undertaken in the 2018/19”

Moved Cr Olson, seconded Cr Eatwell and **Resolved** that Council approve the Westland Holdings Ltd Statement of Intent including the amendment as noted for the 3 years commencing 1 July 2018, attached to the July Agenda.

Cr Routhan abstained from voting and would like this noted.
Resolution carried

5. ITEMS FOR DISCUSSION:

5.1 Finance, Audit and Risk Committee Rolling Workplan

Moved Deputy Mayor Martin seconded Cr Eatwell and **Resolved** that the Finance Audit and Risk July Rolling Workplan be received.

6. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'

Moved Deputy Mayor Lash, seconded Cr Olson and **Resolved** that Council confirm that the public were excluded from the meeting in accordance with Section 48, Local Government Official Information and Meetings Act 1987 at 10.39am.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

6.1 Confidential Minutes – 28 June 2018

6.2 Risk Register – Quarterly Update

The general subject of the matters to be considered while the public are 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 the resolution are as follows:

Item No.	Minutes/ Report of	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
6.1	Confidential Minutes – 28 June 2018	Confidential Minutes – Finance, Audit and Risk Committee	Good reasons to withhold exist under Section 7	Section 48(1(a) & (d)
6.2	Risk Register	Potential Risk Financial, Legal, Reputational,	Good reasons to withhold exist under Section 7	Section 48(1(a) & (d)

This resolution is made in reliance on Section 48(1)(a) and (d) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

No.	Item	Section
6.1	Protect the privacy of natural persons, including that of deceased natural persons. Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 7(2)(a) Section 7(2)(i)
6.2	Protect the privacy of natural persons, including that of deceased natural persons.	Section 7(2)(a)

Moved Deputy Mayor Lash, seconded Cr Eatwell and **Resolved** that the business conducted in the “Public Excluded Section” be confirmed and accordingly the meeting went back to the open part of the meeting at 10.58am

MEETING CLOSED AT 10.58 AM

Confirmed by:

Deputy Mayor Latham Martin
Chair – Finance, Audit and Risk Committee

Date

Report



DATE: 23 August 2018

TO: Mayor and Councillors

FROM: Finance Manager

FINANCIAL PERFORMANCE: July 2018

1 SUMMARY

- 1.1 The purpose of this report is to provide an indication of Council's financial performance for one month to 31 July 2018.
- 1.2 This issue arises from a requirement for sound financial governance and stewardship with regards to the financial performance and sustainability of a local authority.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by Council as part of the Long Term Plan 2018-28. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council receive the financial performance report to 31 August 2018, attached as **Appendix 1**.

2 BACKGROUND

- 2.1 Council receives monthly financial reporting so that it has current knowledge of its financial performance and position against targets and objectives adopted in the Long Term Plan 2018-28.

3 CURRENT SITUATION

- 3.1 Council now receives a monthly financial summary report in a consistent format.

3.2 The Financial Performance Report to 31 July 2018, is attached as **Appendix 1** and contains the following elements:

3.2.1 Segmental graphs for net cost of services, operating revenue and expenditure with the addition of the actual amounts.

3.2.2 Update on Rates Debtors.

3.2.3 Whole of Council Cost of Service Statement.

3.2.4 Variance analysis

3.2.5 Council approved unbudgeted expenditure

3.2.6 Debt report including budgeted debt, forecast debt and actual debt.

3.2.7 Capital Expenditure 2018-19

4 **OPTIONS**

4.1 Council can decide to receive or not receive the report.

5 **SIGNIFICANCE AND CONSULTATION**

5.1 This report is for information only and, while feedback is invited from Council in order for staff to continuously improve the quality of information provided, no assessment of significance or consultation and no options analysis is required.

6 **RECOMMENDATION**

A) **THAT** Council receives the Financial Performance Report to 31 July 2018

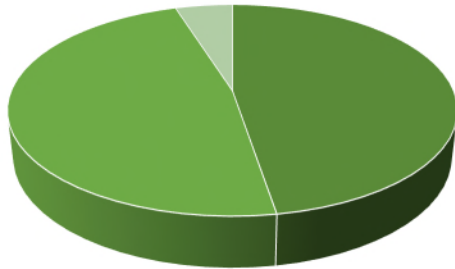
Lavinia Hamilton
Finance Manager

Appendix 1: Financial Performance July 2018



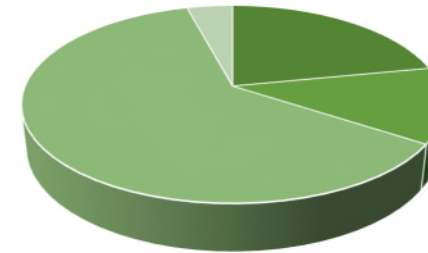
Financial Performance July 2018

Operating revenue Actual year to July



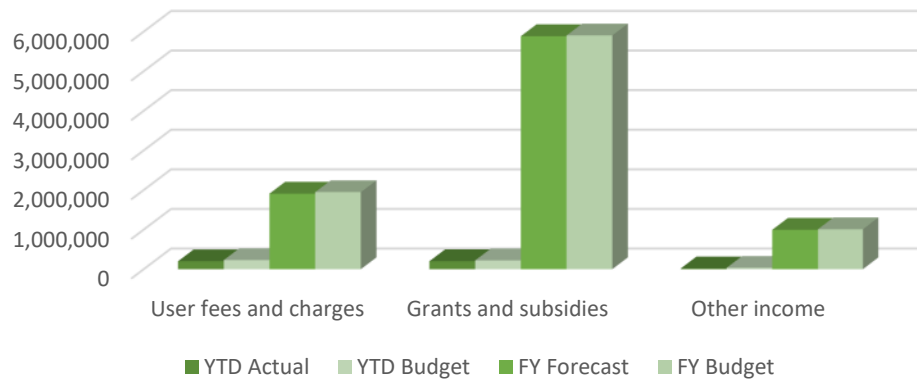
■ User fees and charges ■ Grants and subsidies ■ Other income

Operating expenditure Actual year to July

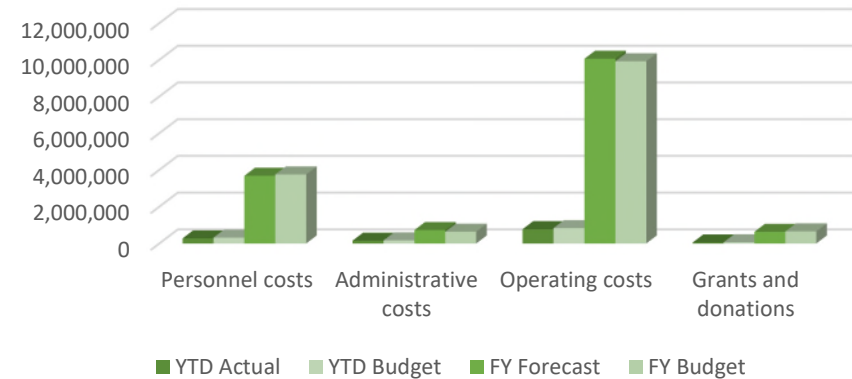


■ Personnel costs ■ Administrative costs ■ Operating costs ■ Grants and donations

Operating revenue



Operating expenditure



	User fees & Charges	Grants & Subsidies	Other Income
Actual YTD	200,004	201,422	20,699
Budget YTD	228,844	221,314	34,084
Variance	(28,839)	(19,892)	(13,386)
FY Forecast	1,907,182	5,884,372	995,627
FY Budget	1,945,649	5,904,264	1,009,013

	Personnel	Administration	Operating	Grants & donations
Actual YTD	276,558	155,390	777,720	52,698
Budget YTD	316,193	167,054	835,985	62,865
Variance	(39,635)	(11,664)	(58,264)	(10,167)
FY Forecast	3,677,598	728,865	10,059,427	637,360
FY Budget	3,749,231	638,465	9,921,209	656,620

Rates Debtors at 30 June 2018		718,946
Rates instalment	3,605,864	
Less payments received	- 418,947	
Paid in advance	- 175,509	
Write off's	- 76,183	
Penalties	65,906	
Discounts	- 2,494	
Court costs awarded	35,976	
		3,034,613
Total Rates Debtors at 31 July 2018		3,753,560
Arrears included above at 31 July 2018	3,753,560	
Arrears at 31 July 2017	4,060,773	
Increase/(decrease) in arrears		(307,213)

Debt Management July 2018

Rates Debt - Aged at 31 July 2018

Financial Year	Jul-18	Jul-17	Jun-18
2014-15	133,035	211,852	134,415
2015-16	53,521	111,185	53,929
2016-17	76,098	461,335	84,011
2017-18	354,008	3,276,402	446,591
Current	3,136,896	-	-
Total	3,753,560	4,060,773	718,946

- 22 new Direct Debits accounts

WESTLAND DISTRICT COUNCIL	July			Full Year 2018-2019	
	Actual	Budget	Variance	FY Forecast	Budget
Operating revenue					
Rates (includes targeted rates and metered water)	3,165,034	3,165,077	(43)	15,706,106	15,706,106
User fees and charges	200,004	228,844	(28,839)	1,907,182	1,945,649
Grants and Subsidies	201,422	221,314	(19,892)	5,884,372	5,904,264
Other income	20,699	34,084	(13,386)	995,627	1,009,013
Overhead recoveries	730,147	597,962	132,184	7,307,732	7,175,548
Total revenue (A)	4,317,305	4,247,280	70,024	31,801,019	31,740,580
Operating expenditure					
Personnel costs	276,558	316,193	(39,635)	3,677,598	3,749,231
Administrative costs	155,390	167,054	(11,664)	728,865	638,465
Operating costs	777,720	835,985	(58,264)	10,059,427	9,921,209
Grants and donations	52,698	62,865	(10,167)	637,360	656,620
Overheads	729,572	593,240	136,332	7,357,568	7,118,134
Total operating expenditure (B)	1,991,939	1,975,336	16,602	22,460,818	22,083,659
Net operating cost of services - surplus/(deficit) (A - B)	2,325,366	2,271,944	53,422	9,340,202	9,656,921
Other expenditure					
Interest and finance costs	59,189	63,056	(3,867)	752,803	756,670
Depreciation	524,287	494,068	30,219	6,133,514	5,928,815
(Gain)/loss on investments	-	-	-	-	-
(Gain)Loss on swaps	(30,057)	16,314	(46,371)	149,402	195,773
(Gain)Loss on disposals	-	-	-	-	-
Total other expenditure (C)	553,419	573,438	(20,019)	7,035,719	6,881,258
Total expenditure (D = B + C)	2,545,357	2,548,775	(3,417)	29,496,537	28,964,917
Net cost of services - surplus/(deficit) (A - D)	1,771,947	1,698,506	73,442	2,304,482	2,775,663

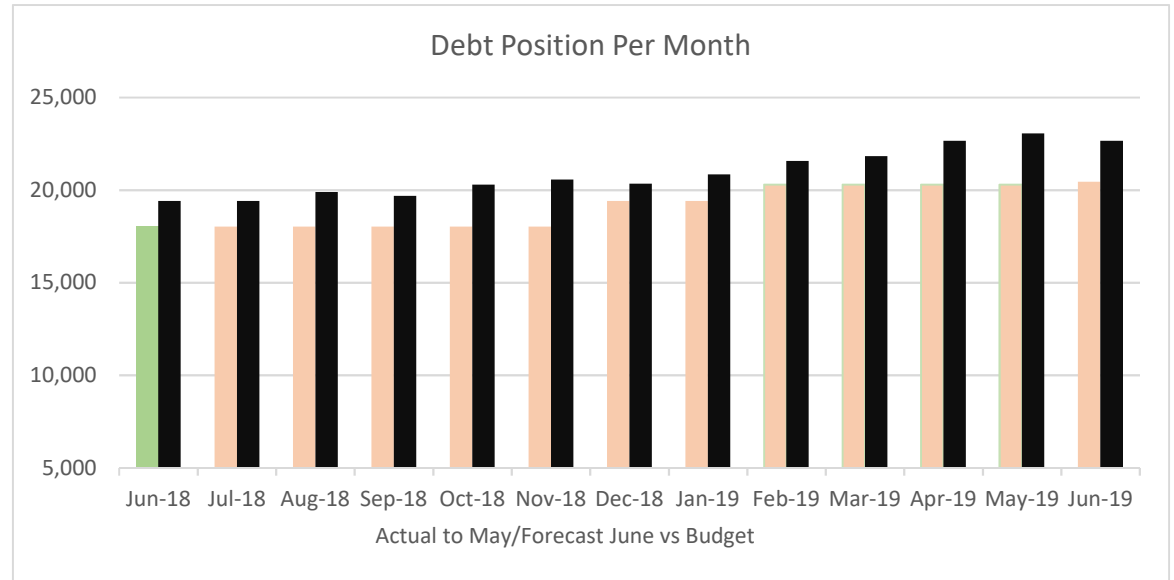
Variance Analysis

Operating Revenue	
Rates revenue	This is on budget with a very minor variation
User fees and charges	User fees are under budget, this is due to lower than expected Refuse and dog registration fees, this may simply be a phasing issue as budgets phasing is still in progress.
Grants and Subsidies	Grants and subsidies are slight down, this is mostly due to a \$20K variance in NZTA
Operating Expenditure	
Personnel costs	Personnel costs are under year to date budget due to several vacancies not yet filled.
Operating costs	Operating costs are under year to date budget, this is likely due to budget phasing and weather.
Grants and Donations	Actuals are slightly under budget, likely due to budget phasing as it is difficult to predict through the year when they will fall due.
Other Expenditure	
Depreciation	Depreciation has yet to be confirmed as the asset register is still being progressed this will be finalised by the August report
(Gain)/Loss on Swaps	Swap values are based on market factors and are difficult to predict. Any gain or loss on swaps would not materialise unless swaps were cashed in before maturity.

Forecast Debt Position per Long Term Plan for the 2018-19 Financial

Year

Forecast as at	Jul-18	Jul-18
Opening Balance	18,018	18,018
Loan funded capex forecast	3,998	3,998
Forecast repayments 2017-18	(1,571)	(1,571)
Forecast balance June 2018	20,446	20,446



























	Debt Position per month												
	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Budget	19,402	19,402	19,402	19,402	19,402	19,402	19,402	19,402	19,402	19,402	19,402	19,402	20,446
Forecast at 1 July 2017	18,018	18,018	18,018	18,018	18,018	18,018	19,401	19,401	19,401	19,401	19,401	19,401	20,446
Actual + Forecast	18,018	18,018	18,018	18,018	18,018	18,018	19,401	19,401	20,301	20,301	20,301	20,301	20,446
Waste Management loan	2,207	2,207	2,207	2,207	2,207	2,207	2,307	2,307	2,307	2,307	2,307	2,307	2,172
Water Supply loan	2,178	2,178	2,178	2,178	2,178	2,178	2,447	2,447	2,947	2,947	2,947	2,947	3,358
Wastewater loan	1,485	1,485	1,485	1,485	1,485	1,485	1,785	1,785	1,785	1,785	1,785	1,785	2,394
Structured Infrastructure loan for Council assets	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845	7,845
Stormwater loan	702	702	702	702	702	702	702	702	1,102	1,102	1,102	1,102	1,465
Transportation	685	685	685	685	685	685	685	685	685	685	685	685	658
Vehicle loan	44	44	44	44	44	44	44	44	44	44	44	44	34
Cass Square	109	109	109	109	109	109	109	109	109	109	109	109	123
Conveniences	165	165	165	165	165	165	598	598	598	598	598	598	543
Other	60	60	60	60	60	60	341	341	341	341	341	341	334
Hokitika Water supply upgrade	2,538	2,538	2,538	2,538	2,538	2,538	2,538	2,538	2,538	2,538	2,538	2,538	1,519





















Forecast on Budget			Legend - Key
Forecast over Budget			


Project / Activity	YTD Exp	2018-19	Forecast	Budget Track	Progress / Track
	\$0	\$0	\$0		
LEADERSHIP					
Council HQ - Refurbishment	-	100,000	100,000		
Information Management - DMS	-	50,000	50,000		
IT Equipment renewals - Annual Network	2,640	32,000	32,000		
IT Equipment renewals - Upgrades to workstations	-	12,000	12,000		
IT Equipment renewals - Webcam replacement	-	2,500	2,500		
IT Equipment renewals - Disaster recovery servers	-	40,000	40,000		
IT Equipment renewals - Civil Defence Laptop	3,053	5,000	5,000		
Civil Defence - Civil defence Kits	0	4,800	4,800		
	5,693	246,300	246,300		


LIBRARY					
Library - Electrical upgrade	-	29,300	29,300		
Library - Audio/Visual Resource	184	4,324	4,324		
Library - Free Adult Books	385	14,053	14,053		
Library - Adult Non Fiction	931	18,918	18,918		
Library - Junior Publications	1,612	12,432	12,432		
Library - Large Print Books	-	6,486	6,486		
	3,112	85,513	85,513		



WATER SUPPLY					
Kumara - Mains upgrade programme	-	15,000	15,000		
Kumara - Treatment Components upgrade programme	-	2,778	2,778		
Kumara - Disinfection upgrades programme	-	2,222	2,222		
Kumara - Telemetry	-	3,333	3,333		
Arahura - Treatment Components upgrade programme	-	2,778	2,778		
Arahura - Disinfection upgrades programme	-	2,222	2,222		
Arahura - Telemetry	-	3,333	3,333		
Arahura - Water treatment plant	-	365,000	365,000		
Hokitika - Mains upgrade programme	-	300,000	300,000		
Hokitika - Pumps Upgrade Brickfeild	-	25,000	25,000		
Hokitika - Water meter replacements	-	90,000	90,000		
Hokitika - Generator	-	45,000	45,000		
Hokitika - Treatment Components upgrade programme	-	2,778	2,778		
Hokitika - Disinfection upgrades programme	-	2,222	2,222		
Hokitika - Telemetry	-	3,333	3,333		
Ross - Mains upgrade programme	-	120,000	120,000		
Ross - Building Repairs and Stabilisation	-	15,000	15,000		
Ross - Water Source	-	20,000	20,000		
Ross - Treatment Components upgrade programme	-	2,778	2,778		
Ross - Disinfection upgrades programme	-	2,222	2,222		
Ross - Telemetry	-	3,333	3,333		
Hari Hari - Mains upgrade programme	-	15,000	15,000		
Hari Hari - Treatment Components upgrade programme	-	2,778	2,778		
Hari Hari - Disinfection upgrades programme	-	2,222	2,222		
Hari Hari - Telemetry	-	3,333	3,333		
Whataroa - Treatment Components upgrade programme	-	2,778	2,778		
Whataroa - Disinfection upgrades programme	-	2,222	2,222		
Whataroa - Telemetry	-	3,333	3,333		
Franz Josef - Mains upgrade programme	-	90,000	90,000		
Franz Josef - Raw Water Source	-	220,000	220,000		
Franz Josef - Blower Electrics & SCADA	-	32,000	32,000		
Franz Josef - Treatment Components upgrade programme	-	2,778	2,778		
Franz Josef - Disinfection upgrades programme	-	2,222	2,222		
Franz Josef - Telemetry	-	3,333	3,333		
Fox Glacier - Plant upgrade	-	400,000	400,000		
Fox Glacier - Mains upgrade programme	-	80,000	80,000		
Fox Glacier - Treatment Components upgrade programme	-	2,778	2,778		
Fox Glacier - Disinfection upgrades programme	-	2,222	2,222		
Fox Glacier - Telemetry	-	3,333	3,333		
Haast - Treatment Components upgrade programme	-	2,778	2,778		
Haast - Disinfection upgrades programme	-	2,222	2,222		
Haast - Telemetry	-	3,333	3,333		
	0	1,907,000	1,907,000		





WASTEWATER					
Hokitika - WWTP upgrade	-	275,000	275,000		
Hokitika - Mains upgrade programme	-	60,000	60,000		
Hokitika - Pump upgrade	-	20,000	20,000		
Hokitika - Pump upgrade (Kaniere)	-	130,000	130,000		
Hokitika - Kaniere Road catchment	-	50,000	50,000		
Hokitika - WW Network Growth	-	2,500	2,500		
Franz Josef - WWTP upgrade	-	2,250,000	2,250,000		
Franz Josef - WW Network Growth	-	2,500	2,500		
Fox Glacier - Mains upgrade programme	-	32,000	32,000		
Fox Glacier - WWTP upgrade	-	100,000	100,000		
Fox Glacier - WW Network Growth	-	2,500	2,500		
Haast - WW Network Growth	-	2,500	2,500		
	0	2,927,000	2,927,000		

STORMWATER					
Hokitika - Mobile generator	-	30,000	30,000		
Hokitika - Mains upgrade programme	-	25,000	25,000		
Hokitika - Pump upgrade (Tancred)	-	200,000	200,000		
Hokitika - Pump upgrade (Sewell)	-	100,000	100,000		
Hokitika - Pump upgrade (Rolleston)	-	20,000	20,000		
Hokitika - Pump upgrade (Hoffman)	-	50,000	50,000		
Hokitika - Extension Weld St	-	130,000	130,000		
Hokitika - Realignment Beach St	-	20,000	20,000		
Hokitika - Extension Jollie St	-	240,000	240,000		
Hokitika - Mains upgrade new developments	-	10,000	10,000		
	0	825,000	825,000		



SWIMMING POOLS					
West Coast Wilderness Trail - Enhancement	-	70,000	70,000		
	0	70,000	70,000		











SWIMMING POOLS					
Swimming Pool Ross - EQ strengthening	-	10,000	10,000		
	0	10,000	10,000		











ELDERLY HOUSING					
Elderly Housing - Glazing and insulation	-	20,000	20,000		
	0	20,000	20,000		

SOLID WASTE					
Butlers - Site Shed	-	15,000	15,000		
Haast - Preparation for new cell	-	10,000	10,000		
	0	25,000	25,000		

LAND & BUILDINGS					
Buildings - Greypower windows	-	8,000	8,000		
	0	8,000	8,000		

MUSEUM					
Museum - Photobooth	-	2,400	2,400		
	0	2,400	2,400		

i-Site					
i-Site - Booking Computers	-	7,500	7,500		
i-Site - Interactive mapping	-	11,780	11,780		
i-Site - Self service computers	-	4,900	4,900		
i-Site - Website development	-	10,000	10,000		
i-Site - Replacements of equipment	-	3,000	3,000		
	0	37,180	37,180		

PARKS & RESERVES					
Reserves - Cass Square - Demolish Grandstand	-	15,000	15,000		
Reserves - Cass Square - Building improvements Pavillion	-	20,000	20,000		
Reserves - Cass Square - Rubber matting	-	20,000	20,000		
Reserves - Haast	-	10,000	10,000		
Reserves - Waterfront development	-	50,000	50,000		
	0	115,000	115,000		

TRANSPORTATION					
Unsealed Road Metalling (3030)	-	286,500	286,500		
Sealed Road Resurfacing (3031)	-	850,000	850,000		
Maintenance - Drainage Renewals (3032)	-	159,000	159,000		
Sealed Road Pavement Rehabilitation	-	80,000	80,000		
Structures Component Replace (3033)	-	212,500	212,500		
Traffic Services Renewals (3034)	-	127,500	127,500		
Low Cost Low Risk - Local	-	545,000	545,000		
Sealed Road Resurfacing (3070)	-	159,000	159,000		
Maintenance - Drainage Renewals	-	27,000	27,000		
Sealed Road Pavement Rehabilitation	-	150,000	150,000		
Structures Component Replace (3072)	-	53,000	53,000		
Traffic services renewals	-	11,000	11,000		
Low Cost Low Risk - SPR	-	35,000	35,000		
Footpath upgrades - Hokitika	-	27,000	27,000		
Footpath upgrades - Kaniere	-	1,000	1,000		
Footpath upgrades - Kumara	-	10,000	10,000		
Footpath upgrades - Ross	-	3,000	3,000		
Footpath upgrades - Hari Hari	-	1,500	1,500		
Footpath upgrades - Whataroa	-	1,000	1,000		
Footpath upgrades - Franz Josef	-	20,000	20,000		
Footpath upgrades - Fox Glacier	-	3,000	3,000		
Footpath upgrades - Haast	-	1,500	1,500		
	-	2,763,500	2,763,500		
Total	8,806	8,971,893	8,971,893		

Report



DATE: 23 August 2018

TO: Finance, Audit and Risk Committee

FROM: Group Manager: Corporate Services

INSURANCES FOR 3 MONTHS JULY – NOVEMBER 2018

1 SUMMARY

- 1.1 The purpose of this report is to present the Committee with the interim insurance renewal for Council for the four months ending 1 November 2018.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which will be set out in the next Long Term Plan 2018-28. These are stated on Page 2 of this agenda.
- 1.3 This matter arises because insurance, as a component of risk management is contained in the Committee's Terms of Reference, section (d)ii.
- 1.4 This report concludes by recommending that the Committee approve the insurance arrangements proposed to Council.

2 BACKGROUND

- 2.1 In 2015 Council formed a shared service arrangement with the other West Coast councils for the purchase of material damage, indemnity and liability insurances. Following a competitive evaluation process, the LASS appointed Aon as its collective broker.
- 2.2 Underground assets have been insured under a collective of South Island Councils.

3 CURRENT SITUATION

- 3.1 In June 2018 Aon informed Group Manager, Corporate Services that New Zealand Insurance companies no longer had an appetite to insure Council Liability insurances.
- 3.2 This situation has come about due to some very large liability claims made from New Zealand Council's recently. Westland District Council has made no claims in this area.
- 3.3 Aon have been able to secure short term insurance cover between 30 June and 1 November 2018, however these insurers have advised they will no longer continue insuring any Councils in the long term.
- 3.4 This short-term cover will allow Aon to secure insurance with other companies.
- 3.5 For the policies, there are some changes to level of insurance as land and buildings have been revalued for 30 June 2018 and these new values have been incorporated into the material damage insurance schedule.
- 3.6 There is some variation to the cost that was expected, however this is not a significant amount. Council budgeted a 40% increase in the fire service levy, which is a government statutory levy. A blanket 10% increase was added to budgets in the Long Term Plan as being the most likely increase. Attached as **Appendix 1**.
- 3.7 It is likely that when Aon secure new insurance companies from 1 November there are likely to be significant increases to premiums.
- 3.8 For future years, the insurance renewal date will now become 1 November each year. This will then align with the renewal of underground assets.
- 3.9 There is no change to the insurance of Council's underground assets, which already hold a renewal date of 1 November.

4 OPTIONS

- 4.1 Option 1: Approve the short term insurance renewals
- 4.2 Option 2: Do not approve the short term insurance renewals

5 SIGNIFICANCE AND ENGAGEMENT

The approval of Insurance renewals is administrative and does not require consultation.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

6.1 Option 1: would allow for Council assets and liabilities to continue to be insured in the short term.

Insurance is also a part of Council's risk management process by transfer of risk to the insurers. By payment of a premium Council is able to mitigate losses and preserve assets.

6.2 Option 2: By not insuring Council assets and liabilities, could result in losses or claims against Council that cannot funded through cash reserves or rates revenues. The premiums for the short term renewals are satisfactory and are substantially covered by Council budget. A proportion of the cost will be borne by the CCO's.

7 RECOMMENDATIONS

A) **THAT** the Committee approve the renewal of material damage, liability and indemnity insurances as proposed by Aon for the 4 months from 30 June 2018 to 1 November 2018 of \$79,282.00 excluding GST, attached as **Appendix 1**.

Lesley Crichton
Group Manager: Corporate Services

Appendix 1: Renewal Summary 4 months 30 June 2018 to 1 November 2018

Appendix 1

Insurance renewals 30 June to 1 November					
Description	Premium	% increase in premium	% increase budgeted	Impact	Comments
Material Damage:					
All claims except Residential Dwellings Weather Perils	\$47,742	6% 6% 10%	10% 10% 10%	ave 3% saving ave 3% saving ave 3% saving	Aon have been able to negotiate very good terms compared to the market, which in some areas premiums have increased by 30%.
Fire Service levy	\$11,132	40%	40%	none	Statutory Government charge
Commercial Vehicle	\$2,720	25%	10%	15% increase	Market changes, plus large WDC claim during 2017. Although there is a large increase in premium %, due to the low number of vehicles owned and insured by Council the actual change in cost is low.
General Liability and Professional indemnity	\$8,333	24%	10%	14% Increase	Increase due to large claims in the sector
Employers and Statutory liability	\$802	10%	10%	none	Statutory liability excess increased from \$2,000 to \$5,000. Employers liability excess increased from \$1,000 to \$2,000
Directors and Officers liability	\$1,749	40%	10%	30%	Although the % increase is large, the low cost of the premium means that the actual change in value is low.
Crime/Fidelity	\$1,767	8%	10%	2% saving	

Airport owners/Operators liability	\$1,641	12%	10%	2% increase	All cost will be recharged to Destination Westland. The Airport owners/Operators liability has been renewed through to 1 November 2019 due to a large claim from another airport that is under consideration, once a decision on this has been made it will likely affect premiums, by extending the insurance period beneficial terms have been locked in for a longer period
Administration fee	\$3,397				
Total	\$79,282				
notes					
1. overall average % change above budget				6%	
2. Part of these costs will be recharged to the CCO's					

FINANCE, AUDIT AND RISK COMMITTEE ROLLING WORK PLAN

Item	Aug-18	Sept-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	April-19	May-19	June-19	July-19
External Audit		Interim Audit Management Report 2017/18 – review action to be taken by management Final Audit Annual Report 2017/18	Review Final Audit Annual Report 2017/18				Audit Management Report 2017/18 Meet Audit Director if necessary				Interim Audit 2018/19	
Financial Reporting	Verbal update on year end		Review Annual Report 2017/18 – for recommendation of adoption to Council Quarterly Report to September 2018			Quarterly Report to December 2018			Quarterly Report to March 2019			
Insurance	Insurance renewal 30 June 2018 to 1 November 2018	Valuation Information		Renewal								Insurance Update
Risk Management Framework			Review Risk Register			Review Risk Register			Review Risk Register			Update on Health & Safety Legislation Review Risk Register
Internal Control Framework			Review Current Policies and set Action Plan			Update – Internal Audit			Update			Update