

**FINANCE/PERFORMANCE
COMMITTEE MEETING**

ORDER PAPER

**THURSDAY, 24 September 2020,
10.30am**

Council Chamber, Rangitīkei District Council
46 High Street, Marton

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Chair - Councillor Nigel Belsham

Deputy Chair – Councillor Fi Dalgety

Membership

Councillors Cath Ash, Brian Carter, Angus Gordon, Tracey Hiroa, Waru Panapa and Dave Wilson.

His Worship the Mayor, Andy Watson

Please Note: Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.

Making this place home.



Rangitikei District Council

Finance and Performance Committee Meeting

Agenda – Thursday 24 September 2020 – 10:30 am

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The quorum for the Finance and Performance Committee is 5.

Council's Standing Orders (adopted 31 October 2019) 11.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

1 Welcome

2 Public Forum

3 Apologies/Leave of Absence

4 Members' Conflict of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

5 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, be dealt with as a late item at this meeting.

6 Confirmation of minutes

The minutes from the Finance/Performance Committee meeting held 30 July 2020 are attached.

Recommendation:

That the Minutes of the Finance/Performance Committee meeting held on 30 July 2020 [as amended/without amendment] be taken as read and verified as an accurate and correct record of the meeting.

7 Chair's Report

A report will be tabled at the meeting.

File ref: 3-CT-14-1

Recommendation:

That the tabled 'Chair's Report' to the 24 September 2020 Finance/Performance Committee meeting be received.

8 Draft 2019/20 Annual Financial Statements

A report is attached.

Scrutiny by Council's auditors starts on 12 October 2020

Recommendation:

That the report 'Draft 2019/20 Annual Financial Statements' to the 24 September 2020 Finance/Performance Committee be received.

9 Draft 2019/20 Annual Non-financial Statements

These will be tabled at the meeting.

10 Draft Financial Snapshot – August 2020

A memorandum is attached.

Recommendation:

That the memorandum 'Draft Financial Snapshot – August 2020' to the 24 September 2020 Finance/Performance Committee meeting be received.

11 Heating and Insulation Programme

A memorandum is attached.

File: 4-EN-5-3

Recommendations:

- 1 That the memorandum 'Heating and Insulation Programme' to the 24 September 2020 Finance/Performance Committee be received.
- 2 That the Finance/Performance Committee recommend to Council that the Heating and Insulation Programme be revoked and those who enquire at Council are directed towards ECCA and Banks offering up interest free loans.

12 Floating Funds for Santoft Domain Management Committee

A memorandum is attached.

File: 3-CT-18-4

Recommendations:

- 1 That the memorandum 'Floating Funds for Santoft Domain Management Committee' to the 24 September 2020 Finance/Performance Committee be received.
- 2 That the Finance and Performance Committee approve a floating fund of \$5,000.00 for the Santoft Domain Management Committee which may be used for the purchasing of goods and services, with any contractors providing a service must be pre-qualified with Council.

OR

That the Finance and Performance Committee does not approve a floating fund of \$5,000.00 for the Santoft Domain Management Committee.

13 Late Items

As agreed at item 6.

14 Future Items for the Agenda

Options for depreciation on new assets

Policy or process on internal procedures on when debt collection is triggered

Clarification on petrol tax

Revaluation impact across the sector

15 Next Meeting

Thursday 22 October 2020, 9.30am

16 Meeting Closed

Attachment 1



Rangitikei District Council

Finance and Performance Committee Meeting

Minutes – Thursday 30 July 2020 – 10:30 a.m.

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Present: Cr Nigel Belsham
Cr Fiona Dalgety
Cr Cath Ash
Cr Brian Carter
Cr Angus Gordon
Cr Tracey Hiroa
Cr Dave Wilson
His Worship the Mayor, Andy Watson

Also Present: Cr Jane Dunn

In attendance: Mr Peter Beggs, Chief Executive
Ms Jo Devine, GM – Finance and Business Support
Ms Kathryn McDonald, Accountant
Mr Arno Benadie, Principal Advisor - Infrastructure
Ms Bonnie Clayton, Governance Administrator

Tabled Documents:

Item 8	Chair's Report
Item 10	Unsealed road useful life change

1 Welcome

Cr Belsham welcomed everyone to the meeting at 10.31am.

2 Council Prayer

Cr Gordon read the Council Prayer.

3 Public Forum

Nil

4 Apologies/Leave of Absence

That the apology for absence for Cr Panapa be received.

Cr Carter/Cr Dalgety. Carried

5 Members' Conflict of Interest

There were no conflicts declared.

6 Confirmation of order of business

There were no changes to the order of business.

7 Confirmation of minutes

Resolved minute number	20/FPE/009	File Ref
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That the Minutes of the Finance/Performance Committee meeting held on 27 February 2020 without amendment be taken as read and verified as an accurate and correct record of the meeting.

Cr Gordon/Cr Ash. Carried

8 Chair's Report

Councillor Belsham briefed Committee members on his tabled report, observing the stand outs in the agenda are house sales, noting that even with a drop in sales from last year the values of properties have increased and the capital works programme which has always been a struggle to meet, indicating spending more time is needed to be more accurate.

Resolved minute number **20/FPE/010** **File Ref** **3-CT-14-1**

That the tabled 'Chair's Report' to the 30 July 2020 Finance/Performance Committee meeting be received.

Cr Belsham/Cr Wilson. Carried

9 Debt Management Central Dashboard MWLASS and Rangitikei District Council

Ms Devine spoke to the report, explaining that Manawatu-Whanganui Local Authority Shared Services (MWLASS) is where Rangitikei District Council are a shareholder in insurance, archives and debt management, noting Council receive good returns from this.

Ms Devine advised that the Council take the first step for debt collection, such as phone calls or payment plans and the decision lies with the Chief Executive on when debts are passed onto MWLASS.

His Worship the Mayor expressed that the Rates and Revenue Officer does an incredible job and noted there had never been a policy trigger to request legal action for overdue rates. He requested that staff investigate a process or policy on when Council identifies the need to take legal action to reclaim overdue rates.

Undertaking **Subject**

Staff to report back to the Finance/Performance Committee with a process or report on internal procedures on when debt collection is to be triggered.

Undertaking **Subject**

Ms Devine to meet with Cr Dalgety and any new Councillor with the desire to get an understanding on debt and the rating system.

Resolved minute number **20/FPE/011** **File Ref**

That the report 'Debt Management Central Dashboard MWLASS and Rangitikei District Council' to the 30 July 2020 Finance/Performance Committee meeting be received.

Cr Belsham/Cr Gordon. Carried

Cr Dunn arrived 10.55am

10 Unsealed road useful life change

Ms Devine highlighted the following from the tabled report:

- Unsealed road depreciation was 7 years, the recommendation is to move to 19 years
- New methodology to determine the value of asset if to depreciate over 19 years
- An independent valuer will be used
- Value is considered under two categories insurance and audit

Undertaking Subject

Staff to feedback on Insurance on Council Assets to a subsequent Finance/Performance or Audit/Risk meeting.

Resolved minute number 20/FPE/012 File Ref

That the tabled report 'Unsealed road useful life change' to the 30 July 2020 Finance/Performance Committee meeting be received.

Cr Ash/Cr Dalgety. Carried

11 Draft Financial Snapshot – June 2020

Ms Devine took the memorandum as read, clarifying that the document will be finalised with the auditors in October, to then go into the Annual Report.

Conveying trends, Ms Devine noted that Revenue is up, with increases in user fees and charges (specifically Resource consents), Waste Transfer Stations, Rates and Petrol tax.

In response to a question on how the Petrol Tax works, Ms Devine advised she will seek clarification on how it works and report back to the next meeting.

Undertaking Subject

Ms Devine to seek clarification on how the Petrol Tax works and report back to the next meeting.

Resolved minute number 20/FPE/013 File Ref

That the memorandum 'Draft Financial Snapshot - June 2020' to the 30 July 2020 Finance/Performance Committee meeting be received.

Cr Ash/Cr Dalgety. Carried

12 Property Sales – Annual Report 1 July 2019 – 30 June 2020

Ms Devine took the report as read, stating the report will be continued to be built on to see trends. The visual report was created using a business intelligence tool, the end goal is to have it publically available on the website for the community to look up property values etc.

Resolved minute number **20/FPE/014** **File Ref**

That the report 'Property Sales – Annual Report 1 July 2019 – 30 June 2020' to the 30 July 2020 Finance/Performance Committee meeting be received.

Cr Hiroa/Cr Wilson. Carried

13 Late Items

Nil

14 Future Items for the Agenda

Options for depreciation on new assets

Insurance on Council Assets

Revaluation Impact across the sector

15 Next Meeting

Thursday 27 August 2020, 9.30am

16 Meeting Closed

11.37am

Confirmed/Chair: _____

Date:

Attachment 2

Report

Subject: **Draft 2019/20 Annual Financial Statements**

To: Finance and Performance Committee

From: Dave Tombs

Copies: Council

Date: September 2020

File Ref: [File Ref](#)

1 Executive Summary

1.1 Purpose of the report

To provide elected members with a draft set of 2019/20 Annual Financial Statements.

1.2 Key issues

These draft annual financial statements are 'very preliminary' – they have yet to be properly reviewed by management and auditors. Accordingly they are provided for general information only.

The Statement of Cash Flows (marked as Page 81) and notes 22 and 31 are yet to be completed.

1.3 Major recommendations

That the draft 2019/20 Annual Financial Statements be received.

2 Context

2.1 Background

Each year Council is required to produce a set of audited financial statements. This process involves the production of a preliminary set of financial statements which is then reviewed by senior management.

These financial statements must be prepared in accordance with various accounting standards and other requirements.

The financial statements are then subject to independent audit.

It is expected that some changes will be made to these draft financial statements before they are finalised and published.

2.2 Significance

This matter is for noting and accordingly is considered Low in respect to Council's Significance and Engagement Policy.

3 Conclusions

As these draft financial statements are presented for information purposes, no options or similar considerations are presented.

4 Recommendation

- 4.1 That the report 'Draft 2019/20 Annual Financial Statements' to the 24 September 2020 Finance/Performance Committee be received.

Dave Tombs
General Manager Finance and Business Support

Appendix 1



RANGITIKEI
DISTRICT COUNCIL

Rangitikei District Council

Section 3: Financial Statements and Policy Reports

Whole of Council – Funding Impact Statement

For the year ended 30 June 2020

	2019 Long-term plan (\$000)	2019 Actual (\$000)	2020 Annual Plan (\$000)	2020 Actual (\$000)
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	7,006	6,715	7,345	7,613
Targeted rates	14,670	14,672	15,186	15,835
Subsidies and grants for operating purposes	3,579	6,007	3,486	6,052
Fees and charges	1,922	3,142	2,339	2,842
Interest and dividends from investments	220	164	225	106
Local authorities fuel tax, fines, infringement fees, and other receipts	467	492	466	606
Total operating funding (A)	27,864	31,091	29,047	33,054
Applications of operating funding				
Payment to staff and suppliers	21,352	21,091	22,181	22,533
Finance costs	8	49	117	96
Other operating funding applications	0	0	0	0
Total applications of operating funding (B)	21,360	21,140	22,298	22,629
Surplus (deficit) of operating funding (A - B)	6,504	10,051	6,749	10,425
Sources of capital funding				
Subsidies and grants for capital expenditure	5,762	3,223	9,428	2,998
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	10,215	2,984	13,011	(16)
Gross proceeds from sale of assets	714	(378)	1,221	(440)
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
Total sources of capital funding (C)	16,691	5,828	23,660	2,542
Application of capital funding				
Capital expenditure				
- to meet additional demand	3,842	0	4,714	0
- to improve the level of service	2,081	2,823	4,631	5,558
- to replace existing assets	22,322	11,119	21,064	9,291
Increase (decrease) in reserves		1,885	0	(1859)
Increase (decrease) in investments	(5,050)	51	0	(22)
Total applications of capital funding (D)	23,195	15,878	30,409	12,967
Surplus (deficit) of capital funding (C - D)	(6,504)	(10,051)	(6,749)	(10,425)
Funding balance ((A - B) + (C - D))	0	0	0	0
Note: Depreciation expense not included above	0	10,646	0	13,141

This statement complies with the Local Government (Financial Reporting and Prudence) Regulations 2014

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Revenue				
Rates	3	21,387	22,531	21,815
Subsidies and grants	5B	9,230	12,914	9,051
Other revenue	5A	3,633	2,805	3,449
Finance revenue	4	164	225	104
Vested and discovered assets		0	0	0
Gains	6	306	0	447
Total operating revenue		34,720	38,475	34,866
Expenditure				
Depreciation and amortisation expense	14,15	10,646	10,783	13,141
Personnel costs	7	4,306	4,417	4,895
Finance costs	4	49	117	96
Losses	6	10	0	12
Other expenses	8	16,800	17,763	17,147
Total operating expenditure		31,811	33,080	35,291
Operating surplus (deficit) before gains and losses on PPE and Investments		2,909	5,395	(425)
Reversal of previous losses on Roothing through operating surplus (deficit)		17,495		0
Operating surplus (deficit) before tax		20,404	5,395	(425)
Income tax expense	9	0	0	0
Operating surplus (deficit) after tax		20,404	5,395	0
Other comprehensive revenue and expense				
<i>Items that could be reclassified to surplus(deficit)</i>				
Financial assets at fair value through other comprehensive revenue and expense	6	12	0	18
<i>Items that will not be reclassified to surplus(deficit)</i>				
Gain on revaluation of property, plant and equipment	6	86,193	26,271	7,994
Total other comprehensive revenue and expense		86,205	26,271	8,012
Total comprehensive revenue and expense		106,609	31,666	7,587

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Balance as at 1 July		492,961	494,376	599,570
Total comprehensive revenue and expense for the year		106,609	31,666	7,587
Balance as at 30 June		599,570	526,042	607,157

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Cash flows from operating activities				
Receipts from rates revenue		21,400	22,463	21,510
Receipts from other revenue		12,663	15,719	12,485
Interest received		164	225	164
Payments to suppliers and employees		(22,636)	(22,113)	(21,748)
Interest paid		(49)	(117)	(49)
Goods and services tax (net)		(78)	0	184
Net cash inflows (outflows) from operating activities	22	11,464	16,177	12,545
Cash flows from investing activities				
Receipts from sale of property, plant and equipment		378	-	378
Receipts from sale of investments		2,000	1	2,000
Acquisition of investments		0	-	(39)
Purchases of property, plant and equipment		(13,110)	(30,410)	(14,137)
Purchases of intangible assets		23	0	(23)
Purchase of Biological Assets		82		(82)
Net cash inflows (outflows) from investing activities		(10,837)	(29,189)	(11,903)
Cash flows from financing activities				
Proceeds from borrowings		3,000	13,011	3,000
Repayment of borrowings		0	0	(16)
Net cash inflows (outflows) from financing activities		3,000	13,011	2,984
Net increase (decrease) in cash, and cash equivalents		3,627	(1)	3,627
Cash and cash equivalents at the beginning of the year		5,877	6,781	5,877
Cash and cash equivalents at the end of the year	10	9,504	6,780	9,504

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ending 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Assets				
Current Assets				
Cash and cash equivalents	10	9,504	6,781	8,407
Debtors and Other Receivables	11	3,414	3,382	4,370
Prepayments		133	97	217
Other financial assets	12	0	0	0
Total current assets		13,051	10,260	12,994
Non-current assets				
Plant, property and equipment	14	593,730	536,461	603,662
Intangible assets	15	109	111	145
Forestry assets	16	63	53	67
Other financial assets				
Corporate bonds	12	79	30	79
Investment in CCOs and other similar entities	12	71	70	49
Total non-current assets		594,052	536,725	604,002
Total assets		607,103	546,985	616,996
Liabilities				
Current Liabilities				
Creditors and other payables	17	2,849	4,397	5,011
Employee entitlements	19	544	342	645
Income in advance		715	112	764
Borrowings	18	16	16	16
Other Financial Liabilities		0	0	0
Total current liabilities		4,124	4,867	6,436
Non-current liabilities				
Employee entitlements	19	7	6	5
Provisions	20	290	276	302
Borrowings	18	3,112	16,140	3,096
Total non-current liabilities		3,409	16,422	3,403
Total liabilities		7,533	21,289	9,839
Net Assets		599,570	525,696	607,157
Equity				
Accumulated funds	21	463,839	450,145	445,720
Special and restricted reserves	21	4,293	71,294	4,492
Other reserves	21	131,438	4,257	156,945
Total equity		599,570	525,696	607,157

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements

Council-Controlled Organisations (CCO)

Manawatu-Wanganui LASS Limited

This company was set up in 2008 by seven local councils to investigate the possibilities of economies of scale by joint procurement.

Rangitikei District Council owns one seventh or 14% of this company and has a \$16,000 share capital.

The company is treated as a CCO under the Local Government Act 2002 but in March 2013 Rangitikei District Council resolved that it is exempt for the purposes of section 6(4)(i) of that Act until 30 June 2019²³. Other member councils passed similar resolutions. That has been extended a further three years, until 30 June 2022²⁴.

MW Regional Disaster Relief Fund Trust

After the Manawatu Wanganui Regional Disaster Relief Fund Trust was established in March 2004, each of the eight local authorities appointing trustees passed a resolution exempting the Trust for the status as a council-controlled organisation. In 2015, the administration of the Trust was transferred to Horizons Regional Council, and resolutions passed by participating councils to exempt it for the purposes of section 6(4)(i) of the Local Government Act 2002. At its meeting on 30 August 2018, Rangitikei District Council resolved that this exemption continue for a further three years, i.e. to 30 June 2021.

²³ Council, 29 September 2016: 16/RDC/230.

²⁴ Council, 26 September 2019: 19/RDC/270.

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Rangitikei District Council (the Council) is a territorial authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Council provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity for financial reporting purposes.

The financial statements of the Council are For the year ended 30 June 2019. The financial statements were authorised for issue by the Council on 31 October 2019.

Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards.

These financial statements comply with PBE standards

Presentation currency and rounding

The financial report is presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Standards issued and not yet effective that have been early adopted

There are currently no standards that have been issued which are not yet effective.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council are:

Interests in other entities. In January 2017, the External Reporting Board issued new standards for interests in other entities (PBE IPSAS 34 - 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 - 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council has not yet assessed the effects of these new standards.

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council has not yet assessed the effects of the new standard.

Further new relevant standards are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. CSE does not intend to early adopt the amendment.

PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019. CSE will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. CSE has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific accounting policies for significant revenue items are explained below:

Revenue from non-exchange transactions

General and targeted rates

General and targeted rates are set annually and invoiced within the year. The Council recognises revenue from rates when the Council has set the rates and provided the rates assessment. The Council considers the payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction in rates revenue when the Council has received an application that satisfies its rates remission policy.

New Zealand Transport Agency roading subsidies

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income unless there is a use or return condition attached to the asset.

Direct charges – subsidised

Rendering of services – subsidised

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as building consents, dog licensing etc.), and where the shortfall is subsidised by income from other activities, such as rates. Generally there are no conditions attached to such revenue.

Revenue from such subsidised services is recognised when the Council issues the invoice or bill for the service. Revenue is recognised as the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from the Council) if the service is not completed.

Sale of goods – subsidised

A sale of goods at a price that is not approximately equal to the value of the goods provided by the Council is considered a non-exchange transaction. This includes sales of goods where the price does not allow the Council to fully recover the cost of producing the goods (such as the supply of bulk water), and where the shortfall is subsidised by income from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when the Council issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods.

Revenue from exchange transactions

Direct charges – full cost recovery

Sale of goods – full cost recovery

Revenue from the sale of goods (such as recyclable materials) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

Interest and dividends

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the costs of the investment.

Expenses

Expenses are measured at the fair value of the consideration paid or payable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific accounting policies for significant expense items are explained below.

Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Council incurs in connection with the borrowing of funds. The Council has chosen not to capitalise borrowing costs directly attributable to the acquisition, construction, or production of assets.

Grants

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Income tax

Income tax expense includes current and deferred tax.

Current tax is the income tax payable on the taxable surplus for the year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates (and tax laws) that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation of the taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Council expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting surplus nor the taxable surplus.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of the asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Council has substantially transferred the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

fair value through surplus or deficit;
loans and receivables;
held to maturity investments; and
fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified current assets.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. Council includes in this category:

- a) investments that it intends to hold long term but which may be realised before maturity; and
- b) shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held-to-maturity investments

Impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. The Council must be committed to the distribution expected within one year from the date of classification.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – These include land, buildings, library books, plant and equipment, motor vehicles, office equipment and computer hardware.

Infrastructural assets – Infrastructural assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, wastewater and other assets includes reticulation piping and sewer pumps.

Restricted assets - Restricted assets are parks and reserves that provide benefit to the community and cannot be disposed of because of legal or other restrictions.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the asset's fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains or losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When

revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and road formation, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Operational and restricted assets

Buildings

Structure.....	50-150 years
Roof	40 years
Services.....	40-65 years
Internal fit out	15-40 years
Plant	30 years
Motor vehicles	6 years
Office equipment.....	10 years
Computer hardware	5 years
Library books	10 years

Infrastructural assets

Roading network

Top surface (seal)	3-20 years
Pavement sealed (base course)	60-67 years
Pavement unsealed (base course)	50-60 years
Formation.....	Not depreciated
Culverts.....	8-100 years
Footpaths	25-75 years
Drainage facilities	80-100 years
Traffic facilities and miscellaneous items	10-80 years
Street lights	25-70 years
Bridges.....	50-120 years

Water

Pipes	30-90 years
Pump stations.....	5-60 years
Pipe fittings.....	25-100 years

Wastewater

Pipes.....	20-100 years
Manholes	100 years
Treatment plant.....	5-100 years

Stormwater

Pipes.....	50-90 years
Manholes, cesspits	90 years

Waste transfer stations50 years

Service concession arrangements

The Council may acquire infrastructural assets by entering into a service concession arrangement (SCA) with a private operator to build, finance, and operate an asset over a specified period.

Assets acquired through a SCA are initially recognised at their fair value, with a corresponding liability. The asset is subsequently measured following the accounting policies above for property, plant, and equipment.

The Council currently has not entered into any such SCA where a private operator has built and financed an asset.

The Council has only entered into SCAs where the Council itself owns the asset and any charges for services provided by the operator are recognised as an expense in the year to which it relates.

Intangible assets***Software acquisition***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Easements

Easements are not considered material and any costs incurred are recognised in the surplus or deficit in the year in which they are incurred.

Carbon credits

Carbon credit purchases are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software..... 3-5 years

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit a reversal of the impairment loss is also recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined by using the approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silviculture costs and takes into consideration environmental, operational and market restrictions.

Gains or losses arising from a change in fair value less estimated costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Payables

Short-term payables are recorded at their face value.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee benefits**Short-term employee entitlements**

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salary and wages, and holiday pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date.

Long-term employee entitlements

Long-term employee entitlements consists of long service leave that is payable beyond 12 months and have been calculated on the likely future entitlements accruing to staff, based on the years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and current salary. As there are few staff members that are actually entitled to long service leave, the total accrual is not considered to be material and no actuarial basis has been used.

Presentation of employee entitlements

Annual leave, vested long service leave, and non-vested long service leave expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount and timing where there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate base that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included under “finance costs”.

Landfill aftercare

The Council has a legal obligation to provide on-going maintenance and monitoring service of its closed landfills.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

Equity

Equity is the community’s interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated surplus/(deficit);
- special and restricted reserve funds;
- property revaluation reserves; and
- fair value through other comprehensive revenue and expense reserve.

Special reserve funds

Special reserve funds are reserves created by the Council for special purposes. The Council may alter them without reference to any third party or the Courts, and transfers to and from these reserves are at the discretion of the Council.

Restricted reserve funds

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which it may not revise without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Property revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change of financial assets classified as fair value through other comprehensive revenue and expense.

Goods and services tax (GST)

All items in the financial statement are exclusive of goods and services tax (GST) except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as an input tax credit then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council which reflect year 1 of the 2018/2028 Long – term plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Cost allocation

The Council has determined the cost of significant activities using the cost allocation system outlined below:

- Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific activity.
- Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage based on time, staff number and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements, the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Infrastructural assets

- The actual condition of an asset may not reflect the condition estimated in determining the carrying amount of the asset. This is particularly so for assets which are underground and difficult to assess the actual condition of, such as water, wastewater and stormwater assets.
- Estimates of any obsolescence or surplus capacity of an asset are based on judgements made with the best knowledge available at the time.
- Estimates of the useful remaining lives of an asset may vary with such things as soil type, rainfall, amount of traffic, natural disaster and other occurrences. The Council could be over- or under-estimating these, but assumptions are made based on the best knowledge available at the time.

Critical judgements in applying accounting policies

Management has exercised the following critical judgement in applying its accounting policies For the year ended 30 June 2019.

Classification of property

The Council owns a number of properties held to provide community housing. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives of the Council. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

Note 2: Reconciliation of funding impact statement to statement of comprehensive revenue and expense	Actual 2019 (\$000)	Actual 2020 (\$000)
Revenue		
Operating funding from funding impact statement	31,191	33,054
Operating revenue from statement of comprehensive revenue and expense	34,720	34,866
Difference	3,529	1,811
Reconciling items:		
Subsidies and grants for capital expenditure	3,223	2,997
Rates remissions	306	(1,129)
Internal Rates	0	(504)
Gains		447
FV through other comprehensive income transferred to profit and loss	0	0
Operating revenue offset against overhead expenses	0	0
Total reconciling items	3,529	1,811
Expenditure		
Application of operating funding from funding impact statement	21,140	22,629
Total operating expenditure from statement of comprehensive revenue and expense	31,811	35,291
Difference	10,671	12,662
Reconciling items:		
Depreciation and amortisation expense	10,646	13,141
Rates Remissions	0	(504)
Internal Rates		12
Losses	11	12
Movement in provisions	14	0
Impairment of receivables	0	0
Operating expenditure offset by revenue from overheads	0	0
Total reconciling items	10,671	12,662

Note 3: Rates revenue	Actual 2019 (\$000)	Actual 2020 (\$000)
General rates	3,088	3,056
Uniform annual general charge	3,839	4,146
Targeted rates attributable to activities	0	0
roading	6,578	6,488
community services	70	74
libraries	0	0
solid waste disposal	623	591
wastewater	2,561	2,672
water	3,353	3,797
stormwater drainage	637	672
Targeted rates for water supply (water by volume)	1,440	1,392
Rate Penalties	593	560
Total rates	22,782	23,448
Less rates charged on Council properties	484	504
Less rates remissions	911	1,129
	21,387	21,815

Rates remissions

The Council's rates remission policy allows rates to be remitted on: development; community sporting and other not-for-profit organisations; contiguous rating units owned or leased by a single ratepayer; multiple toilet pans; penalties; land affected by natural calamity; and, land protected for natural conservation purposes.

Multiple toilet pans	273	283
Penalties and other remissions	638	846
Total remissions	911	1,129

Non-rateable land

Under the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens, and reserves. These non-rateable properties may be subject to targeted rates in respect of wastewater and water supply. Non-rateable land does not constitute a remission under the Council's rates remission policy.

Note: Because of the difficulty in obtaining detailed analysis of remissions by category, they have been amalgamated into the two categories above.

Note 4: Finance revenue and finance costs	Actual 2019 (\$000)	Actual 2020 (\$000)
Finance revenue		
Interest revenue		
bank deposits	163	105
local authority and government bonds	1	1
Total finance income	164	106
Finance costs		
Interest expense		
interest on borrowings	49	96
Total finance costs	49	96
Net finance costs	115	10

Note 5A Other revenue	Actual 2019 (\$000)	Actual 2020 (\$000)
<i>Non-exchange revenue</i>		
Residential rents (community housing)	608	653
Regulatory revenue	1,443	1,371
Petrol tax	120	136
Other	1,462	1,289
Total other revenue	3,633	3,449
Note 5B: Subsidies & Grants		
New Zealand Transport Agency - Operational Subsidy	5,328	5,765
New Zealand Transport Agency - Capital Subsidy	2,999	2,963
Non-government grants	0	0
Other operating grants	903	323
	9,230	9,051

There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies and other operating grants recognised in the statement of comprehensive income.

Note 6: Gains and losses	Actual 2019 (\$000)	Actual 2020 (\$000)
Operating revenue and expense		
Gains		
Non-financial instruments		
Property, plant and equipment/ forestry gains on disposal	296	442
Gain on revaluation	0	0
Forestry asset revaluation gain (note 16)	10	4
Total gains	306	446
Losses		
Non-financial instruments		
Property, plant and equipment loss on disposal	10	12
Property, plant and equipment loss on revaluation	0	0
Total losses non-financial instruments	10	12
Other comprehensive revenue and expense		
Other gains (losses)		
Financial instruments		
Fair value through other comprehensive revenue and expense gain on revaluation	12	18
Fair value through other comprehensive revenue and expense loss on disposal	0	0
Fair value through other comprehensive revenue and expense loss on revaluation	0	0
Total gains (losses) financial instruments	12	18
Other gains (losses)		
Non-financial instruments		
Property, plant and equipment gain on revaluation	86,193	7,994
Total gains on non-financial instruments	86,205	8,012

Note 7: Personnel costs	Actual 2019 (\$000)	Actual 2020 (\$000)
Salaries and wages	4,191	4,757
Defined contribution plan employer contributions (KiwiSaver)	100	119
ACC levies	15	19
Total personnel costs	4,306	4,895

Note 8: Other expenses	Actual 2019 (\$000)	Actual 2020 (\$000)
Fees to auditors		
financial statements	121	126
fees to Audit New Zealand for other services	4	0
Emergency works	949	775
Maintenance	4,873	4,656
Contractors & Professional Services	5,184	4,820
Grants	647	749
Elected members remuneration (note 26)	0	443
Insurance premiums	450	522
Operating leases	4	9
Impairment of receivables (note 11)	11	(2)
Other operating expenses	4,557	5,049
Total other expenses	16,800	17,147

Note 9: Tax	Actual 2019 (\$000)	Actual 2020 (\$000)
Relationship between tax expense and accounting surplus		
Surplus (deficit) before tax	20,404	(425)
Tax at 28%	5,713	(119)
Plus (less) tax effect of:		
Non-taxable revenue	(5,713)	(425)
Tax expense	0	0

Note 10: Cash and cash equivalents	Actual 2019 (\$000)	Actual 2019 (\$000)
Cash at bank and on hand	4,504	4,407
Term deposits with maturities less than three months at acquisition	5,000	4,000
Total cash and cash equivalents	9,504	8,407

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value

The Council holds unspent funds, included in cash at bank and investments, of \$964,000 (2019 \$,925,400) that are subject to restrictions. These unspent funds relate to funds received from various sources but to be used for specific purposes. They include the Council's restricted reserves, and grants from agencies that have been unspent at balance date.

Note 11: Receivables	Actual 2019 (\$000)	Actual 2020 (\$000)
Non-exchange receivables		
Rates receivables	1,660	1,495
Related party receivables	0	0
Other receivables	2,172	3,289
Gross debtors and other receivables	3,832	4,784
Less provision for impairment	(430)	(415)
Total non-exchange receivables	3,402	4,369
Exchange receivables		
Other receivables	11	2
Less provision for impairment	0	0
Total exchange receivables	11	2
Total Receivables	3,413	4,371

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their value.

Impairment

The Council has various powers under the Local Government (Rating) Act 2002 to recover any outstanding rates. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then the Council can, in most cases, apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit. Accordingly, the Council only provides for impairment of rates in those circumstances where an enforced sale or lease is not possible. Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material. Repayment plans do not alter the ageing profile of the debt in the Council's records.

The ageing profile of receivables at year end is detailed below:

	2020		
	Gross (\$000)	Impairment (\$000)	Net (\$000)
Not past due	3,777	0	3,777
Past due 31-60 days	517	0	517
Past due > 60 days	493	(416)	77
Total	4,787	(416)	4,371
	2019		
	Gross (\$000)	Impairment (\$000)	Net (\$000)
Not past due	2,042	0	2,042
Past due 31-60 days	1,038	(1)	1,037
Past due > 60 days	763	(429)	334
Total	3,843	(430)	3,413

The impairment provision has been calculated based on a review of overdue receivables and an analysis of the Council's past collection history and debt write-offs. All receivables greater than 30 days in age are considered past due.

Receivables (continued)	Actual 2019 (\$000)	Actual 2020 (\$000)
The impairment provision has been calculated based on a review of overdue receivables and an analysis of the Council's past collection history and debt write-offs. All receivables greater than 30 days in age are considered past due.		
Movements in the provision for impairment of receivables are as follows:		
At 1 July	443	430
Additional provisions made during the year		
Provision increased (reversed) during the year Per note 2 & note 8	11	(2)
Receivables written off during the period	(24)	(12)
As at 30 June	430	416

The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Note 12 :Other financial assets	Actual 2019 (\$000)	Actual 2020 (\$000)
Current Portion		
Term deposits with original maturities of 4-12 months	0	0
Corporate bonds	0	0
Total current portion	0	0
Non-current portion		
Corporate bonds	79	79
<i>Investments in CCOs and similar entities</i>		
Unlisted shares in New Zealand Local Government Insurance Corporation Limited	55	33
Unlisted shares in Manawatu Wanganui LASS Limited	16	16
Total investments in CCOs and similar identities	71	49
Total non-current portion	150	128
Total other financial assets	150	128

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Corporate bonds

The fair value of corporate bonds has been determined by reference to published price quotations in an active market.

Unlisted shares

The fair value of unlisted shares in New Zealand Local Government Insurance Corporation Limited was determined by using the net asset backing of shares at 31 December 2018. The fair value of the unlisted share in Manawatu Wanganui LASS Limited was determined to be the nominal amount paid for the shares (\$16,000).

Manawatu Wanganui LASS Limited is a Council Controlled Organisation under the Local Government Act 2002 but the Council has resolved that it is exempt for the purposes of section 6(4)(i) of that Act.

Impairment

There were no impairment expenses or provisions for other financial assets. At balance date, none of these financial assets was either past due or impaired.

Note 13: Non-current assets held for sale

The Council has a number of properties, most of which are of low value, that it wishes to dispose of. None of these is included as non-current assets held for sale because they are not being actively marketed and do not fall within the criteria set out in PBE IFRS 5 Non-current Assets Held for Sale.

Note 14: Property, Plant and equipment

2020	Balances at 1 July 2019			Additional assets re-cognised \$000	Current year additions \$000	Current year disposals \$000	Revaluation surp(def) \$000	Current year depn \$000	Balances at 30 June 2020		
	Cost/valuation \$000	Accum depn \$000	Carrying amount \$000						Cost/valuation \$000	Accum depn \$000	Carrying amount \$000
Movements for each class of property, plant and equipment are as follows:											
Operational assets											
Land	4,398	(3)	4,395	0	59	(145)	1,556	(9)	5,862	(6)	5,856
Buildings	14,700	(2,393)	12,307	0	4,673	(82)	4,155	(1,465)	20,385	(797)	19,588
Plant and vehicles	3,049	(1,901)	1,149	0	150	(107)	0	(348)	3,092	(2,162)	930
Office equipment	886	(692)	194	0	34	0	0	(34)	920	(727)	193
Computer hardware	757	(714)	43	0	18	0	0	(37)	775	(751)	24
Library books	2,460	(1,916)	544	0	58	0	0	(89)	2,517	(2,006)	511
Total operational assets	25,883	(7,618)	18,632	0	4,992	(334)	5,711	(1,982)	33,551	(6,448)	27,103
Infrastructural assets											
Roading network	417,028	0	417,028	0	6,768	0	0	(7,850)	423,796	(7,850)	415,946
Land under roads	42,438	0	42,438	0	0	0	0	0	42,438	0	42,438
Water systems											
treatment plants and facilities	21,662	0	21,662	0	906	0	0	(580)	22,567	(580)	21,987
other assets	35,472	0	35,472	0	1,724	0	0	(1,067)	37,197	(1,067)	36,130
Wastewater systems											
treatment plants and facilities	13,209	0	13,209	0	151	0	0	(439)	13,360	(439)	12,921
other assets	19,842	0	19,842	0	249	0	0	(590)	20,091	(590)	19,501
Stormwater network	16,569	0	16,569	0	299	0	0	(332)	16,868	(332)	16,536
Waste transfer stations	1,968	(9)	1,968	0	0	0	(864)	(62)	1,066	(24)	1,042
Total infrastructural assets	568,188	(9)	568,188	0	10,097	0	(864)	(10,920)	577,383	(10,882)	566,501
Restricted assets											
Land	4,726	0	4,726	0	32	0	2,198	(1)	3,262	(1)	3,261
Buildings	2,621	(437)	2,184	0	202	0	952	(236)	6,956	(159)	6,797
Total restricted assets	7,347	(437)	6,910	0	234	0	3,150	(237)	10,218	(160)	10,058
Total property, plant and equipment	601,795	(8,064)	593,730	0	15,323	(334)	7,997	(13,139)	621,152	(17,490)	603,662

Work in progress at year end included in property, plant and equipment above comprises: buildings \$6,664,501 (2019 \$2,452,523) wastewater nil (2019 \$433,000), water nil (2019 \$915,000), storm water nil (2019 \$178,000) The additional assets recognised includes vested assets and assets transferred to council. The current year additions includes the assets constructed by council.

Note 14: Property, plant and equipment (continued)*Valuation*

Land and buildings (operational, restricted and infrastructural)

The valuation of land and buildings was performed by independent registered valuers, Andrew Parkyn (BCom (VPM), PG Dip Com, SPINZ, ANZIV), Maria McHugh (BCom (VPM)MPINZ) and Ashley Pont (BLPM (APINZ)), of Quotable Value Asset and Advisory. The valuation is effective at 1 July 2019. The total fair value of land and buildings valued was \$29,141,066 at that date.

Land and buildings are valued at fair value using market-based evidence where available. Where not available, depreciated replacement value has been used. All major buildings were also inspected and underwent a review of their condition rating when taking their fair value into consideration.

Infrastructural assets

Roading network

The valuation of the roading network was performed independently by Scott McIntyre (BBIM, CTech) of The Datastack. This was peer reviewed by Brian Smith (BCom CA) of Brian Smith Advisory. The valuation is effective at 30th June 2019. The total fair value of the roading network was \$456,828,797. at that date.

The roading network is valued at fair value based on the application of appropriate replacement costs and effective lives, and The Datastack experience of other local authorities' transport asset components. They are within the ranges specified in the New Zealand Infrastructural Valuation and Depreciation Guidelines. Land under roads is not re valued. On the transition to International Financial Reporting Standards on 01/07/2006 the council elected to use the FV of land under roads as at 30/06/2005 as deemed cost.

Water, wastewater and stormwater systems

The valuation of the water, wastewater and stormwater assets was performed by Lucy Riddle (BCom), John Vessey (BE Civil, BA Econs, CP Eng), Jamie Cable (BapplEcon Dip Eng Civil) of wsp Opus.. The valuation was peer reviewed by Brian Smith (BCom CA) of Brian Smith Advisory. The valuation is effective at 30th June 2019. The total fair value of water, wastewater and stormwater was \$108,798,000 at that date.

Water, wastewater and stormwater assets are valued at fair value using a brown fields approach that assumes the surface above underground components will need to be removed and then replaced. Current contract costs have been used to determine the value of materials.

Estimated replacement cost of major infrastructure	2,019	2,020
	(\$000)	(\$000)
Water supply		
treatment plant and facilities	30,722	32,365
other assets	75,768	79,309
Sewerage		
treatment plant and facilities	19,040	19,648
other assets	47,755	49,152
Stormwater drainage	29,642	30,652
Flood protection and control works	0	0
Roads and footpaths	622,649	699,021
Total estimated replacement cost	825,576	910,147

Note 14: Property, Plant and equipment

2019	Balances at 1 July 2018			Additional assets re-cognised \$000	Current year additions \$000	Current year disposals \$000	Revaluation surp(def) \$000	Current year depn \$000	Balances at 30 June 2019			
	Cost/valuation \$000	Accum depn \$000	Carrying amount \$000						Cost/valuation \$000	Accum depn \$000	Carrying amount \$000	
Movements for each class of property, plant and equipment are as follows:												
Operational assets												
Land	4,090	0	4,090	0	308	0	0	(3)	4,398	(3)	4,395	
Buildings	12,455	(1,745)	10,710	0	2,354	0	0	(758)	14,700	(2,393)	12,307	
Plant and vehicles	2,801	(1,578)	1,223	0	320	(75)	0	(363)	886	(1,901)	(1,015)	
Office equipment	767	(662)	105	0	119	0	0	(30)	3,049	(692)	2,357	
Computer hardware	737	(661)	76	0	20	0	0	(53)	757	(714)	43	
Library books	2,373	(1,828)	546	0	87	0	0	(88)	2,460	(1,916)	544	
Total operational assets	23,223	(6,473)	16,750	0	3,208	(75)	0	(1,295)	26,250	(7,618)	18,632	
Infrastructural assets												
Roading network	333,130	(13,416)	319,714	0	6,712	0	97,394	(6,790)	417,028	0	417,028	
Land under roads	42,438	0	42,438	0	0	0	0	0	42,438	0	42,438	
Water systems												
treatment plants and facilities	18,813	(866)	17,947	0	471	0	3,686	(443)	21,662	0	21,662	
other assets	38,945	(1,919)	37,026	0	2,152	0	(2,726)	(980)	35,472	0	35,472	
Wastewater systems												
treatment plants and facilities	10,020	(571)	9,449	0	135	0	3,910	(285)	13,209	0	13,209	
other assets	20,483	(862)	19,620	0	389	0	261	(430)	19,842	0	19,842	
Stormwater network	16,770	(586)	16,185	0	264	0	415	(294)	16,569	0	16,569	
Waste transfer stations	1,265	(124)	1,141	0	48	0	807	(27)	1,978	(9)	1,968	
Total infrastructural assets	481,864	(18,344)	463,520	0	10,171	0	103,747	(9,249)	568,198	(9)	568,188	
Restricted assets												
Land	4,735	0	4,735	0	50	(59)	0	0	4,726	0	4,726	
Buildings	1,958	(345)	1,613	0	663	0	0	(92)	2,621	(437)	2,184	
Total restricted assets	6,693	(345)	6,348	0	713	(59)	0	(92)	7,347	(437)	6,910	
Total property, plant and equipment	511,780	(25,162)	486,618	0	14,092	(134)	103,747	(10,636)	601,795	(8,064)	593,730	

Work in progress at year end included in property, plant and equipment above comprises: buildings \$2,452,523 (2018 \$264,126) wastewater \$433,000 (2018 nil), water \$915,000 (2018 1.792M), storm water \$178,000 (2018 252,000) The additional assets recognised includes vested assets and assets transferred to council. The current year additions includes the assets constructed by council.

Note 15: Intangible assets	Computer software (\$000)	Carbon credits (\$000)	Total (\$000)
Cost			
Balance at 1 July 2019	792	105	897
Increase due to revaluation	0	40	40
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2020	792	145	937
Balance at 1 July 2018	792	96	888
Increase due to revaluation	0	9	9
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2019	792	105	897
Accumulated amortisation and impairment			
Balance at 1 July 2019	788	0	788
Amortisation charge	4	0	4
Disposals	0	0	0
Balance at 30 June 2020	792	0	792
Balance at 1 July 2018	777	0	777
Amortisation charge	11	0	11
Disposals	0	0	0
Balance at 30 June 2019	788	0	788
Carrying Amounts			
Balance at 30 June 2019	4	105	109
Balance at 30 June 2020	0	145	145

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

Carbon credits

The Council holds carbon credits for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its forestry operations. The Council is required to forfeit carbon credits for emissions for any forests not replanted four years after deforestation. The carbon credits were revalued at 30 June 2020 using the spot market price for NZUs on the open market. Following the harvesting of the mature forest at Marton B & C Dams, Council has committed (by formal resolution in April 2017) to a programme of replanting, primarily natives. This has been discussed with the Ministry for Primary Industries, as the stocking and growth rates will be reviewed in four years time.

Impairment

There were no impairment expenses or provisions for intangible assets. At balance date, none of these intangible assets was impaired. Carbon credits are not impaired but recorded at current market value because the Council still has forests to be harvested in which case the credits may well be used to satisfy non-replanting requirements.

Note 16: Forestry assets	Actual 2019 (\$000)	Actual 2020 (\$000)
Balance at 1 July	53	63
Gains (losses) arising from changes in fair values	10	10
Decreases due to sales	0	0
Balance at 30 June	63	73

The Council owns 9.8 hectares of forest in 3 stands at varying stages of maturity.

There are no restrictions over the title of forestry assets. No forestry assets are pledged as security for liabilities.

Valuation assumptions

Independent valuers, Allan Bell & Associates, have valued forestry assets at 30 June 2020.

Information from recent and past harvesting operations has been used in the valuation including predicted yield, harvest costs, potential markets, and log prices. The following significant valuation assumptions have been adopted in determining fair value of forestry assets:

Basis for value- stand-based schedules using discounted future cashflows and, where applicable, compound costs.

Discount rate - 8.5% pre-tax

Compound rate - 3%

Basis of log prices - current prices from southern North Island prices. Trend prices are from 12 quarter average rolling log prices in the southern North Island.

Financial risk management

The Council is exposed to financial risks arising from fluctuations in the price of timber. As a long-term forestry investor, the Council does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risk associated with a decline in timber prices. The Council regularly reviews timber prices in considering the need for active financial risk management.

Note 17: Creditors and other payables	Actual 2019 (\$000)	Actual 2020 (\$000)
<i>Payables under exchange transactions</i>		
Trade payables	1,430	3,188
Deposits	0	0
Accrued expenses	1,418	1,822
Total	2,848	5,010
<i>Payables under non-exchange transactions</i>		
Income tax payable	0	0
Other taxes (e.g. GST and FBT)	1	1
Total	1	1
Total creditors and other payables	2,849	5,011

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Note 18: Borrowings	Actual 2019 (\$000)	Actual 2020 (\$000)
Current portion		
Secured bank loans	0	0
Community loan	16	16
Total current portion	16	16
Non-current portion		
Secured bank loans	0	0
Community loan	112	96
Loan- New Zealand Local Government Funding Agency	3,000	3,000
Total non-current portion	3,112	3,096
Total borrowings	3,128	3,112

Secured loans

The Council had no secured debt at balance date.

Community loan

The Council purchased property, plant and equipment from the Marton Aquatic Leisure Trust for the Marton swim centre. The purchase was financed by way of a loan from the Trust which is interest free. The Council has signed a lease agreement for 15 years with the Trust. The annual lease rental will be applied to repaying the loan so that it is extinguished at the end of the lease term.

Security

The Council's bank loans, if any, are secured over the Council's rates.

The community loan is unsecured.

The Council borrowed \$3,000,000 from the New Zealand Local Government Funding Agency. The terms are at a fixed interest rate of 3.12% with a maturity date of 15 April 2029.

Fair value

The carrying amounts of borrowings approximates their fair value as discounting is not considered significant.

Internal borrowing

Information about internal borrowing is provided under each group of activities in the annual report. Interest charged on internal borrowing for the year was 3.72%. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

Note 19: Employee entitlements	Actual 2019 (\$000)	Actual 2020 (\$000)
Current Portion		
Accrued pay	205	212
Annual leave	300	386
Long service leave	39	41
Superannuation		
Total current portion	544	639
Non-current portion		
Accrued pay	0	0
Annual leave	0	0
Long service leave	7	5
Superannuation	0	0
Total non-current portion	7	5
Total employee entitlements	551	644

Long service leave

Long-term employee entitlements consist of long service leave that is payable beyond 12 months and have been calculated on the likely future entitlements accruing to staff, based on the years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and current salary. As there are few staff members that are actually entitled to long service leave, the total accrual is not considered to be material and no actuarial basis has been used

Sick leave

No provision is made for sick leave because absences in the coming years are not expected to exceed the annual entitlement of staff, and calculations show any amounts involved are likely to be immaterial.

Note 20: Provisions	Actual 2019 (\$000)	Actual 2020 (\$000)
Landfill aftercare		
Balance at 1 July	276	290
Additional(reduction) in provisions made	0	0
Amounts used	(14)	(18)
Unused amount reversed	(22)	(18)
Discount unwind	50	48
Balance at 30 June	290	302

The Council has responsibility to provide ongoing maintenance and monitoring of its 17 closed landfill sites.

The management of the landfills will influence the timing of recognition of some liabilities. The cash outflows for landfill post-closure costs are expected to occur over the next 14 years. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and legal requirements.

A discount rate of 2% (2019 4.6%) has been used in discounting the cash outflows.

Note 21: Equity	Actual 2019 (\$000)	Actual 2020 (\$000)
Accumulated funds		
Balance at 1 July	443,615	463,839
Transfers from property revaluation reserves on disposal	0	0
Other transfers	(180)	(25,706)
Surplus (deficit) for year	20,404	7,587
Balance at 30 June	463,839	445,720
Other reserves		
Property revaluation reserves		
Balance at 1 July	44,924	148,933
Net revaluation gains	86,401	7,994
Transfer to accumulated funds on disposal of property	0	0
Balance at 30 June	131,215	156,927
Property revaluation reserves for each class of assets consist of:		
Operational assets		
land	2,271	4,813
buildings	7,377	11,552
Infrastructural assets		
sewerage systems	12,260	12,260
water systems	17,627	17,627
stormwater drainage network	8,900	8,900
roading network	79,899	97,394
Restricted assets		
land	1,514	3,208
buildings	1,477	1,060
Total	131,325	156,814
Fair value through other comprehensive income reserve		
Balance at 1 July	100	113
Net revaluation gains (losses)	13	18
Transfer to net surplus/deficit	0	
Balance at 30 June	113	131
Total other reserves	131,438	156,945

Note 21: Equity (continued)**Special and restricted reserves 2020**

Name (* denotes restricted)	Purpose	Purpose	Balance 1 Jul 19	Deposits	With- drawals	Balance 30 Jun 20
Aquatic	Capital works	Capital works	86	75		161
Bulls courthouse*	Maintenance of courthouse	Maintenance of courthouse building	84	17	5	96
Flood damage	Road maintenance due to flooding		238	250	179	309
General purpose	Capital works		2,402			2,402
Haylock park*	Additional reserve area at park	Additional reserve area at park	30	1		31
Huntermville rural water	Water	Future loop line	206	8		214
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	444	16		460
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	21	1		22
Putorino rural water	Water	Maintenance of scheme dam	22	1		23
Ratana sewer	Sewerage	Capital works	26	1		27
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	198	7		205
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	124	7	1	130
Total special and restricted reserves			4,293	384	185	4,492

Special and restricted reserves 2019

Name (* denotes restricted)	Associated activity		Balance 1 Jul 18	Deposits	With- drawals	Balance 30 Jun 19
Aquatic	Swimming pools	Capital works	65	75	54	86
Bulls courthouse*	Property	Maintenance of courthouse building	67	17		84
Flood damage	Roading	Road maintenance due to flooding	372	250	384	238
General purpose	Capital works	Capital works	2,402			2,402
Haylock park*	Parks and reserves	Additional reserve area at park	29	1		30
Huntermville rural water	Water	Future loop line	199	7		206
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	427	17		444
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	20	2	1	21
Putorino rural water	Water	Maintenance of scheme dam	21	1		22
Ratana sewer	Sewerage	Capital works	25	1		26
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	191	7		198
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	92	41	9	124
Total special and restricted reserves			4,322	419	448	4,293

Note 22

Note 23: Capital commitments and operating leases	Actual 20219 (\$000)	Actual 2020 (\$000)
Capital commitments		
Property, plant and equipment		
Not later than one year	3,690	0
Later than one year and not later than five years	0	0
Total capital commitments	3,690	0
These commitments may include some items that may turn out to be of an operational nature, rather than capital.		
Operating leases as lessee		
The Council leases property, plant and equipment in the normal course of its business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:		
Not later than one year	62	22
Later than one year and not later than five years	122	72
Later than five years	0	59
Total non-cancellable operating leases	184	153
Operating leases as lessor		
Some property, including reserves land, is leased under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:		
Not later than one year	32	59
Later than one year and not later than five years	72	73
Later than five years	78	0
	182	132

No contingent rents have been recognised during the period.

Note 24: Contingencies	Actual 2018 (\$000)	Actual 2019 (\$000)
Contingent Liabilities		
Emissions Trading Scheme	0	0
Building Act claims	0	0
Miscellaneous claims	0	0
Total contingent liabilities	0	0

Contingent Assets*Private facilities*

The Council has identified four facilities (for example, club rooms) on its reserves land owned by third parties that are not specified to be removed under the terms of their leases. The Council will gain control of these assets only if the various clubs vacate the facilities. Until this event occurs, the assets are not recognised as assets in the statement of financial position. As at 30 June 2018 these four facilities have an approximate value of \$350,000.

Contingent Liabilities

During 2018, following substantial rainfall, the Rangitikei River changed its course in the river bed, scouring out land on the right bank near Hou Hou Road. This exposed a landfill, established by the Rangitikei County Council, which had not been used since the early 1990s. Horizons Regional Council has issued a consent which will allow the Rangitikei River to be diverted to its earlier channel, thus allowing an opportunity to examine the dump more closely. The likely approach is to erect a barrier on the river bed to prevent further erosion by the river should it change its course again. It is anticipated this will cost an estimated \$500,000.

This \$500,000 provision for the Putorino Landfill remediation will be funded over the next 10 years.

Note 25: Related party transactions	Actual 2019 (\$)	Actual 2020 (\$)
Key management personnel compensation		
<i>Councillors</i>		
Remuneration	394,412	416,817
Full-time equivalent members	12	12
<i>Senior management team, including the chief executive</i>		
Remuneration	612,121	694,293
Full-time equivalent members	4	4
Total key management personnel remuneration	1,006,533	1,111,110
Total full-time equivalent personnel	16	16

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent is taken as the number of Councillors.

The Councillor remuneration includes annual salary, allowances for mileage and telephone/fax. The Council is a one-seventh shareholder in Manawatu Wanganui LASS Limited. Transactions between the Council and the company are disclosed below:

Regional archives project costs paid to the company by the Council	0	0
Other projects costs paid to the company by the Council	41,292	27,469

The following transactions have all been supplied on normal commercial terms.

During the year, the Council paid for a service contract to the Ratana Communal Board of Trustees, of which Councillor Soraya Peke-Mason is a member. This service cost \$71,906 (2019 \$53,629).

Councillor Peke-Mason also has interests in the Aorangi Awarua Trust. During the year the Council paid the Trust \$ 10,749 (2019 \$4,515)

During the year, the Council provided Project Marton with funding amounting to \$39,920 (2019 \$42,377). Councillor Cathryn Ash is an employee of Project Marton.

Councillor Nigel Belsham is a director of BJW Motors Ltd, Marton. During the year the Council made payments of \$2,666.75 (2019 \$6,891) to BJW Motors Ltd for the servicing of motor vehicles.

Councillor David Wilson was previously a director of McVerry Crawford Motors, Marton until May 2019. As a result disclosure is not required to June 2020 (2019 \$30,121)

During the year, the Council gave grants to several entities on which Councillors served as board members or board chairs.

During the year, Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as the payment of rates etc).

Note: a) All amounts quoted in this disclosure are GST inclusive (where applicable).

Note: b) All transactions have been conducted at arms length

Note: c) There are no related party transactions that are on terms more favourable than those that it is reasonable to expect the council to have adopted in dealing with a party at arms length

Note 26: Remuneration	Actual 2019 \$	Actual 2020 \$
Chief Executive		
Ross McNeil		
Gross salary	231,680	168,995
Vehicle (market value plus FBT)	13,394	3,091
Superannuation contribution	7,218	5,070
Peter Beggs		
Gross salary		173,077
Vehicle (market value plus FBT)		17,500
Superannuation contribution		5,192
Total remuneration	252,292	372,925
Other Council employees		
Number of full-time employees	50	48
Number of full-time equivalents of part-time employees	18	21
A full-time employee is determined on the basis of a 40-hour working week		
Total annual remuneration by band for employees as at 30 June		
less than \$60,000 per annum	58	58
\$60,001 to \$79,999	8	10
\$80,000 to \$99,999	8	7
\$100,000 to 259,999	5	6
Total employees	79	81
Total remuneration includes the value of any non-financial benefit paid to an employee.		

Note 26: Remuneration (continued)	Actual 2019 \$	Actual 2020 \$
Elected representatives		
Council		
<i>Mayor</i>		
A Watson	105,174	117,068
<i>Councillors</i>		
C Ash	21,785	23,129
R Aslett	27,647	7,946
N Belsham	39,413	40,081
A Gordon	30,179	31,427
D McManaway	31,908	6,720
S Peke-Mason	22,133	6,524
R Rainey	26,197	8,344
L Sheridan	23,753	7,115
D Wilson	21,785	29,632
G Platt	23,052	6,826
J Dunn	21,385	23,704
G Duncan	0	18,761
F Dalgety	0	17,212
W Panapa	0	17,914
B Carter	0	17,231
R Lambert	0	17,698
T Hiroa	0	19,486
Total Council members remuneration	394,411	416,818
Community Boards		
<i>Taihape</i>		
M Fannin	9,835	6,050
A Abernathy	4,253	7,101
G Larsen	4,433	4,312
Y.Sicily	4,253	1,274
E Abernathy	0	3,037
<i>Ratana</i>		
C Mete	4,253	4,297
C Rourangi	2,126	2,126
T Tataurangi	2,126	637
M Thompson	2,526	760
L Meihana	0	1,489
J Nepia	0	1,489
Total Community Board members remuneration	33,805	32,572
Total elected representatives remuneration	428,216	449,390

The total remuneration for each elected member is made up of annual salary, non-salary benefits and mileage. The remuneration reflects 26 pay periods. The mileage allowances for Council total \$25,946 and Telephone \$8,434. The Telephone allowance for the Community Boards total \$464.

Note 27: Severance payments

For the year ended 30 June 2020, the Council made no (2019 Nil) severance payments to employees.

Note 28: Events after balance date

Council has not become aware of any events after balance date that require disclosure.

Note 29A: Financial instrument categories	Actual 2019 (\$000)	Actual 2020 (\$000)
Financial instrument categories		
<i>Financial assets</i>		
<i>Loans and receivables</i>		
Cash and cash equivalents	9,504	8,407
Debtors and other receivables	3,414	4,370
Other financial assets		
term deposits	0	0
Total loans and receivables	12,918	12,777
<i>Fair value through other comprehensive revenue and expense</i>		
Other financial assets		
corporate bonds	79	79
unlisted shares	71	49
Total fair value through other comprehensive revenue and expense	150	128
<i>Financial liabilities</i>		
Financial liabilities at cost		
creditors and other payables	3,010	5,011
Loans	3,000	3,000
community loan	128	112
Total financial liabilities	6,138	8,123

Note 29B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

* Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.

* Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

* Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	(\$000)	(\$000)	(\$000)	(\$000)

2020**Financial assets***Unlisted shares*

New Zealand Local Government Insurance Corporation Limited

	33	0	0	33
--	----	---	---	----

Manawatu Wanganui LASS Limited	16	0	0	16
--------------------------------	----	---	---	----

<i>Corporate bonds</i>	79	79	0	0
------------------------	----	----	---	---

2019**Financial assets***Unlisted shares*

New Zealand Local Government Insurance Corporation Limited

	55	0	0	55
--	----	---	---	----

Manawatu Wanganui LASS Limited	16	0	0	16
--------------------------------	----	---	---	----

<i>Corporate bonds</i>	79	79	0	0
------------------------	----	----	---	---

There were no transfers between the different levels of the fair value hierarchy.

The table below provides a reconciliation from the opening balance to the closing balance for level 3 fair value measurements:

	2019	2019
Balance at 1 July	70	71
Gains (losses) recognised in the surplus or deficit	1	
Gains (losses) recognised in other comprehensive income	0	(22)
Purchases		
Balance at 30 June	71	49

Note 29C: Financial instrument risks

The Council has policies to manage the risks associated with financial instruments. The Council is risk averse and seeks to minimise exposure from its treasury activities. It has established

liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through other comprehensive income. Equity security price risk is not managed as the only share investments are unlisted shares in New Zealand Local Government Insurance Corporation Limited, and, Manawatu Wanganui LASS Limited.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Council has no financial instruments with foreign currency components and is therefore not exposed to currency risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Council to fair value interest rate risk. The Council's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Council currently has no fixed interest rate debt or investments.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council to cash flow interest rate risk. The Council currently has no variable interest rate debt or investments.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Council, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits and corporate bonds, which gives rise to credit risk. The Council only invests in deposits with registered banks and in high grade corporate bonds, and limits the amount of credit exposure to any one institution. Investments are made only in banks and companies with specified credit ratings.

Note 29C: Financial instrument risks (continued)	Actual 2019 (\$000)	Actual 2020 (\$000)
<i>Maximum exposure to credit risk</i>		
The Council's maximum credit risk exposure for each class of financial instruments is as follows:		
Cash at bank and term deposits	9,504	9,504
Debtors and other receivables	3,414	3,414
Corporate bonds	79	79
Total credit risk	12,997	12,997

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by references to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

Counterparties with credit ratings

Cash at bank and term deposits

AA-	9,504	9,504
Total cash at bank and term deposits	9,504	9,504

Corporate bonds

AA	48	48
A+	0	0
A	0	0
A-	0	0
BBB-	31	31
Total corporate bonds	79	79

Debtors and other receivables arise mainly from the Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months. The Council manages its borrowings in accordance with its funding and financial policies, which include a liability management policy.

Note 29C: Financial instrument risks (continued)**Contractual maturity analysis of financial liabilities**

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Further interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000
2020					
Creditors and other payables	5,011	5,011	5,011	0	0
Loans	3,000	3,000	0	0	3,000
Community loan	112	112	16	64	32
Total	8,123	8,123	5,027	64	3,032
2019					
Creditors and other payables	3,010	3,010	3,010	0	0
Secured loans	3,000	3,000	0	0	3,000
Community loan	128	128	16	64	48
Total	6,138	6,138	3,026	64	3,048

Contractual maturity analysis of financial assets

The table below analyses the Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000
2020					
Cash and cash equivalents	8,407	8,407	8,407	0	0
Debtors and other receivables	4,370	4,370	4,370	0	0
Other financial assets					
term deposits	0	0	0	0	0
corporate bonds	79	79	0	79	
Total	12,856	12,856	12,777	79	0
2019					
Cash and cash equivalents	9,504	9,504	9,504	0	0
Debtors and other receivables	3,414	3,414	3,414	0	0
Other financial assets					
term deposits	0	0	0	0	0
corporate bonds	79	79	0	79	
Total	12,997	12,997	12,918	79	0

Note 29C: Financial instrument risks (continued)**Sensitivity analysis**

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council's financial instrument exposures at balance date.

Interest rate risk

	Note	-100bps		+100bps	
		Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
2019					
<i>Financial Assets</i>					
Cash and cash equivalents		(84)	0	(84)	0
Corporate bonds		0	0	0	0
Total sensitivity to interest rate risk		(84)	0	(84)	0
2019					
<i>Financial Assets</i>					
Cash and cash equivalents		(95)	0	(95)	0
Corporate bonds		0	0	0	0
Total sensitivity to interest rate risk		(95)	0	(95)	0

Explanation of interest rate sensitivity risk

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis point (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1%.

Note 30: Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act (2002) (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its long-term plan (LTP) and in its annual plans (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The Council has the following Council-created reserves:

Special Reserves

Special reserve funds are reserves created by the Council for special purposes. The Council may alter them without reference to any third party or the Courts, and transfers to and from these reserves are at the discretion of the Council.

Restricted Reserves

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which it may not revise without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Note 31

Note 32: Rating base information	Actual 2019	Actual 2020
Number of rating units preceeding year	8,528	8,556
	(\$000)	(\$000)
Total capital value of rating units preceeding year	4,481,745	4,490,565
Total land value of rating units preceeding year	2,855,466	2,852,716

Note: "preceeding year" for 2020 is as at 30 June 2019 and "preceeding year" for 2019 is as at 30 June 2018

Note 33: Insurance of assets	Actual 2019	Actual 2020
	(\$000)	(\$000)
Total value of assets covered by insurance contracts	65,059	75,122
Maximum amount of insurance	65,529	82,409
Total value of assets covered by financial risk sharing arrangements	140,134	159,113
Maximum amount available under those arrangements (40%)	56,054	63,645
Total value of assets that are self-insured	338,020	699,021
The value of funds maintained for that purpose	238	308

It is anticipated (but cannot be guaranteed) that under the terms contained in the Guide to the Civil Defence Emergency Plan, central government may fund 60% of the qualifying cost of reinstating essential infrastructure assets in the event of a major disaster.

The Council has a balance of \$0.308M in its Flood Damage Reserve for roading. As the damage repair work for the 2015 flood is complete this balance and the annual rates contribution is a provision for future flood events and councils likely percentage contribution to these events in partnership with NZTA.

Attachment 3

MEMORANDUM

TO: Finance & Performance Committee

COPIES: Council

FROM: Dave Tombs

DATE: September 2020

SUBJECT: **Draft Financial Snapshot – August 2020**

FILE:

Attachments: Draft Activity Performance Report for the 2 Months Ended 31 August 2020
Draft Capital Expenditure Report for the 2 Months Ended 31 August 2020

Draft Activity Performance Report

1. This is a draft financial report that has been produced before the finalisation of the previous year's figures and subsequent accruals. The figures are approximate, with budgeted amounts used for the depreciation and overhead allocation expenses.
2. YTD Rates revenue is \$4.010 million for the year, which is 2% above the budget of \$3.927 million. The difference of \$0.083 million predominantly relates to an increase in rate penalty revenue.
3. The Subsidies and Grants revenue budget variance of \$44k (unfavourable) is caused by:
 - a timing difference in road subsidy income being \$258k below budget
 - an unbudgeted Community Recovery Grant of \$250k being received
 - community contributions being below budget by around \$35k
4. Other revenue year to date is \$0.690 million against a budget of \$0.511 million, which is above budget by \$0.179 million. This is largely due to the timing of dog registration payments, which are predominantly collected in the first two months of the financial year.
5. Personnel costs year to date are \$0.754 million against a budget of \$0.800 million, a favourable variance of \$0.047 million. This variance is due to the timing of staff commencing employment at Council.

6. Other expenses came to \$1.899 million at year to date, which is 38% below the budget of \$3.062 million. This \$1.163 million variance largely relates to the timing of invoices for Manawatu District Council staff, and the timing of pavement maintenance. Additionally, the application of interest on internal loans has yet to be applied for year to date.
7. Depreciation and amortisation has yet to be calculated for the new financial year due to time restrictions as work on the Annual Report continues.

Draft Capital Expenditure Report

8. Capital expenditure is \$2.814 million compared to a year to date budget of \$6.193 million. The capital budget has been evenly profiled over the year. Asset Services is currently waiting on two new Project Managers to commence employment who will manage many of the capital projects.
9. The major areas below budget are:
 - a. Information Services has a variance of \$0.112 million due to the time delay between the beginning of the financial year and the Project Manager commencing employment
 - b. Libraries has a variance of \$0.338 million which is largely due to timing of expenditure on the construction of the new Marton Admin and Library building, which will begin after the design has been completed.
 - c. Roading and Footpaths has a variance of \$1.369 million and this predominantly relates to awaiting expenditure on the Mangaweka Bridge project.
 - d. Waste Water has a variance of \$1.020 million, Water Supply has a variance of \$0.495 million, and Swim Centres has a variance of \$0.104 million; all of these are largely dependent on the Project Managers commencing employment.
10. The major areas above budget are:
 - a. Halls variance of \$0.376 million relates to the Bulls Community Centre which had the budget evenly distributed throughout the year, but is scheduled to be completed sooner
 - b. The Public Toilets variance of \$0.276 million is due to timing of the new toilet projects

Treasury and Debt

11. At 31 August 2020 the Council had \$7.789 million available for immediate needs, this equates to 2.6 months of expenditure.
12. Rangitikei District Council has not drawn down any debt in the 2020/21 financial year. The debt balance at 31st August is \$3 million.

Other Matters

13. Other matters raised at previous Finance and Performance Committee meetings that will be reported to future to meetings are:
 - Options for depreciation on new assets
 - Revaluation impact across the sector
 - Insurance on Council assets

- Process regarding the trigger of debt collection
- Clarification on petrol tax (see below)

14. Petrol tax

- Council receives around \$10k a month from Wanganui District Council in respect to Petrol Tax
- These receipts arise from 1970s legislation whereby petrol distributors pay a 'cents per litre' amount to the relevant 'distribution authority'
- For these purposes Wanganui acts as Rangitikei's distribution authority, collects the tax from the petrol distributors and passes the tax to Rangitikei each month
- Current rates are 0.66 cents per litre for 'motor spirits' and 0.33 cents per litre for diesel

Significance and Engagement Policy

15. This paper is for noting and as such is considered Low in terms of Council's Significance and Engagement Policy.

Recommendation

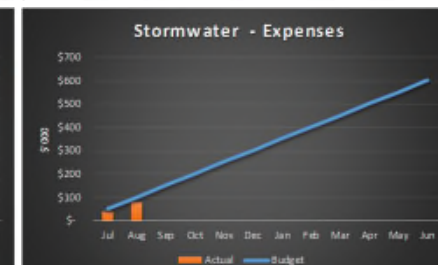
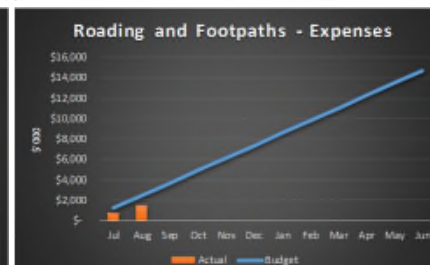
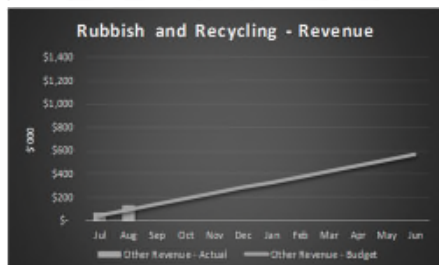
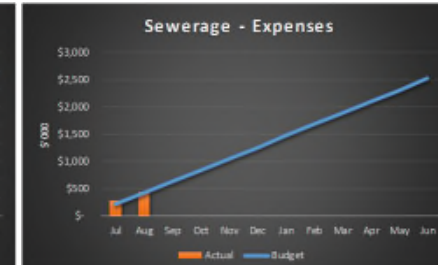
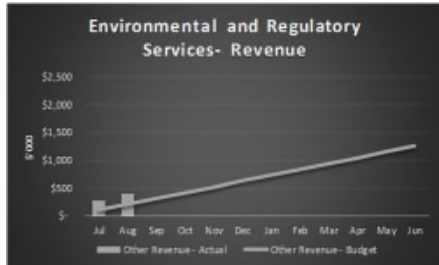
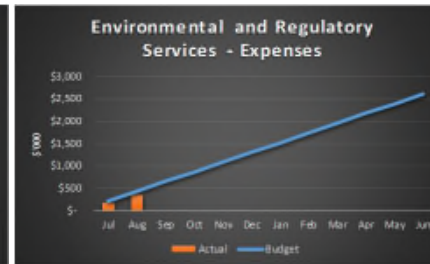
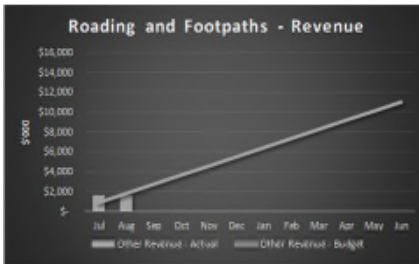
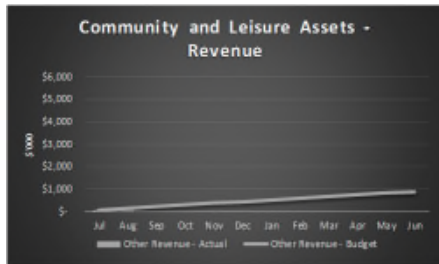
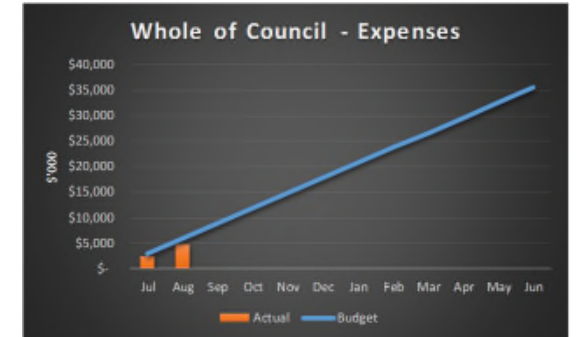
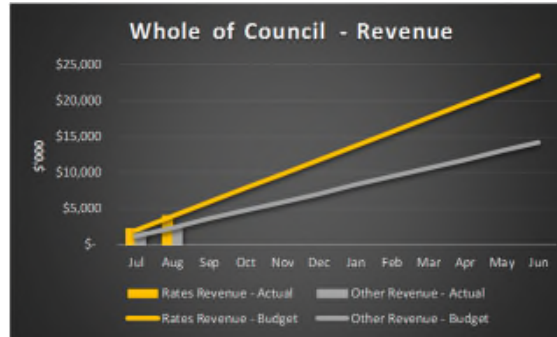
That the memorandum 'Draft Financial Snapshot – August 2020' to the 24 September 2020 Finance/Performance Committee meeting be received.

Dave Tombs
Group Manager, Finance and Business Support

Appendix 1

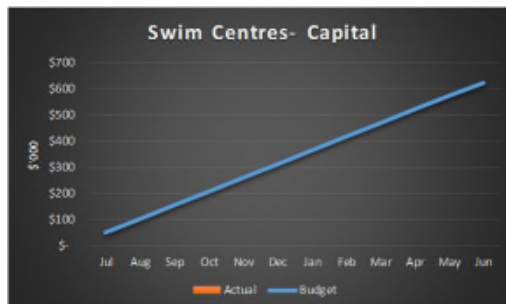
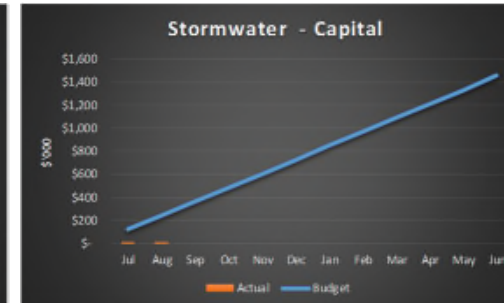
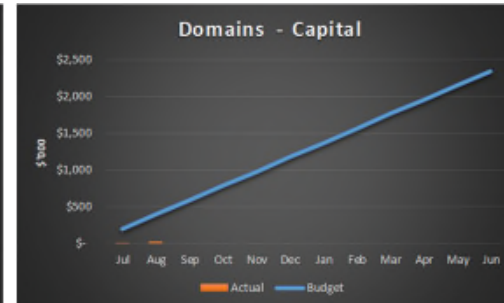
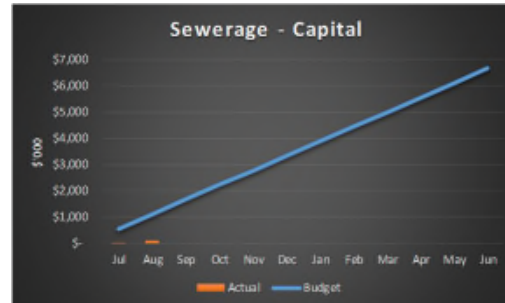
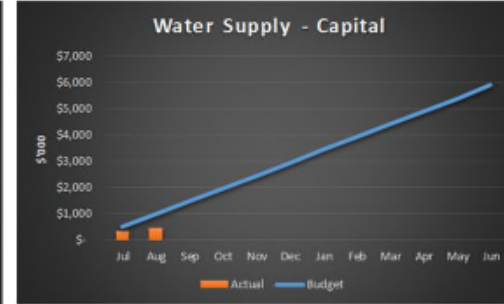
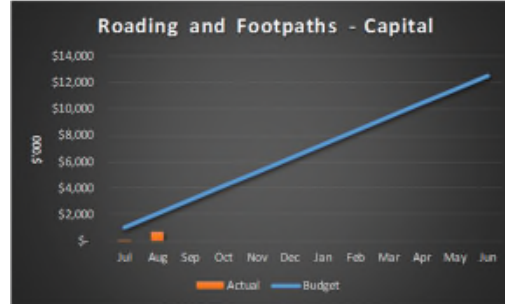
Draft Activity Performance Report for the 2 Months Ended 31 Aug 2020

Rangitikei District Council Activity Performance Report For the 2 months ended 31 August 2020				
	2021 Budget YTD \$000	2021 Actual YTD \$000	Variance	
			\$	%
Revenue				
Rates Revenue	\$ 3,927,250	\$ 4,010,051	\$ 82,801	2%
Subsidies & Grants	\$ 1,854,167	\$ 1,809,977	-\$ 44,190	-2%
Other Revenue	\$ 511,362	\$ 690,372	\$ 179,010	35%
Expenses				
Personnel Costs	\$ 800,236	\$ 753,701	\$ 46,535	6%
Other Expenses	\$ 3,062,133	\$ 1,898,801	\$ 1,163,332	38%
Depreciation & Amortisation	\$ 2,071,624	\$ 2,071,624	\$ -	0%
Net Surplus	\$ 358,786	\$ 1,786,274	\$ 1,427,488	398%



Draft Capital Expenditure Report for the 2 Months Ended 31 Aug 2020

Rangitikei District Council				
Capital Expenditure				
For the 2 month ended 31 Aug 2020				
	2020		2020	
	Budget YTD	Actual YTD	Variance	
	\$000	\$000	\$000	%
Roading and Footpaths	\$ 2,091,814	\$ 723,251	-\$ 1,368,563	-65%
Water Supply	\$ 980,398	\$ 485,091	-\$ 495,307	-51%
Halls	\$ 643,042	\$ 1,018,705	\$ 375,663	58%
Sewerage	\$ 1,109,224	\$ 89,241	-\$ 1,019,983	-92%
Domains	\$ 390,352	\$ 24,150	-\$ 366,202	-94%
Stormwater	\$ 242,546	\$ 12,415	-\$ 230,131	-95%
Swim Centres	\$ 104,046	\$ -	-\$ 104,046	-100%
Waste Transfer	\$ -	\$ -	\$ -	0%
Public Toilets	\$ 55,334	\$ 330,949	\$ 275,615	498%
Libraries	\$ 353,354	\$ 15,109	-\$ 338,245	-96%
Fleet Management	\$ 22,500	\$ 21,850	-\$ 650	-3%
Cemeteries	\$ 34,284	\$ 9,030	-\$ 25,254	-74%
Business Groups	\$ 138,246	\$ 83,015	-\$ 55,231	-40%
Community Housing	\$ 28,032	\$ 1,299	-\$ 26,733	-95%
Total	\$ 6,193,172	\$ 2,814,105	-\$ 3,379,067	-55%



Attachment 4



Memorandum

To: Finance/Performance Committee
From: George Forster
Date: 8 September 2020
Subject: **Heating and Insulation Programme**
File: 4-EN-5-3

1 Executive Summary

- 1.1 The purpose of this memorandum is to inform the Finance/Performance Committee that Staff have encountered faults with the Heating and Insulation Programme that would best be resolved by revoking the Programme.
- 1.2 The report seeks that the Committee recommend to Council that the Heating and Insulation Programme be revoked. This would have no impact on those (currently three) who are on the programme, and have already applied or are waiting on instalment.
- 1.3 The current application is set out so that the loan would be a voluntary targeted rate (18/RDC/169). The Rating Act only provides for rates to be put on a property, not a loan for something on that property. In essence package lending cannot be done as a rate. The loan has had to be done as a personal loan.
- 1.4 The application for the programme has the recovery rate on the loan set at 7%. As an initiative to help develop healthier homes and improve community resilience it would seem inappropriate of Council to charge a rate of 7% p/a. especially if an applicant were to opt for a loan over a longer period. Some banks are now offering interest-free loans. The bank offering the most is providing up to \$5,000.00 for insulation and up to \$5,000.00 for heat pumps, both interest free. (The periof
- 1.5 Through the Energy Efficiency and Conservation Authority (ECCA) some home owners can now receive 90% of the cost of ceiling and underfloor insulation and 90% of the cost of a heat pump or efficient wood or pellet burner for the main living area. At the time the programme was approved ECCA was only offering 67%. Grants for heaters are capped at \$3000 (including GST).

2 Significance of decision

- 2.1 The decision to recommend to Council to revoke the Heating and Insulation Programme can be considered of medium significance. The reason it is considered of medium significance is that it means Council would no longer offer loans to residents for heating and insulation. However residents would have the option of taking a personal at banks which would be interest free.

3 Recommendations

- 3.1 That the memorandum 'Heating and Insulation Programme' to the 24 September 2020 Finance/Performance Committee be received.

3.2 That the Finance/Performance Committee recommend to Council that the Heating and Insulation Programme be revoked and those who enquire at Council are directed towards ECCA and Banks offering up interest free loans.

George Forster

Policy Advisor

Attachment 5

Memorandum

To: Finance and Performance

From: George Forster

Date: 7 July 2020

Subject: **Floating Funds for Santoft Domain Management Committee**

File: 3-CT-18-4

At its meeting on 1 July 2020 the Santoft Domain Management Committee (the Committee) put forward the following recommendation *That a memo go to the Finance and Performance Committee meeting allowing the Santoft Domain Management Committee to have a \$5,000.00 floating fund to spend when they need to.*

The Committee noted the reason for the request of such a fund is to allow the Committee to purchase goods and services without having to wait up to two months for the next Committee meeting to make a resolution, and then for Council staff to create a purchase order for the Committee to then act upon. The Committee believes that this would allow them to progress with developing the Santoft Domain more quickly.

This presents a number of potential issues noted below:

- Such an arrangement would remove the process of a formal Committee discussion and resolution on fund expenditure.
- To limit exposure to fraudulent activity a minimum of two signatories for the release of funds would be recommended (this was not discussed at the meeting);
- Such a fund could result in the use of non pre-approved contractors without Councils knowledge;
- The funds would sit in an external account for which the Committee or individual would be responsible for managing, running the risk of undisclosed spending and invoices not being returned to Council; and
- Providing the funds to a separate bank account would create GST implications such as who claims the GST on expenditure.

An alternative option to consider for decreasing delays is for the Committee to resolve the necessary forecasted expenditure following the completion of their Santoft Domain Plan and reception of quotes for the agreed goods and services. The Committee is currently undertaking consultation with community groups before they present a Plan to Council.

The Committee have previously requested, at some length, to allow work on the Domain to be undertaken by contractors that are not pre-approved by Council. If the Finance and Performance

Committee were to approve the Committees request of a floating fund it is recommended that wording within the agreement include that that the fund would not be for enlisting contractors to carry out work without staff checking that they are pre-approved.

As discussed at the Policy and Planning Committee on 9 July 2020, pre-approval is a vital step in the overall process of selecting, engaging and managing contractors. It involves Council assessing potential contractors to ensure they are committed to safety, have good systems to back up this commitment and are capable of working safely in practice, all aligning to the Health and Safety at Work Act 2016 (HSWA).

Council does not currently have any other committees with a floating fund.

The Finance and Performance Committee could resolve for the Santoft Domain Management Committee to have a floating fund with a different value.

Recommendations:

- 1 That the memorandum 'Floating Funds for Santoft Domain Management Committee' to the 24 September 2020 Finance/Performance Committee be received.
- 2 That the Finance and Performance Committee approve a floating fund of \$5,000.00 for the Santoft Domain Management Committee which may be used for the purchasing of goods and services, with any contractors providing a service must be pre-qualified with Council.

OR

That the Finance and Performance Committee does not approve a floating fund of \$5,000.00 for the Santoft Domain Management Committee.

George Forster
Policy Advisor