

AGENDA

SUPPLEMENTARY and TABLED ITEMS

Council
Tuesday 22 August 2023
at 10.15am

Northland Regional Council Supplementary/Tabled Agenda

Meeting to be held in the Council Chamber
36 Water Street, Whangārei
on Tuesday 22 August 2023, commencing at 10.15am

Recommendations contained in the council agenda are NOT council decisions. Please refer to council minutes for resolutions.

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TITLE: Receipt of Supplementary/Confidential Tabled Items

From: NRC Governance Specialist, Chris Taylor

Executive summary

The attached reports were unable to be completed in time for circulation with the council agenda due to further discussion required at the council workshop on Wednesday 16 August 2023.

Recommendation

1. That as permitted under section 46A(7) of the Local Government Official Information and Meetings Act 1987 the following tabled/supplementary reports be received:
 - Supplementary Item 6.4: 2022/2023 Provisional Financial Year End Report
 - Confidential Tabled Item 10.4: Project Decision
 - Confidential Tabled Item 10.5: Funding Decision
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
10.4	Project decision	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).
10.5	Funding decision	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).

3. That the Independent Advisors, Legal Counsel and Cameron Partners Consultant be permitted to stay during business with the public excluded.

TITLE: 2022/2023 Provisional Financial Year End Report

From Taka Skipwith, Financial Accountant

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on date
Group Manager/s: 18 August 2023

Whakarāpopototanga / Executive summary

An amendment is required to recommendation 5 of agenda item 6.4 - 2022/23 Provisional Financial Year End Result, due to information that became available at the council workshop on 16 August 2023.

The amendment is, in addition to the allocation of \$130k, \$102k be allocated to the equalisation reserve for councillor identified projects. A total allocation of \$232k to the equalisation reserve is now subject to recommendation 5.

On this basis, the revised suite of recommendations is included in **Attachment 1**.

Other consequential amendments to agenda item 6.4 are:

- The draft results now propose that \$2.26m of surplus is attributed to the equalisation reserve.
- The financial results for the provisional net surplus after transfers to and from special reserves and excluding non-cash items is now **\$34k** compared to a budgeted surplus of \$26k.
- The equalisation fund reserve balance at the end of the year is now \$4.94m.
- The amount reserved in the equalisation fund reserve for councillor projects is now \$350k

The REVISED 2022/23 Provisional Financial Year End Result reflects the amendments and is before council as a supplementary item for inclusion in the council meeting agenda.

Attachments/Ngā tapirihanga

Attachment 1: REVISED 2022/23 Provisional Financial Year End Result [↓](#) 

TITLE: Revised 2022/23 Provisional Financial Year End Result

From: Taka Skipwith, Financial Accountant

**Authorised by
Group Manager/s:** Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on

Whakarāpopototanga / Executive summary

The purpose of this report is to present the draft financial result for the year ending 30 June 2023 for councillors' information. The result of \$33,668 is provisional. There may be further adjustments and amendments as the year-end reconciliations are reviewed by senior staff and the statutory financial statements (including notes) for the Annual Report are prepared. Deloitte is scheduled to commence their three-week on-site audit on 21 August 2023.

The Draft Financial Result for the 2022/23 financial year is presented in **Attachment 1**.

The draft result proposes that \$2.26m of surplus is attributed to the equalisation reserve, being:

- Allocations pre-approved by council for:
 - Tree removal in response to Cyclone Gabrielle of \$407k, approved March 2023.
 - Fishing controls over protected marine areas of \$350k pre-approved May 2023.
 - Strategic projects of \$400k pre-approved March 2023.
- Allocations previously discussed by council and a strong political desire signalled for:
 - Funding of \$232k for councillor identified projects, this will generate total funding held in the equalisation reserve of \$350k
 - A Health and Safety strategy including a Health and Safety officer, of \$150k endorsed by the audit and risk committee May 2023.
 - The progression and completion of the Enterprise project of \$726k (discussed on 16 Aug 2023 Council Workshop)

The draft result excludes \$5.26m of non-cash items in respect to the revaluation gains on councils' investment and owner-occupied properties, infrastructure assets, and forestry assets. Taking these non-cash revaluation gains into account and the movements in the special reserves, the statutory financial statements within the Annual report will present a total Comprehensive Revenue and Expense of approximately \$14.3m.

The final Annual Report will be provided to council on 26 September 2023 for adoption. The Annual Report will include detailed funding impact statements by activity group and full detailed explanations of any material variance.

Ngā mahi tūtohutia / Recommendation

1. That the report '2022/23 Provisional Financial Year End Result' by Taka Skipwith, Financial Accountant and dated 4 August 2023, be received.
2. That \$406,676 of the 2022/23 operating surplus is attributed to the Equalisation reserve and held as funding for additional tree removal as part of the councils response to Cyclone Gabrielle.
3. That \$350,000 of the 2022/23 operating surplus is transferred to the Equalisation reserve and held as funding for fishing control measures.

4. That \$400,000 of the 2022/23 operating surplus is transferred to the Equalisation reserve and held as funding for strategic projects.
5. That \$232,075 of the 2022/23 operating surplus is transferred to the Equalisation reserve and held as funding for projects to be identified by councillors.
6. That \$150,000 of the 2022/23 operating surplus is transferred to the Equalisation reserve and held as funding for Health and Safety strategy and resourcing.
7. That \$726,000 of the 2022/23 operating surplus is transferred to the Equalisation reserve and held as funding for the Enterprise project.

Background/Tuhinga

Financial results

The provisional Net Surplus after Transfers to and from Special Reserves and excluding non-cash items is **\$34k** compared to a budgeted surplus of \$26k.

The main variances to the **revised budget** presented in Attachment 1 are explained below:

Revenue

- **Rates** has a favourable variance (better than budget) of **\$540k or 1.3%** which is due to an increase of rating units during the year and higher than budgeted rates penalty income.
- **User Fees and Sundry** has a favourable variance (better than budget) of **\$1.2m or 26.6%** which is predominantly due to:
 - Higher than budgeted pilotage and navigation bylaw fees of \$537k,
 - Higher than budgeted monitoring fees for land use, water and coastal compliance of \$491k,
 - Higher than budget consent application fees of \$94k,
 - Higher than budgeted marine biosecurity, recovery, and incident response fees of \$244k,
 - Higher than budgeted tenancy and KMR recovery costs \$131k,
 - Higher than budgeted nursery sales of \$142k.

This is partially offset by lower than budgeted bus fare box income of (\$260k) and lower than budgeted resource user fees of (\$134k).

- **Grants and Subsidies** has an unfavourable variance (worse than budget) of **(\$1.7m) or (-9.4%)**. This variance is predominantly due to:
 - Lower than budgeted subsidies for predator free programmes of (\$1.2m) due to timing of income recognition,
 - Lower than budgets subsidies for Kauri protection of (\$300k) due to timing of income recognition,
 - Lower than budgeted subsidies for flood infrastructure and Otiria costs of (\$605k)
 - Lower than budgeted NZTA subsidies for regional transport cost of (\$588k)

This is partially offset by:

- Higher than budgeted TLA share of costs for Regional Transport programme of \$115k,
- Higher than budgeted subsidies for the Awanui river programme of \$434k,
- Higher than budgeted subsidies for the Tsunami siren costs of \$121k,
- Higher than budgeted subsidies for Wairoa awa improvement of \$126k, and
- Higher than budgeted subsidies for water quality of \$94k.
- Higher than budgeted subsidies for Marine oil spill programme of \$58k.

- **Interest Revenue** has a favourable variance (better than budget) of **\$320k or 153.2%** which is predominantly due to higher than budgeted interest rate and revenue generated from councils transactional banking accounts \$190k, and the Opex term deposits invested with NZ trading banks \$82k.
- **Other Revenue** has a favourable variance (better than budget) of **\$243k or 3.6%** which is predominantly due to higher than budgeted rental income on investment properties of \$237K.
- **Other gains** have an unfavourable variance (worse than budget) of **(\$427k) or (-9.4%)** which is primarily due to lower than budgeted gains on long-term funds of (\$350k) and short-term funds of (\$100k) and higher than budgeted gains from the sale of vehicles and miscellaneous plant and equipment \$21k. The details for the 2022/23 externally managed fund gains are the subject of agenda item 6.1.

Expenditure

- **Personnel Costs** has a favourable variance (expenditure less than budget) of **\$1.54m or 5.5 %** due to delays in filling LTP budgeted positions across council. The variance includes salary and wages savings of \$834k for Environmental Services and \$528k for the Biosecurity.
- **Operations Expenditure** has a favourable variance (expenditure less than budget) of **\$3.1m or 7.5%.**

Expenditure variances offset with fees, grants, or subsidies:

- Lower than budgeted expenditure on the predator free programme of \$1.4m
- Lower than budgeted expenditure on transport related contractual costs of \$1.3m

Offset by:

Expenditure variances offset with reserve movements:

- Higher than budgeted costs on council's enterprise system implementation of (\$1.6m)
- Higher than budgeted costs for the Otiria-Moerewa flood modelling study of (\$164k)
- Lower than budgeted expenditure on the Environment Fund of \$564k
- Lower than budgeted S-Map costs of \$455k
- Lower than budgeted costs for Regional Sports facilities of \$700k
- Lower than budgeted costs for Awanui river programmes of \$311k

Expenditure variances subject to proposed carry forwards:

- Lower than budgeted Wetland mapping expenditure of \$95k
- Lower than budgeted Orbica data automation of \$12k
- Lower than budgeted Plant control Poutou dunes of \$12k
- Lower than budgeted Sika deer eradication of \$60k
- Lower than budgeted GIS Mapping for plant programmes of \$19k
- Lower than budgeted Iwi Hapu environment monitoring funding \$108k
- Lower than budgeted understanding Māori communities a research study \$11k
- Lower than budgeted councillor training \$18k
- Lower than budgeted flood adaptation strategy \$58k
- Lower than budgeted iwi, hapu environmental management plans \$50k
- Lower than budgeted climate programme reporting \$29k
- Lower than budgeted transport regional programme preparation \$79k

Other expenditure variances:

- Lower than budgeted expenditure on Kaipara Moana grants of \$304k

Offset by:

- Higher than budgeted expenditure on legal costs for incident response of (\$142k)
- Higher than budgeted expenditure on legal costs for regional plan review (\$96k)
- Higher than budgeted expenditure on information systems (119k)
- Higher than budgeted expenditure on increased pilotage of (\$54k)
- Higher than budgeted expenditure on harbour and coastal management (\$63k)
- Higher than budgeted expenditure on operational owner-occupied facilities (\$127k)
- Higher than budgeted expenditure on insurance costs (\$106k)

- **Finance costs** have a favourable variance (expenditure less than budget) of **\$547k** or **49.6%** predominantly due to lower than budgeted borrowing for enterprise system of \$111k, flood infrastructure and river works of \$156k, and for the CDEM Joint Emergency Centre not yet under construction of \$113k.
- **Depreciation and Amortisation** has a favourable variance (expenditure less than budget) of **\$548k** or **24%** due to lower than budgeted capital expenditure, council now leasing (as opposed to owning) all of its laptops and monitors, and vehicles being fully depreciated but still operational.

Reserves

The net transfer to the Special Reserves is **\$5.9m** higher than budget (more funds transferred into the reserves) predominantly due to;

- Higher than budgeted transfers to the land management and river reserves of \$1.6m due to lower than budgeted environment fund grants, carry forward requests, and lower than budgeted transfers from the land management reserve due to not requiring funding for budgeted projects this year.
- Higher than budgeted transfer of \$770k to the regional sporting facility reserve due to lower than budgeted distribution of grant.
- Higher than budgeted transfer to the Equalisation Reserve of \$3.1m predominantly due to transferring \$1.8m of surplus allocations and \$1.3m transferred and earmarked for strategic projects.
- Higher than budgeted transfer to Bus Reserves of \$383k due to lower than budgeted expenditure
- Higher than budgeted transfer to Civil Defence reserve of \$99k due to lower than budgeted interest on borrowings.
- Higher than budgeted transfer to the Investment and Growth reserve (IGR) due to less project funding distributed from this reserve \$101k
- Lower than budgeted transfer from the Kaipara Moana Remediation \$382k reserve due to lower than budgeted expenditure on Kaipara Moana costs.
- Lower transfers for 2022/23 Approved carry forwards of \$552k.

Offset by:

- Higher than budgeted transfer from Enterprise system reserve of (\$1.26m) due to higher than budgeted costs.

Capital Expenditure

Total capital expenditure including commercial property development costs for the year was \$19.98m which is \$10.0m less than the \$29.9m revised annual budget. A detailed breakdown of capital expenditure variances and proposed carry forwards is provided in agenda item 6.3.

Equalisation Fund Reserve

The Equalisation reserve represents reserved funding that is held in the Short-Term Investment Fund to smooth the impact on rate increases arising from large one-off operating costs. At year end the balance of the equalisation reserve is \$4.94m. The funds allocated and utilised from this reserve in 2022/23 are presented in the table below.

EQUALISATION FUND RESERVE	2022-23	
	Actual	Revised Budget
Opening Balance	\$2,286,514	\$2,286,514
Funds allocated to Reserve in 2022/23		
CEO Harvard Training Instalment 1	\$10,000	\$10,000
Tree removal - Cyclone Gabrielle response (2023 Allocation of Surplus)	\$406,676	
Fishing Controls (2023 Allocation of Surplus)	\$350,000	
Strategic Projects (2023 Allocation of Surplus: \$400,000)	\$1,295,766	
Strategic Projects (2023 Allocation of LTF - PRR Gains: \$895,766)		
Health & Safety Officer & Strategy (2023 Allocation of Surplus)	\$150,000	
Enterprise System project (2023 Allocation of Surplus)	\$726,000	
Funding held for councillor projects ¹ (2023 Allocation of Surplus) \$130,000	\$232,075	
Funding held for councillor projects ¹ (2023 Allocation of Surplus) \$102,075		
Funds utilised from the Reserve during 2022/23		
Election costs	-\$248,100	-\$248,100
Forestry Operations	-\$61,545	-\$85,990
Pilotage Revenue Shortfall	\$0	-\$56,000
Independent review of Councils Investment portfolio	-\$182,500	-\$95,000
Outgoing CEO Bonus	-\$20,000	-\$20,000
Funding used for Councillor projects	\$0	-\$117,925
Closing Balance	\$4,944,886	\$1,673,499
¹ Upon approval of these 2 amounts, the total amount reserved in the Equalisation fund reserve for councillor projects is \$350,000		

Options

No.	Option	Advantages	Disadvantages
1	Approve the <i>pre-approved</i> allocations of surplus to the equalisation reserve for identified projects.	Fulfilment of obligations to strategic and community commitments.	Reduces funds available for other projects.
2	Decline the <i>pre-approved</i> allocations of surplus to the equalisation reserve for identified projects.	Retains more surplus in the 2022/23 financial year and allows for more funding of other projects.	Fail to meet agreed obligations, projects are under resourced and are unable to commence or progress.
3	Approve <i>previously discussed</i> allocation of the surplus to the equalisation reserve for identified projects and strategies	Enables completion of an ongoing project, and resources risk mitigation strategies and policy	Reduces funds available for other projects.
4	Decline <i>previously discussed</i> allocation of the surplus to the equalisation reserve for identified projects and strategies	Retains more surplus in the 2022/23 financial year and allows for more funding of other projects	Incomplete implementation of enterprise system. Increased exposure to risks for council.

- The staff's recommended for *pre-approved* allocation is Option 1, to meet council commitments as identified in the summary herewith.
- The staff's recommendation for *previously discussed* allocation is Option 3, to increase operational capacity for risk management, and for the continuation of enterprise system implementation.

Considerations

1. Financial implications

In arriving at the draft operating surplus of **\$33,668**, transfers of \$2.265m to the equalisation reserve have already been incorporated. An additional transfer to the equalisation reserve of \$896k is allocated from property reinvestment fund gains and is the subject of agenda item 6.1

2. Implementation issues

Councils' auditors require a complete set of financial statements on the 21 August 2023 when they arrive on site to undertake their annual audit. Any changes stemming from the Council meeting on the 22 August 2023 will require the financial statements to be amended and may be costly due to the additional audit fees associated with reauditing the changes.

3. Significance and engagement

In relation to section 79 of the Local Government Act 2002, this decision is considered to be of low significance when assessed against council's Significance and Engagement Policy because it is part of council's day to day activities.

4. Policy, risk management and legislative compliance

The activities detailed in this report are in accordance with the 2021–31 Long Term Plan, which was approved in accordance with council's decision-making requirements of sections 76–82 of the Local Government Act 2002.

Being a purely administrative matter, environmental impacts and implications, community views, and Māori impact statement are not applicable.

Attachments/Ngā tapirihanga

Attachment 1: Provisional Draft Operating Result 2022/23

DRAFT Operating Statement to Council					Attachment One
<i>For the year ended 30 June 2023</i>					
Total Council	DRAFT Council 30-June-2023	YTD Revised Budget 2022-23	Variance	Variance %	
Revenue					
Rates	43,515,079	42,974,977	540,103	1.3%	
User Fees and Sundry	5,906,519	4,663,794	1,242,726	26.6%	
Grants and Subsidies	16,870,402	18,618,378	(1,747,976)	-9.4%	
Interest Revenue	529,342	209,049	320,293	153.2%	
Other Revenue	6,986,694	6,743,838	242,856	3.6%	
Other Gains	4,127,833	4,555,056	(427,223)	-9.4%	
Total Revenue	77,935,869	77,765,090	170,779	0.2%	
Expenditure by Type	DRAFT Council 30-June-2023	YTD Budget	Variance	Variance %	
Expenditure					
Personnel Costs	26,261,042	27,798,664	1,537,622	5.5%	
Operations	39,097,910	42,248,446	3,150,536	7.5%	
Member Expenses	1,230,347	1,323,335	92,987	7.0%	
Depreciation and Amortisation	1,734,177	2,281,766	547,589	24.0%	
Finance Costs	554,971	1,102,000	547,029	49.6%	
Total Expenditure	68,878,447	74,754,211	5,875,764	7.9%	
Net (Cost)/Surplus of Service before transfer from/(to) Special Reserves	9,057,422	3,010,879	(5,704,985)		
Total Transfers from/(to) Special Reserves	(9,023,754)	(2,984,579)	6,039,175	-202.3%	
Net (Cost)/Surplus of Service before transfer from/(to) Special Reserves	33,668	26,300	7,368	28.0%	