

**MEETING OF THE  
RISK & ASSURANCE COMMITTEE**

**Wednesday 24 April 2024**

**commencing at 10.30 am**

**at the Council Chambers,**

**1 Rosebank Office**

**BALCLUTHA**

# CLUTHA DISTRICT COUNCIL

Notice is hereby given that a Meeting of the Risk & Assurance Committee will be held in the Council Chambers, 1 Rosebank Terrace, Balclutha on Wednesday 24 April 2024, commencing at 10.30 am.

Steve Hill  
**CHIEF EXECUTIVE OFFICER**

Stephen Halliwell (Independent Chair)  
Mayor Bryan Cadogan  
Councillor Ken Payne (Deputy Mayor)  
Councillor Alison Ludemann (Corporate & Policy Committee Chair)  
Councillor Gaynor Finch (Regulatory & Community Committee Chair)  
Councillor Bruce Graham (Infrastructure Strategy & Operations  
Committee Chair)  
Councillor John Herbert  
Councillor Bruce Vollweiler  
Councillor Michelle Kennedy

# RISK & ASSURANCE COMMITTEE

## 24 APRIL 2024

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### APOLOGIES

### DECLARATION OF INTEREST

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

### URGENT BUSINESS

### PUBLIC FORUM

Item	Page #	Title
1.	10	<b>Risk &amp; Assurance Committee Minutes</b> <i>(For the Committee's Confirmation)</i> Minutes of the Risk & Assurance Committee held 14 March 2024.
2.	16	<b>Risk Status Progress Report – Ineffective People Leadership</b> <i>(For the Committee's Information)</i> The purpose of this paper is to provide the Risk and Assurance Committee with risk status information for the organisation's various risk themes. This papers focus is on the Risk: Ineffective People Leadership
3.	19	<b>Risk &amp; Assurance Workplan Report</b> <i>(For the Committee's Information)</i> This report outlines a proposed workplan to the end of the 2024 year.
4.	21	<b>Annual Plan Performance Monitoring Report</b> <i>(For the Committee's Information)</i> This report combines the Financial Management Accounts and the Non-Financial Key Performance Indicators (KPIs).
5.	38	<b>Protozoal and Bacterial Compliance Report</b> <i>(For the Committee's Information)</i> This report provides an update for each Water Treatment Plant (WTP) and their compliance with the Drinking Water Quality Assurance Rules (DWQAR) for Bacterial and Protozoal treatment.

Item	Page #	Title
6.	46	<p><b>3 Waters Operations 6 Month Report</b>  <i>(For the Committee's Information)</i>  This report combines high level financial results for the Urban Water, Rural Water, Wastewater, Stormwater, Water Management and Water Operations business units.</p>
7.	52	<p><b>Audit Recommendation Monitoring Report</b>  <i>(For the Committee's Information)</i>  This report provides an update on actions taken on recommendations from the Deloitte Final Report to Risk and Assurance Committee on the 30 June 2023 Annual Report Audit.</p>
8.	57	<p><b>Treasury Management Report</b>  <i>(For the Committee's Information)</i>  This report includes the Treasury Services Advisory Report and the Investment Portfolio Compliance &amp; Monitoring Report.</p>

## Risk & Assurance Committee - Delegations

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<b>Constitution</b>	<p>Members of the Committee will be made up of an Independent Chair, Mayor, Deputy Mayor, Chair of the Corporate &amp; Property, Service Delivery and Regulatory and Policy Committees and three other Councillors appointed by Council.</p> <p>Members will be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, after a formal review of their performance. The Chief Executive and the General Manager Corporate Services will not be members of the Committee but may attend meetings as observers as determined by the Chairperson. The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one independent member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.</p>
<b>Meeting Frequency</b>	<p>6 times per year, or as required.</p> <p>To oversee aspects relating to audit and risk management.</p>
<b>Objective</b>	<p>The Risk &amp; Assurance Committee is an independent committee of Council.</p> <p>The purpose of the committee is to oversee:</p> <ul style="list-style-type: none"><li>• risk management</li><li>• internal control</li><li>• external accountability</li><li>• internal audit</li><li>• external audit and</li><li>• compliance with legislation, policies, and procedures.</li></ul> <p>The Committee has no executive powers and will conduct itself in accordance with the values and ethics of the Council. The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must always recognise that primary responsibility for management of the Council rests with the Chief Executive. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Clutha District Council from time to time.</p> <p>The Council, at its meeting on 27 October 2022, established the Risk and Assurance Committee for the 2022-25 triennium.</p> <p>The Council authorises the Committee, within the scope of its role and responsibilities, to:</p> <ul style="list-style-type: none"><li>• obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);</li></ul>

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- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including the Chief Executive and the General Managers of Corporate Services, Service Delivery and Regulatory and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense

**Quorum**

5 members

**Additional Attendees**

The Committee may invite various parties to attend its meetings. These parties may include other members of senior management or line managers as appropriate. When the Committee is considering a report, the manager responsible for the area under review will be given the opportunity to discuss the report with the Committee. Other elected members may attend but have no voting rights.

## Areas of responsibility

### 1. Risk Management

- Ensure that Council has in place a current and comprehensive risk management framework and associated procedures and review for effective identification and management of Council's financial and business risks including fraud.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Review the effect of the Council's risk management framework on its control environment and insurance arrangements.
- Review whether a sound and effective approach has been followed in establishing the Council's business planning continuity arrangements, including whether disaster recovery plans have been tested periodically and
- Review the Council's internal controls in relation to preventing fraud and satisfy itself that the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information and to ensure appropriate action is taken against perpetrators of fraud.

### 2. Internal Control

Review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective.

Review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated.

Determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with.

Review whether appropriate policies and procedures are in place for the management and exercise of delegations.

Consider how management identifies and required changes to design or implementation of internal controls and

review whether management has taken steps to embed a culture that is committed to ethical and lawful behaviour.

### 3. External Accountability

The Committee's responsibilities are to:

Review the financial statements and provide advice to the Council, including whether appropriate action has been taken in response to audit recommendations and adjustments.

Satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and on the adequacy of the systems of internal controls.

Review the processes in place designed to ensure that financial information included in the Council's annual report is consistent with the signed financial statements.

#### 5 Review the processes and risk assessment that are in place for the development and adoption of the Council's Long-Term Plan.

Satisfy itself that the Council has appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and

Satisfy itself that the Council has a performance management framework that is linked to organisational objectives and outcomes.

### 4. Internal audit

The Committee's responsibilities are to:

Act as a forum for communication between the Chief Executive, senior management, and internal and external auditors.

Review the internal audit coverage and annual work plan, ensure that the plan is based on the Council's risk management plan, and recommend approval of the plan on behalf of the Council.

Advise the Mayor and Chief Executive on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan.

Oversee the co-ordination of audit programs conducted by the internal and external auditors and other review functions.

Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice.

Monitor management's implementation of the internal auditor's recommendations.

Review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place.

### 5. External audit

The Committee's responsibilities are to:

Act as a forum for communication between the Chief Executive, senior management, and internal and external auditors.

Provide input and feedback on the financial statements and the audit coverage proposed by the external auditor and provide feedback on the audit services provided.

Review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations.

Oversee the co-ordination of audit programs conducted by the internal and external auditors and other review functions and

Provide advice to the Council and Chief executive on action taken on significant issues raised in relevant external audit reports and good practice guides.

### 6. Compliance with legislation, standards, and good practice guidelines

The Committee's responsibilities are to:

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Determine whether management has appropriately considered legal and compliance risks as part of the Council's risk assessment and management arrangements and

Review the effectiveness of the system for monitoring the Council's compliance with relevant laws regulations, and associated government policies.

## Financial Delegations

7. Financial delegations are identified in Appendix B – Financial Delegations.

### Power to resolve

8. In exercising the delegated powers, the committee will operate within policies, plans, standards, or guidelines that have been established and approved by Council, the overall priorities of Council, the needs of the local communities and the approved budgets for the activity.

### Power to recommend to Council

9. Strategic Finance

Financial Strategy.

Revenue and Financing Policy matters (excluding rates reviews).

Treasury Management and Borrowing and Investment Policies.

Adoption of Annual Report.

Investment strategy.

Borrowing.

Management policies (e.g. fraud, sensitive expenditure).

10. Risk

Risk Management Policy (setting Council's appetite for risk).

Risk Management outside of budgets (e.g. insurance).

Risk Management outside of Risk Management Policy.

Delegations Policy to Chief Executive and direct to officers where required.

Insurance (including self-insurance) within policy and budgets.

### Power to monitor

11. Strategic Finance

Investment Policy compliance.

Debt Policy compliance.

Financial Strategy compliance

i. risk and opportunities monitoring

ii. capital programme monitoring.

Financial Strategy monitoring.

Investment monitoring (including return on investment for cash and property.

Debt monitoring.

12. Risk

Risk management framework.

Major project monitoring.



Debt risk management.

External audit.

Internal control framework

- i. internal audit
- ii. sensitive expenditure
- iii. conflicts of interest.

Legal compliance.

Health and Safety culture and compliance.

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## **Risk & Assurance Committee**

### **Item for CONFIRMATION**

<b>Report</b>	Confirmation of Minutes
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	1
<b>Prepared By</b> <sup>52</sup>	Sonia Farquharson – Finance and Policy Administrator
<b>File Reference</b>	891539

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### **REPORT SUMMARY**

Attached are the unconfirmed minutes of the Council's Risk & Assurance Committee meeting held 14 March 2024.

### **RECOMMENDATION**

- 1. That the Risk & Assurance Committee confirms as a true and correct record the minutes of the Risk & Assurance Committee held 14 March 2024.**

## Risk & Assurance Committee

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Minutes of the meeting of the Risk & Assurance Committee held in the Council Chambers, 1 Rosebank Terrace, Balclutha, on Thursday 14 March 2024, commencing at 10.31 am.

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**Present** Stephen Halliwell (Chairperson), His Worship the Mayor Bryan Cadogan, Councillors Gaynor Finch, Bruce Graham, John Herbert, Michele Kennedy, Alison Ludemann, Ken Payne and Bruce Vollweiler.

**In Attendance** Steve Hill (Chief Executive), Jules Witt (Deputy Chief Executive), Sharon Jenkinson (Chief Financial Officer), Christina Johnston (Manager Risk Management), Linda Till (Manager Three Waters), Daniel Pickup (Team Leader Compliance & Reporting), Greg Bowie (Financial Accounting Team Leader), Trey Willis Croft (Financial Support Accountant), Oscar Melad (Financial Support Accountant), Councillors Wayne Felts, Jock Martin, Brent Mackie, Simon McAtamney and Lilly Paterson (Community Support and Development Advisor).

**Apologies** *There were no apologies.*

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### DECLARATIONS OF INTEREST

There were no Declarations of Interests

### URGENT BUSINESS

There was no urgent business.

### PUBLIC FORUM

There was no public forum.

## 1. CONFIRMATION OF MINUTES

The minutes of a meeting of the Risk & Assurance Committee held on 1 February 2024 were submitted for confirmation.

***Moved Mayor Cadogan/Councillor Graham and Resolved:***

***“That the Risk & Assurance Committee confirms as a true and correct record the minutes of the Risk & Assurance Committee held 1 February 2024, dated 14 March 2024.”***

## 2. HEALTH AND SAFETY, RISK AND MAJOR PROJECTS REPORT

The purpose of this paper is to provide Risk and Assurance Committee with Health and Safety reporting for the period October-December 2023 (Quarter 2, FY 23/24).

This paper also reports on our Organisational Risk Profile and the Major Projects - Category A Risk Register.

Christina Johnston (Manager Risk Management) was in attendance to speak to her report and was available to answer questions – the following were key discussion points;

- Note of an amendment to p27, this was given out during the meeting. (Relating to Long Term Plan timing).
- Discussion was held over the percentage changes of risk categories (low, medium, high).

***Moved Councillors Finch/Kennedy and Resolved:***

***“That the Risk & Assurance Committee receives the Health and Safety, Risk and Major Projects Report, dated 14 March 2024.”***

Christina Johnston (Manager Risk Management) left the meeting at 11.35 am.

### 3. CONFLICTS OF INTEREST REGISTER FOR ELECTED MEMBERS AND EXECUTIVE MANAGEMENT

This report reflects the current Conflicts of Interest Declaration Register (Members Interest register) for elected members (council and community boards), the Chief Executive, Deputy Chief Executive and Independent Chair of the Risk and Assurance Committee.

New declarations are required to be completed on a six-monthly basis; the register was previously updated in May/June 2023.

At the time of writing this report not all declarations have been updated, signed, and returned. This report provides an update on declarations received to date.

***Moved Councillors Vollweiler/Finch and Resolved:***

***“That the Risk & Assurance Committee receives the Conflicts of Interest Register for Elected Members and Executive Management dated 14 March 2024.”***

### 4. RISK AND ASSURANCE WORKPLAN REPORT

This report outlines the proposed workplan to the end of the 2024 year including updates.

Sharon Jenkinson – (Chief Financial Officer) was in attendance to speak to her report and was available to answer questions.

***Moved Councillors Herbert/Payne and Resolved:***

***“That the Risk & Assurance Committee receives the Risk and Assurance Workplan Report, dated 14 March 2024.”***

### 5. ANNUAL PLAN PERFORMANCE MONITORING REPORT

This report combines the Financial Management Accounts and the Non-Financial Key Performance Indicators (KPIs).

Trey Willis-Croft – (Financial Support Accountant) was in attendance to speak to his report and was available to answer questions.

***Moved Councillors Kennedy/Herbert and Resolved:***

***“That the Risk & Assurance Committee receives the Risk and Assurance Annual Plan Performance Monitoring Report, dated 14 March 2024.”***

## 6. PROTOZOAL AND BACTERIAL COMPLIANCE REPORT

This report provides an update for each Water Treatment Plant (WTP) and their compliance with the Drinking Water Quality Assurance Rules (DWQAR) for Bacterial and Protozoal treatment.

Linda Till – (Head of Three Waters) and Daniel Pickup (Team Leader Compliance & Reporting) were in attendance to speak to their report and were available to answer questions - the following were key discussion points;

- Questions raised on risk between date samples taken versus notification to public on aluminium levels and the risks associated with this response time. Test results take 10-14 days to be returned from lab. Noted to be a low risk, as there is no immediate risk with aluminium intake.
- Acknowledged the number of 'reds' displayed in the report does not look good – noted that this will not improve for some treatment plants until the new Greenfields plant comes online.

***Moved Councillors Kennedy/Finch and Resolved:***

***“That the Risk & Assurance Committee receives the Risk and Assurance Protozoal and Bacterial Compliance Report, dated 14 March 2024.”***

## 7. AUDIT RECOMMENDATION MONITORING REPORT

This report provides an update on actions taken on recommendations from the Deloitte Final Report to Risk and Assurance Committee on the 30<sup>th</sup> June 2023 Annual Report Audit.

Sharon Jenkinson – (Chief Financial Officer) was in attendance to speak to her report and was available to answer questions.

***Moved Councillors Vollweiler/Payne and Resolved:***

***“That the Risk & Assurance Committee receives the Risk and Assurance Audit Recommendation Monitoring Report, dated 14 March 2024.”***

## 8. TREASURY MANAGEMENT REPORT

This report includes the Treasury Services Advisory Report and the Investment Portfolio Compliance & Monitoring Report.

Greg Bowie – (Financial Accounting Team Leader) was in attendance to speak to his report and was available to answer questions – the following were key discussion points;

- Request for more of a breakdown of the Other Operating Expenditure on p41 as well as capital expenditure to date – staff to bring this back to the next meeting.
- A question was asked around the ability to obtain detail around additional borrowings taken out, can this be attributed to an activity. Staff advised that as provided in the treasury policies Council borrows to fund cashflow for the whole of Council. Borrowing is not attributed to any activity or project. Internal Borrowing is attributed to activities. Internal debt and external debt are different values for the reasons above (i.e. external borrowing funds cashflows).
- Discussion was held on whether the strategy for borrowing should be to borrow for shorter term rather than longer – staff advised Council uses an external advisor for advice on what type of borrowing we require, when and for how long.

***Moved Councillors Vollweiler/Kennedy and Resolved:***

***“That the Risk & Assurance Committee receives the Risk and Assurance Treasury Management Report, dated 14 March 2024.”***

## **9. REASONS TO MOVE TO PUBLIC EXCLUDED**

***Moved Mayor Cadogan/Councillor Herbert and Resolved:***

***“That the Risk & Assurance Committee receives the “Reasons to Move to Public Excluded Session” report.”***

***“That the Risk & Assurance Committee approves moving Public Excluded Risk & Assurance Committee Minutes – 1 February 2024 into public, and”***

***“That the minutes of the public excluded section of the meeting of the Risk & Assurance Committee held on 1 February 2024 be approved as a true and correct record.”***

The meeting closed at 11.59 am.

Read and Confirmed

Stephen Halliwell  
**CHAIRPERSON**

# Risk & Assurance Committee

## Item for INFORMATION

<b>Report</b>	Risk Status Progress Report – Ineffective People Leadership
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	2
<b>Prepared By</b>	Christina Johnston – Manager Risk Management
<b>File Reference</b>	891508

### REPORT SUMMARY

The purpose of this paper is to provide the Risk and Assurance Committee with risk status information for the organisation's various risk themes.

This papers focus is on the Risk: Ineffective People Leadership

### RECOMMENDATIONS

**That the Risk & Assurance Committee:**

1. **Receives the report.**

### REPORT

#### 1. Background

In 2023, the Council embarked on an organisational transformation known as "Clutha Stars," which decentralised responsibility and accountability from three (3) Group Managers to ten (10) Activity Heads overseeing semi-autonomous teams. The Activity Heads are tasked with managing workloads, identifying and comprehending tasks, and integrating staff internally and externally to achieve the Activities' objectives. This organisational shift and distribution of work will directly influence Leadership effectiveness.

The risk of "Ineffective People Leadership" is rated high and occupies the fifth position out of thirteen on our Critical/High Risk Register.

1	Public health and resource consent breaches	Critical
2	Water services assets and/or operations failure	Critical
3	Non-compliance with legal and policy obligations	Critical
4	Misalignment of strategic capacity for delivery of Asset Management plan	Critical
5	Ineffective people leadership	High
6	Lack of clear business continuity processes in place	High
7	Failure to deliver the program of capital works	High
8	Failure to manage an effective response to climate change	High
9	Failure to meet service delivery commitments	High
10	Failure to implement procurement processes successfully	High
11	Failure to give effect to Te Tiriti and build successful Iwi/Mana Whenua partnerships	High
12	Failure to manage response to and the impacts of Central Government Reforms	High
13	Failure to implement a strong organisational culture	High



## 2. Update

The council has reached noteworthy milestones in fostering effective people leadership, including:

- Implementing the Clutha Stars framework incorporating Leadership training (The Conscious Leader), ensuring all people leaders participate in this program.
- Providing personalised 1:1 coaching sessions for leaders.
- Introducing a comprehensive "CDC Leadership Package" delineating leader expectations.
- Enhancing clarity on organisational outcomes and defining the organisations Vision, Purpose and Values, so our people know what matters.

Our objectives for the 2024/25 financial year comprise:

- Introducing a HR system for transparent leadership accountability and reporting.
- Complete 2024 Engagement Survey
- Giving effect to our new Vision, purpose, values
- Launch 360-degree reviews and facilitate enhancements based on feedback.
- Develop robust (Non) Performance Management procedures.

It's probable that the Risk of Ineffective People Leadership will decrease once these initiatives are implemented.

## 3. References – Tabled/Agenda Attachments

Attachment 1 – Risk description – Ineffective People Leadership

Risk theme:

# Ineffective People Leadership



## Risk Status Progress Report April 2024

Description	If Council is not adequately resourced, both in terms of capacity and capability, then this under resourcing may contribute to failure and/or significantly increased costs to deliver service levels and key projects.  "Right people, right place, right time"		
Possible impacts	Lack of employee engagement, Poor performance and inability to deliver levels of service, Financial impacts		
Category	Talent, Leadership & Culture	Risk owner	SLT
Possible causes	<ol style="list-style-type: none"> <li>1. Ineffective vision and organisational direction</li> <li>2. Inadequate processes to support leadership consistency</li> <li>3. No established Leadership team steering organisational direction</li> <li>4. Culture</li> <li>5. Staff turnover</li> <li>6. Workload imbalances</li> <li>7. Calibre and volume of applicants</li> <li>8. Establishment of new water agencies</li> <li>9. Constrained labour market</li> <li>10. Low unemployment rate</li> <li>11. Immigration settings</li> <li>12. Inadequate alternative benefits to attract and retain staff</li> </ol>		
Inherent Risk Rating	Possible x Major = Critical		
Existing Controls			
<ol style="list-style-type: none"> <li>1. Organisational stability achieved through CEO retention.</li> <li>2. Implemented innovative strategies to attract and retain top-tier people leaders.</li> <li>3. All Activity Area Leadership roles are filled.</li> <li>4. Executed team leader training, with ongoing enrolment in the Clutha Stars "The Conscious Leader" Course.</li> <li>5. Expanded resources to allocate more time for leadership enhancement.</li> <li>6. Provide "in the moment" coaching services from HR.</li> <li>7. Established a comprehensive performance framework.</li> <li>8. Established high-performance coaching for all People Leaders</li> <li>9. Developed the CDC Leadership Package for leadership advancement.</li> </ol>			
Residual Risk Rating	Possible x Moderate = High		
What we would need to do to move out of High			
<ol style="list-style-type: none"> <li>1. Recruitment of HR staff to support Policy and Procedure implementation</li> <li>2. Give effect to our new Vision, purpose, values</li> <li>3. Introduce HR system for transparent leadership accountability and reporting.</li> <li>4. Launch 360-degree reviews and facilitate enhancements based on feedback.</li> <li>5. Develop robust (Non) Performance Management procedures.</li> </ol>			
Key risk indicators	Measured as	Status	
Competency framework in place for staff (performance reviews) % completion of goals and/ or development plans created % completion of performance review (6 monthly)	% of staff completed	Under development. A new HR system is being tested and this will allow for visible reporting on these measures.	
Engagement survey results (Inc. Wellbeing)	Engagement scores (trending up)	Engagement survey 2024 dates to be set. 2023 engagement scores: 31% - engaged (past 39%) 52% - not engaged (past 45%) 17% - actively disengaged (past 16%)	

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## Risk & Assurance Committee

Item for <sup>4646</sup>INFORMATION

<b>Report</b>	Risk & Assurance Workplan Report
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	3
<b>Prepared By</b>	Type text here Sharon Jenkinson – Chief Financial Officer
<b>File Reference</b>	891540

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### REPORT SUMMARY

This report presents the workplan to the end of the 2024 year.

The Melville Jessop Weaver quarterly investment monitoring report was not available at the time of writing this report, but will be distributed prior to or at the meeting.

This workplan does not preclude additional reports being included in any meeting as and when required.

### RECOMMENDATIONS

- 1. That the Risk & Assurance Committee receives the Risk and Assurance Workplan Report.**



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## Risk & Assurance Committee

### Item for INFORMATION

<b>Report</b>	Annual Plan Performance Monitoring
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	4
<b>Prepared By</b>	Trey Willis-Croft – Financial Support Accountant
<b>File Reference</b>	891541

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### REPORT SUMMARY

#### Financial Monitoring:

- Management Accounts for the period 1 July 2023 to 29 February are reflected below.
- Commentary has been added for major variances.

#### Non-Financial Monitoring:

- To provide more timely reporting of Key Performance Indicators (KPIs) within Council activities by month instead of just in the Annual Report we have included below a summary by month of Council's main KPIs.
- Please note the numbers are not audited but the trends do provide information on how the different activities are doing from a performance perspective.
- Some of the KPI data is only relevant once a year.
- The median time anomaly explanations are not ready at agenda print date but will be provided verbally at the meeting.
- Complaints about council response to tracked drinking water issues is now being recorded correctly so will now be reported on.
- Anomalies for February are as below:
  - Percentage of roading service requests called back within targeted frames was 50%. This was due to callback responsibilities changing this should look to improve as experience is gained.
  - Urban Water median resolution time for urgent cases was 368.8 hours.
  - Storm Water median response time was 429.2 hours.
- Anomalies for March are as below:

- Percentage of roading service requests called back within targeted frames was 57.7%. This was due to callback responsibilities changing this should look to improve as experience is gained.
- Urban Water median resolution time for urgent and non-urgent was 470.5 and 144.8 hours.
- Waste Water median response time was 53.8 hours.

## **RECOMMENDATIONS**

- 1. That the Risk & Assurance Committee receives the Annual Plan Performance Monitoring report.**

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE						
For the Period ended 29th February 2024						
		2024	2024	2024	2023	
		\$000	\$000	\$000	\$000	Full Year
		YTD	YTD		Full Year	
REVENUE		Actual	Budget	Variance	Actual	Budget
Rates		23,468	23,360	108	29,439	31,146
Grants, Subsidies and Donations	A	9,425	9,136	289	11,889	13,704
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Fees & User Charges	B	723	1,264	(540)	1,255	1,691
Permits & Licences		515	673	(158)	1,133	1,009
Other Fees	C	1,078	2,014	(936)	2,089	3,021
Rental Revenue		832	849	(16)	1,292	1,273
Interest Revenue	D	3,394	667	2,727	1,133	1,001
Other Revenue		471	603	(131)	714	904
Other Gains		0	0	0	1,967	1,627
Sales of corporate and development property	E	1,418	0	1,418	74	0
<b>Total Revenue</b>		<b>41,325</b>	<b>38,565</b>	<b>2,761</b>	<b>50,985</b>	<b>55,376</b>
<b>EXPENDITURE</b>						
Grants, Contributions & Sponsorship	F	2,466	473	1,993	3,863	709
Other Operating Expenditure	G	15,950	12,410	3,540	20,627	18,615
Roading Repairs & Maintenance		6,144	5,613	532	8,255	8,419
Employee Benefits	H	8,753	6,436	2,317	8,847	9,844
Depreciation & Amortisation		10,139	10,075	63	16,019	15,113
Finance Costs	I	3,208	1,271	1,938	2,509	1,906
Operating lease payments		22	0	22	19	0
Cost of sales of corporate and development property		0	0	0	71	0
<b>Total Expenditure</b>		<b>46,683</b>	<b>36,278</b>	<b>10,405</b>	<b>60,210</b>	<b>54,606</b>
<b>SURPLUS FOR THE YEAR</b>		<b>(5,357)</b>	<b>2,287</b>	<b>(7,644)</b>	<b>(9,225)</b>	<b>770</b>
<b>Other Comprehensive Revenue and Expenditure</b>						
<b>Items that may be reclassified to surplus or deficit:</b>						
Fair value on unlisted shares		0	0	0	(3)	0
<b>Items that will not be reclassified to surplus or deficit:</b>						
Gain on property, plant and equipment revaluation		0	0	0	19,400	0
<b>Total Other Comprehensive Revenue and Expenditure</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>19,397</b>	<b>0</b>
<b>Total Comprehensive Revenue and Expenditure for the year</b>		<b>(5,357)</b>	<b>2,287</b>	<b>(7,644)</b>	<b>10,172</b>	<b>770</b>

<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>as at 29th February 2024</b>				
		<b>2024</b>	<b>2023</b>	<b>2024</b>
		<b>\$000</b>	<b>\$000</b>	<b>Full Year</b>
		<b>Feb</b>	<b>Full Year</b>	<b>Budget</b>
<b>Assets</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents		2,967	7,069	614
Receivables and prepayments		6,988	6,515	6,276
Other financial assets	J	31,348	29,850	29,628
Derivative financial instruments		0	1,887	0
Non-current assets held for resale		0	0	0
Development property		2,477	2,477	550
<b>Total Current assets</b>		<b>43,780</b>	<b>47,798</b>	<b>37,068</b>
<b>NON-CURRENT ASSETS</b>				
Property, Plant and equipment		1,395,200	1,371,639	1,395,807
Intangible assets		143	143	50
Other financial assets		4,146	1,634	440
<b>Total non-current assets</b>		<b>1,399,489</b>	<b>1,373,416</b>	<b>1,396,297</b>
<b>TOTAL ASSETS</b>		<b>1,443,269</b>	<b>1,421,214</b>	<b>1,433,365</b>
<b>Liabilities</b>				
<b>CURRENT LIABILITIES</b>				
Payables and accruals		9,812	12,836	7,529
Employee entitlements		686	1,096	756
Derivative financial instruments		0	-	-
Borrowings		15,500	14,216	4,000
<b>Total current liabilities</b>		<b>25,999</b>	<b>28,148</b>	<b>12,285</b>
<b>NON-CURRENT LIABILITIES</b>				
Provisions		1,232	1,232	790
Other liabilities - Mercer Trust		13	13	18
Borrowings		86,016	58,300	107,252
<b>Total non-current liabilities</b>		<b>87,260</b>	<b>59,545</b>	<b>108,060</b>
<b>TOTAL LIABILITIES</b>		<b>113,259</b>	<b>87,693</b>	<b>120,345</b>
<b>NET ASSETS</b>		<b>1,330,009</b>	<b>1,333,521</b>	<b>1,313,020</b>
<b>EQUITY</b>				
Reserves		1,115,606	1,111,913	1,092,169
Accumulated Funds		214,403	221,608	220,851
<b>TOTAL EQUITY</b>		<b>1,330,009</b>	<b>1,333,521</b>	<b>1,313,020</b>



NOTES	
A	Mostly NZTA subsidy. The roading program has seasonal timing which means costs and budget are not always aligned. \$1,043k of 3 waters BOF (The Hub) budgeted in 2023 was received in September.
B	Contributions relating to the Milton to Waihola Pipeline have not yet been received. We have received \$53k against a year to date budget of \$497k, the full year budget is \$600k. Dog registration fees are \$36k behind the full year budget of \$409k.
C	Solid Waste sales are \$956k behind budget year to date, this was an error in budgeting for the Annual Plan 2023/24.
D	Nikko performance has picked up and we recorded gains in February of 477k
E	Three properties in Kaitangata sold in December.
F	Mostly payments to the Clutha Community Hub of \$1.3m from Better Off funding (budgeted last year and \$257k received last year) and \$544k from Balclutha Streetscape stage 2. There are also various community grants that are paid at the beginning of each year.
G	Costs for consultants are over for the year by \$1,559k, this is mainly in the 3 waters \$1,071k and strategy and planning \$331k areas . IT costs are over by \$145k mainly due to additional support costs and licenses being paid at the start of the year. 3 Waters operational costs are over \$1,937k year to date and Parks and reserves \$362k.
H	Three Waters employee costs of \$1.7M for the eight months are unbudgeted, we are also filling more positions and implementing a restructure.
I	LGFA Interest over budget due to increasing interest rates
J	Nikko portfolio performance has improved.

YTD July-March

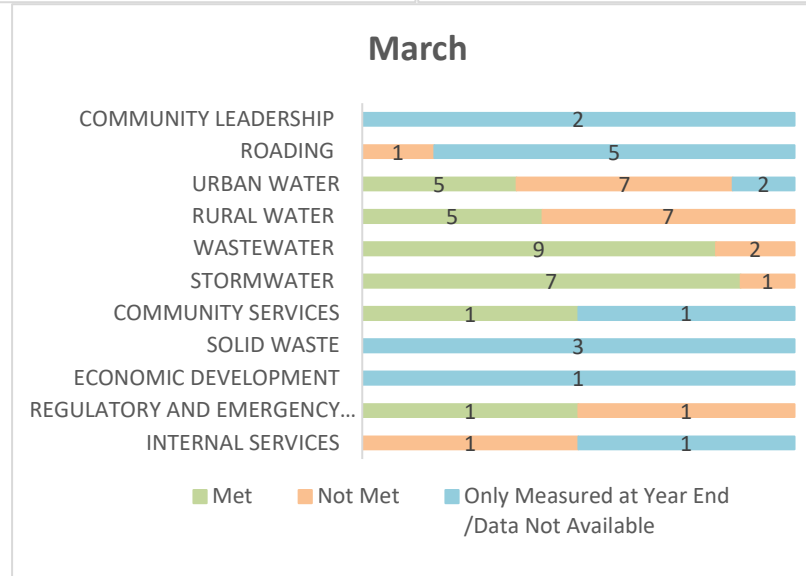
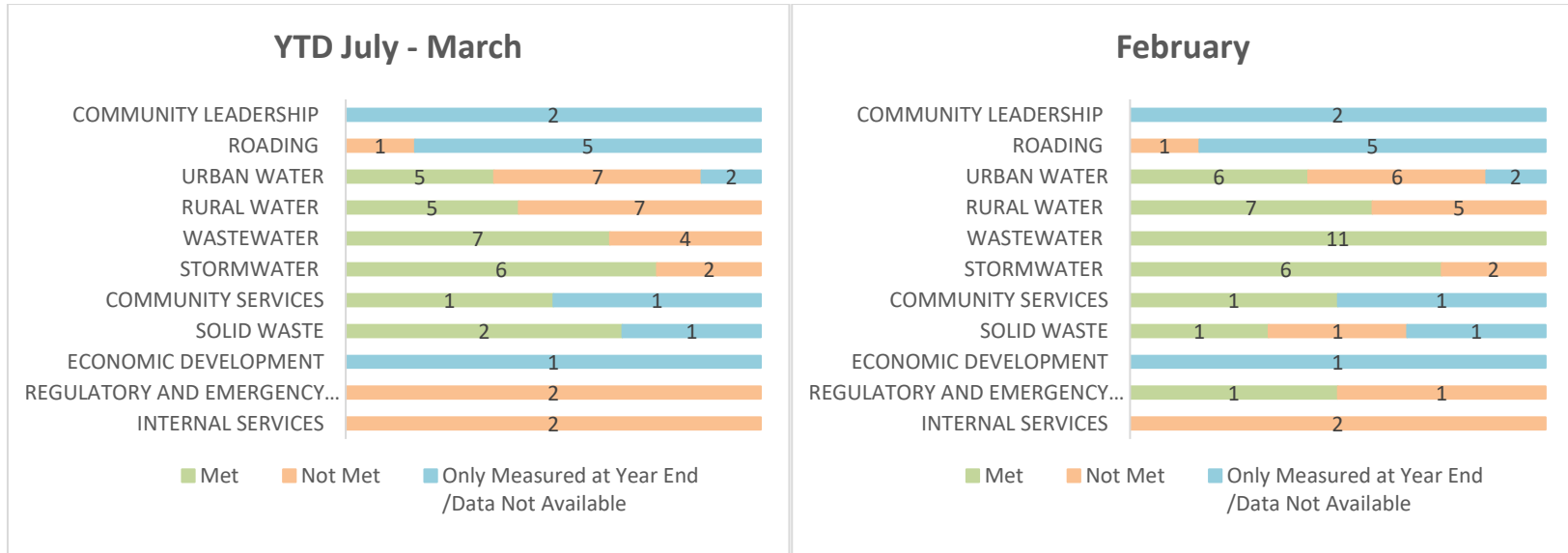


February




March





Summary of Non Financial Performance Measures for the Year Ending 30 June 2024								
Summary of KPI Targets Met	Actual 2022	Actual 2023	Actual 2024 YTD	Possibly Monthly KPI's	Nov	Dec	Jan	Spark Trendline
Community Leadership	1	1	0	0	0	0	0	
Roading	2	2	0	1	0	0	0	
Urban Water	7	9	5	12	6	8	6	
Rural Water	4	6	5	12	6	4	4	
Waste Water	8	7	7	10	8	9	6	
Storm Water	8	7	7	8	7	7	7	
Community Services	2	1	1	1	1	1	1	
Solid Waste	3	3	2	2	2	2	2	
Economic Development	0	1	0	0	0	0	0	
Regulatory and Emergency Services	1	0	0	2	0	0	0	
Internal Services	0	0	0	2	1	0	0	
<b>Total Met</b>	<b>36</b>	<b>37</b>	<b>27</b>		<b>31</b>	<b>31</b>	<b>26</b>	
<b>Total KPIs</b>	<b>63</b>	<b>63</b>	<b>63</b>		<b>63</b>	<b>63</b>	<b>63</b>	
<b>Total Monthly KPI's</b>			<b>36</b>		<b>49</b>	<b>49</b>	<b>0</b>	
<b>Total Percentage</b>	<b>57%</b>	<b>59%</b>	<b>43%</b>		<b>49%</b>	<b>49%</b>	<b>41%</b>	
<b>Total Monthly Percentage</b>			<b>75%</b>		<b>63%</b>	<b>63%</b>	<b>#DIV/0!</b>	

Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>COMMUNITY LEADERSHIP</b>										
<b>Level of Service 1: Provide a effective leadership, representation and service to residents and ratepayers.</b>										
Satisfaction with decision-making, leadership and planning of elected members (Council)	Greater than or equal to	69%	62%	N/A	80%	80%	N/A	N/A	N/A	
<b>Level of Service 2: Monitor rates affordability and provide prudent, effective and efficient financial management</b>										
To stay within rates limits - per Annual Plan	Less than or equal to	27.9	29.2	N/A	30.5	30.5	N/A	N/A	N/A	
<b>ROADING</b>										
<b>ROADS</b>										
<b>Level of Service 1: Provide an effective and sustainable local roading network</b>										
Average quality of ride on the sealed road network (as per smooth travel exposure)*	Greater than or equal to	97%	96%	N/A	97%	97%	N/A	N/A	N/A	
Percentage of the sealed local network that is resurfaced	Greater than or equal to	4.6%	3%	N/A	6.4%	6.4%	N/A	N/A	N/A	
% of customer service for roads and footpaths responded to within timeframes*	Greater than or equal to	92%	89%	72.1%	95%	95%	46.5%	64.0%	65.7%	
<b>Level of Service 2: Monitor safety and invest in improving the roading network</b>										
Number of fatalities and serious injury crashes	Less than or equal to	14	17	N/A	10	0.83	N/A	N/A	N/A	
<b>FOOTPATHS</b>										
<b>Level of Service 3: Provide an effective and sustainable network of footpaths throughout the district</b>										
% of footpaths that are in good, very good or new / near new condition	Greater than or equal to	92%	92%	N/A	100.0%	100.0%	N/A	N/A	N/A	
<b>BRIDGES</b>										
<b>Level of Service 4: Provide a safe and economic network of bridges throughout the district</b>										
Percentage of bridges on key routes that meet heavy vehicle (50 Max) safety requirements.	Greater than or equal to	92.3%	92.3%	N/A	92.8%	92.8%	N/A	N/A	N/A	

Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>URBAN WATER</b>										
<b>Level of Service 1: Water from Council urban supplies is safe to drink.</b>										
Compliance with the NZDW Standards for bacteriological compliance*	Greater than or equal to	81%	0%	15%	100%	100%	40%	80%	65%	
Compliance with the NZDW Standards for protozoal compliance*	Greater than or equal to	49%	0%	0%	100%	100%	85%	54%	54%	
<b>Level of Service 2: Urban supplies provide a continuous and reliable source of water to consumers</b>										
Number of drinking water complaints (Requests for Service) per 1000 connections about:										
Clarity	Less than or equal to	15.2	8.7	0.8	17	1.4	0.0	0.8	2.1	
Taste	Less than or equal to	0.95	0.4	0.2	3	0.3	0.2	0.2	0.2	
Odour	Less than or equal to	0.76	0.0	0.0	2	0.2	0.0	0.0	0.0	
Pressure	Less than or equal to	9.86	4.5	2.4	5	0.4	0.8	0.2	0.2	
Continuity	Less than or equal to	24.08	28.0	3.8	30	2.5	1.9	3.0	2.3	
Council's response to any of these issues	Less than or equal to	0.38	0.0	0.0	14	1.2	0.0	0.0	0.0	
Average consumption of drinking water per resident per day (litres per day)*	Less than or equal to	540	530	N/A	650	54.2	N/A	N/A	N/A	
<b>Level of Service 3: Urban water schemes are managed effectively and efficiently</b>										
Median response time (in hours) from notification of fault or unplanned interruption to when personnel reach the site:										
Urgent	Less than or equal to	2.15	4.2	10.7	2.0	2.0	22.3	1.7	18.8	
Non-urgent	Less than or equal to	5.47	18.8	28.9	24.0	24.0	22.8	23.7	20.9	
Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:										
Urgent	Less than or equal to	20	24.8	16.7	12.0	12.0	17.7	7.0	117.6	
Non-urgent	Less than or equal to	76	76.6	142.2	48.0	48.0	54.0	169.3	72.6	
Percentage of real water loss from Council's reticulation system*	Less than or equal to	31%	28.3%	N/A	28%	28%	N/A	N/A	N/A	



Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>RURAL WATER</b>										
<b>Level of Service 1: Water from council rural schemes is safe to drink</b>										
Compliance with the NZDW Standards for bacteriological compliance	Greater than or equal to	39%	0%	0%	94%	94%	27%	21%	18%	
Compliance with the NZDW Standards for protozoal compliance	Greater than or equal to	0%	0%	0%	75%	75%	15%	15%	35%	
<b>Level of Service 2: Rural schemes provide a continuous and reliable source of water to consumers</b>										
Number of drinking water complaints (requests for service) per 1000 connections about:										
Clarity	Less than or equal to	21.6	6.5	1.2	12	1.0	0.6	1.8	4.7	
Taste	Less than or equal to	1.8	1.8	0.0	5	0.4	0.0	0.0	0.0	
Odour	Less than or equal to	0.6	0.6	0.0	3	0.3	0.0	0.0	0.0	
Pressure	Less than or equal to	291.9	144.6	8.8	200	16.7	9.4	18.2	30.0	
Continuity	Less than or equal to	555	237.6	10.9	200	16.7	11.2	18.2	44.1	
Council's response to any of these issues	Less than or equal to	3.0	0.0	0.0	14	1.2	0.0	0.0	0.0	
<b>Level of Service 3: Rural water schemes are managed effectively and efficiently</b>										
Median response time (in hours) from notification of fault or unplanned interruption to when personnel reach the site:										
Urgent	Less than	4.3	9.2	20.2	4	4	18.0	10.5	10.0	
Non-urgent	Less than	17.0	23.1	27.1	24	24	35.4	25.9	25.9	
Median response time (in hours) from notification of fault or unplanned interruption to when personnel confirm resolution:										
Urgent	Less than	54.0	45.3	29.3	12	12	20.9	20.2	23.9	
Non-urgent	Less than	55.0	55.3	50.5	48	48	63.3	47.4	40.9	

Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>Wastewater</b>										
<b>Level of Service 1: Provide Wastewater services that effectively collect and dispose of sewage</b>										
Number of dry weather wastewater overflows expressed per 1,000 sewerage connections to that sewerage system	Less than or equal to	5.2	4.2	0.0	6	0.5	0.4	0.0	0.8	
<b>Level of Service 2: Wastewater schemes are managed efficiently and effectively</b>										
Median response time (in hours) from notification of fault to when personnel:										
Reach the site (response)	Less than	1.7	1.6	3.2	2	2	N/A	N/A	3.2	
Confirm resolution of blockage or other fault	Less than	20.5	12.8	52.2	8	8	169.0	15.9	11.9	
Number of complaints per 1,000 connections about any of the following:										
Wastewater odour	Less than	1.0	2.5	0.1	3	0.3	0.2	0.2	0.0	
Wastewater system faults	Less than	1.7	2.1	0.1	10	0.8	0.2	0.0	0.2	
Wastewater system blockages	Less than	8.3	7.8	1.0	5	0.4	0.6	0.2	0.4	
Council's response to any of these issues	Less than	1.15	0.0	0.0	5	0.4	0.0	0.0	0.0	
Compliance with Council's resource consents for wastewater discharge, measured as number of:										
Abatement notices	Equal to	2	7	0	0	0	0	0	0	
Infringement notices	Equal to	0	5	1	0	0	0	0	3	
Enforcement orders	Equal to	0	0	0	0	0	0	0	0	
Convictions	Equal to	0	0	0	0	0	0	0	0	

Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>STORMWATER</b>										
<b>Level of Service 1: To provide stormwater drainage that protects against the effects of flooding</b>										
Flooding events to habitable floors due to overflows from a council stormwater system	Equal to	0	0	0	0	0	0	0	0	
Number of flooding events that occur in a territorial authority district (i.e. an overflow from a Council stormwater system)	Less than	8	6	5	23	2	0	0	0	
Number of complaints about performance of stormwater systems (per 1,000 connected properties)	Less than or equal to	1.5	0.0	0.0	10	0.8	0.0	0.0	0.0	
Median response time from notification of fault to when personnel reach the site	Less than	3.9	21.7	482.3	4	4.00	N/A	N/A	1,225.0	
Compliance with Council's resource consents for discharge from stormwater systems measured by the number of:										
Abatement notices	Equal to	0	0	0	0	0	0	0	0	
Infringement notices	Equal to	0	0	0	0	0	0	0	0	
Enforcement orders	Equal to	0	0	0	0	0	0	0	0	
Successful prosecutions received	Equal to	0	0	0	0	0	0	0	0	

Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>COMMUNITY SERVICES</b>										
<b>LIBRARIES, SERVICE CENTRES AND INFORMATION CENTRES</b>										
<b>Level of Service 1: Operate a network of community facilities throughout the district including library / service / information centres, pools, halls, playgrounds, sportsgrounds, parks and reserves.</b>										
Resident satisfaction with community facilities	Greater than	90%	87%	N/A	90%	90%	N/A	N/A	N/A	
<b>COMMUNITY HOUSING</b>										
<b>Level of Service: Provide and maintain community housing units throughout the district.</b>										
Portion of community housing units that meet healthy homes standards	Greater than	64%	100%	100%	20%	20%	100%	100%	100%	
<b>SOLID WASTE</b>										
<b>Level of Service 1: Provide a facility in the district for the disposal of solid waste</b>										
Resident satisfaction with refuse/recycling service	Greater than or equal to	91%	90%	N/A	80%	80%	N/A	N/A	N/A	
Kilogrammes of waste per resident to Mt Cooee landfill (kg) (Population data as at 30 June 2021)	Less than or equal to	545	513.93	286.42	548	45.67	43.47	38.92	44.65	
<b>Level of Service 2: Provide waste minimisation services and education</b>										
Kilogrammes of waste per resident diverted from Mt Cooee landfill (kg) (Population data as at 30 June 2021)	Greater than or equal to	71	64.22	36.55	56	4.67	5.18	4.89	7.23	
<b>ECONOMIC AND COMMUNITY DEVELOPMENT</b>										
<b>Level of Service 1: Support the District's communities and economy through community planning, facilitation and support.</b>										
Percentage of programmed Our Place community plans completed.	Equal to	50%	100%	N/A	100%	100%	N/A	N/A	N/A	

Summary of Non Financial Performance Measures for the Year Ending 30 June 2024		Actual 2022	Actual 2023	Actual 2024 YTD	Target per LTP	Monthly Target per LTP	Nov	Dec	Jan	Spark Trendline
<b>REGULATORY AND EMERGENCY SERVICES</b>										
<b>Level of Service 1: To provide an application processing service where consents are processed within statutory timeframes in an efficient manner</b>										
Application lodged and processed within statutory timeframes	Equal to	80%	74%	93.0%	100%	100%	94%	95%	97%	
<b>Level of Service 2: Complaints are prioritised and responded to in an efficient manner</b>										
Customer service requests are called back within targeted time frames.	Greater than or equal to	97%	86%	83.5%	95%	95%	92%	93%	76%	
<b>INTERNAL SERVICES</b>										
<b>Level of Service 1: We handle customer requests for service efficiently and effectively</b>										
Percentage of service requests called back within targeted timeframes	Greater than or equal to	81%	90%	93.0%	95%	95%	65%	75%	70%	
<b>Level of Service 2: We deliver on our work programmes</b>										
Percentage of capital projects completed.	Greater than	68%	74.34%	37.98%	82%	6.83%	6.86%	4.22%	4.82%	

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## Risk & Assurance Committee

### Item for INFORMATION

<b>Report</b>	Protozoal and Bacterial Compliance Report
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	5
<b>Prepared By</b>	Keiran Medel – Senior Compliance Engineer Daniel Pickup – Team Leader Compliance and Reporting Linda Till – Head of Three Waters
<b>File Reference</b>	891542

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### REPORT SUMMARY

This report provides an update for each Water Treatment Plant (WTP) and their compliance with the Drinking Water Quality Assurance Rules (DWQAR) for Bacterial and Protozoal treatment. The report aims to identify the cause of non-compliance and the improvement works required to achieve compliance with the DWQARs. The supply is considered compliant if it meets the requirements of the relevant Bacto and Proto rules for more than 95% of the reporting period at the treatment plant and in 85% of the samples collected from the distribution network.

### RECOMMENDATIONS

- 1. That the Risk & Assurance Committee receives the Protozoal and Bacterial Compliance Report.**

### BACKGROUND

The reporting period for February to March 2024 achieved a similar Urban Water Bacto compliance compared with the December 2023 and January 2024 reporting period. The Urban Water Proto compliance saw a reduction in compliance during February 2024 but a significant improvement in March 2024.

The reporting period from February to March 2024 saw a minor improvement in Rural Water Bacto compliance compared with the December 2023 and January 2024 reporting period. Rural WTPs supply most of the distribution networks subject to a Boil Water Notice (BWN), i.e., Moa Flat, North Bruce, Waitahuna, and Tuapeka West. The Rural Water Proto compliance saw an improvement over the same period as larger supplies such as Clydevale, Kaitangata and Richardson South were able to maintain compliance. Waitahuna and Tuapeka West supplies will not achieve full compliance without significant upgrades and will be replaced by the Greenfield Rural scheme by the end of 2024.

# URBAN WATER COMPLIANCE WITH DWQARs FOR BACTERIOLOGICAL AND PROTOZOAL COMPLIANCE

For the period 1 February to 31 March 2024 an assessment has been completed against the DWQARs. Clutha has used the rules relating to bacterial and protozoal compliance that replaced those in the DWSNZ. The modules in the DWQARs used to assess bacterial and protozoal compliance depend on the population size supplied by the treatment plant. The results of this testing are as below.

## 1 - Bacteriological Compliance 1 Feb to 31 Mar 2024

Name	Treatment Plant	Population	Bacto Compliant? 1 Feb - 29 Feb 2024	Bacto Compliant? 1 Mar - 31 Mar 2024	Improvement Work/Comments
Balclutha	Balclutha	4002	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
Clinton Township	Clydevale-Pomahaka	300	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
Kaitangata Township	Kaitangata	780	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
Kaka Point Township	Puerua	235	Yes Compliant 29 out of 29 days.	Yes Compliant 30 out of 31 days (97%).	NA
Lawrence	Lawrence	430	No Compliant 23 out of 29 days (79%). Refer to comments a), b), d), and e).	No Compliant 24 out of 31 days (77%). Refer to comments a), b), and d).	The treatment plant's FAC dose is not consistent and required investigation to identify the issues.
Milton	Milton	1929	Yes Compliant 28 out of 29 days (97%).	No Compliant 29 out of 31 days (94%). Refer to comments b).	The Milton WTP experienced minor non-compliances on two days during March 2024. No improvement works are required.
OCF	Milton	600	No Compliant 28 out of 29 days (97%). Refer to comment e).	No Compliant 29 out of 31 days (94%). Refer to comment b).	As above
Owaka	Owaka	315	No Compliant 24 out of 29 days (83%). Refer to comment a).	No Compliant 29 out of 31 days (94%). Refer to comment a).	The Owaka WTP must comply with the T3 Rules due to lack of filtration at the site. No improvement works are required.
Stirling Township	Stirling	309	No Compliant 27 out of 29 days (93%). Refer to comment a).	Yes Compliant 30 out of 31 days (97%).	The Stirling WTP experienced minor non-compliances on two days during February 2024. No improvement works are required.

Tapanui	Tapanui	760	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
Waihola Township	North Bruce	430	No Compliant 7 out of 29 days (24%). Refer to comment a), b), c), e), and f).	No Compliant 21 out of 31 days (68%). Refer to comment a), b), c), e), and f).	Secondary chlorination to be installed at the Waihola Reservoir. Waihola to be supplied by Milton WTP by April.
<b>Total</b>		<b>10090</b>	<b>79%</b>	<b>63%</b>	

- a. UV Non-compliance: The UV dose was not maintained for the required period to achieve compliance.
- b. FAC Non-compliance: The chlorine dose rate and/or contact time was not maintained for the required period to achieve compliance.
- c. Turbidity Non-compliance: The turbidity in the treated water exceeded the maximum allowable NTU.
- d. pH Non-compliance: The pH level in the final water was outside the required range to achieve compliance.
- e. Chlorine residual in the distribution zone must be above 0.2 mg/l in 85% of all samples collected. Results cannot be less than 0.1 mg/l.
- f. Waihola has been on a long-term Boil Water Notice due to the inadequate barriers at the North Bruce treatment plant.



## 2 - Protozoal Compliance 1 Feb to 31 Mar 2024

Name	Serviced Zones	Population	Proto Compliant? 1 Feb - 29 Feb 2024	Proto Compliant? 1 Mar - 31 Mar 2024	Improvement Work
Balclutha	Balclutha	4002	No Compliant 27 out of 29 days (93%). Refer to comments a), and b).	Yes Compliant 31 out of 31 days.	NA
Lawrence	Lawrence	430	No Compliant 20 out of 29 days (69%). Refer to comments b), and e).	No Compliant 24 out of 31 days (77%). Refer to comments b), and e).	Lawrence is required to comply with the T3 Protozoal Rules to achieve 4 Log Treatment. Additional UV Treatment is required to comply with the DWQAR.
Milton	Milton + OCF	2529	No Compliant 19 out of 29 days (66%). Refer to comment c).	No Compliant 30 out of 31 days (97%).	NA
Owaka	Owaka	315	No Compliant 25 out of 29 days (86%). Refer to comment e).	No Compliant 27 out of 31 days (87%). Refer to comment e).	The Owaka WTP must comply with the T3 Rules due to lack of filtration at the site. No improvement works are required.
Tapanui	Tapanui	760	No Compliant 19 out of 29 days (66%). Refer to comments a), and d).	No Compliant 16 out of 31 days (52%). Refer to comments a), and d).	Installation of UV treatment at this site would provide a multi-barrier approach for Proto treatment.
<b>Total</b>		<b>8036</b>	<b>0%</b>	<b>81%</b>	

- a. 4-log Protozoal Compliance must be met by all T3 treatment plants (>500 Population) within the Clutha District.
- b. Balclutha and Lawrence use a multibarrier approach (Filter + UV) to achieve Protozoal compliance. If either treatment process is compromised, Protozoal compliance is difficult to achieve.
- c. Milton relies on Membrane Filtration to achieve 4 Log Protozoal Compliance. To maintain compliance, the membrane system must complete one Integrity Test every 24 hours. The integrity test provides assurance that the membrane unit is fit for purpose.
- d. Tapanui uses Coagulation, Flocculation, Sedimentation, and Filtration to achieve 4 log protozoal compliance. The turbidity in the treated water exceeded the maximum allowable NTU.
- e. UV Non-compliance: The UV dose or UVT was not sufficient to achieve compliance.

## RURAL WATER COMPLIANCE WITH NZDW STANDARDS FOR BACTERIOLOGICAL AND PROTOZOAL COMPLIANCE

For the period 1 February to 31 March 2024 an assessment was completed against the DWQAR. Clutha has used the rules relating to bacterial and protozoal compliance that are equivalent to those in the DWSNZ. The modules in the DWQAR used to assess bacterial (and protozoal compliance) depend on the size of the water supply and the modules nominated by CDC. The results of this testing are as below.

### 1 - Bacteriological Compliance 1 Feb to 31 Mar 2024

Name	Treatment Plant	Population	Bacto Compliant? 1 Feb - 29 Feb 2024	Bacto Compliant? 1 Mar - 31 Mar 2024	Improvement Work
Balmoral 1	Waitahuna	247	No Compliant 0 out of 29 days. Refer to comments b), c), e), f), h), and i).	No Compliant 0 out of 31 days. Refer to comments b), c), e), f), and h).	The Waitahuna WTP will be replaced by the Greenfield Rural Scheme at the end of 2024. Significant upgrades are required to achieve compliance.
Balmoral 2	Waitahuna	399	No Compliant 0 out of 29 days. Refer to comments b), c), e), f), h), and i).	No Compliant 0 out of 31 days. Refer to comments b), c), e), f), h), and i).	As Above
Clydevale-Pomahaka	Clydevale-Pomahaka	550	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
Glenkenich	Glenkenich	705	No Compliant 29 out of 29 days. Refer to comment e).	Yes Compliant 30 out of 31 days (96%).	Minor non-compliances experienced in Feb and Mar 2024. No improvement works are required.
Moa Flat	Moa Flat	534	No Compliant 26 out of 29 days (90%). Refer to comments a), b), f), and g).	No Compliant 27 out of 31 days (87%). Refer to comments a), b), f), and g).	UVT now controlling the plant and will improve the UV treatment. New Reservoir work is underway which will help improve compliance.
North Bruce	North Bruce	658	No Compliant 7 out of 29 days (24%). Refer to comments a), b), c), f), and g).	No Compliant 21 out of 31 days (68%). Refer to comments a), b), c), f), and g).	UVT now controlling the plant and will improve the UV treatment. New Reservoir work is underway which will help improve compliance.
Richardson North	Whitelea Road	312	No Compliant 5 out of 29 days (17%). Refer to comment b).	No Compliant 12 out of 31 days (39%). Refer to comment b).	Increased capacity in the Whitelea Rd Contact Tank would improve Bacto Compliance. The project is being considered.

Richardson South	Puerua	469	Yes Compliant 29 out of 29 days.	Yes Compliant 30 out of 31 days (97%).	NA
South Bruce	Stirling	434	No Compliant 27 out of 29 days (93%). Refer to comment a).	Yes Compliant 30 out of 31 days (97%)	Stirling WTP experienced minor non-compliances on two days during February 2024. No improvement works are required.
Tuapeka East	Waitahuna	276	No Compliant 0 out of 29 days. Refer to comments b), c), e), f), h), and i).	No Compliant 0 out of 31 days. Refer to comments b), c), e), f), and h).	As Above
Tuapeka West	Evans Flat	283	No Compliant 8 out of 10 samples (89%). Refer to comments b), d), f), and h).	No Compliant 8 out of 9 samples (89%). Refer to comments b), d), f), and h).	The Tuapeka West WTP will be replaced by the Greenfield Rural Scheme at the end of 2024. Significant upgrades are required to maintain compliance.
Wangaloa	Kaitangata	50	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
	<b>Total</b>	<b>4917</b>	<b>22%</b>	<b>45%</b>	

- a. UV Non-compliance: The UV dose or UVT was not sufficient to achieve compliance.
- b. FACE Non-compliance: The chlorine dose rate and contact time was not maintained for the required period to achieve compliance.
- c. Turbidity Non-compliance: The turbidity in the treated water exceeded the maximum allowable NTU.
- d. pH Non-compliance: The pH level in the final water was outside the required range to achieve compliance.
- e. Chlorine residual in the distribution zone must be above 0.2 mg/l in 85% of all samples collected. Results cannot be less than 0.1 mg/l.
- f. A Boil Water Notice is considered if there is significant non-compliance at the treatment plant or if *E. coli* is detected in the distribution zone.
- g. Moa Flat and North Bruce have been on a long-term Boil Water Notice due to the inadequate barriers at the treatment plant.
- h. Balmoral 1, Balmoral 2, Tuapeka East and Tuapeka West are on a long-term Boil Water Notice due to the inadequate barriers at the treatment plant. These plants will be replaced by the Greenfield Rural Scheme.
- i. *E. coli* detected at the treatment plant or in the reticulation.

## 2 - Protozoal Compliance 1 Feb to 31 Mar 2024

Name	Serviced Zones	Population	Proto Compliant? 1 Feb - 29 Feb 2024	Proto Compliant? 1 Mar - 31 Mar 2024	Improvement Work
Clydevale-Pomahaka	Clydevale-Pomahaka + Clinton	850	No Compliant 27 out of 29 days (93%). Refer to comment a).	Yes Compliant 30 out of 31 days (97%).	NA
Evans Flat	Tuapeka West	283	No Compliant 0 out of 29 days. Refer to comments d), e), and g).	No Compliant 0 out of 31 days. Refer to comments d), e), and g).	There is no Protozoal Barrier at this site. The Tuapeka West WTP will be replaced by the Greenfield Rural Scheme at the end of 2024.
Glenkenich	Glenkenich	705	No Compliant 24 out of 29 days (83%). Refer to comments a), and c).	No Compliant 22 out of 31 days (71%). Refer to comments a), and c).	Minor non-compliances with NTU levels leaving the membrane units. Issue with Turbidity Meter to be investigated.
Kaitangata	Kaitangata + Wangaloa	830	No Compliant 27 out of 29 days (93%). Refer to comments a), and b).	Yes Compliant 31 out of 31 days.	NA
Moa Flat	Moa Flat	534	No Compliant 5 out of 29 days (17%). Refer to comments a), e), f), and h).	No Compliant 21 out of 31 days (68%). Refer to comments a), e), f), and h).	UVT now controlling the plant and will improve the UV treatment compliance.
North Bruce	North Bruce + Waihola	1088	No Compliant 0 out of 29 days. Refer to comments a), e), f), and h).	No Compliant 16 out of 31 days (52%). Refer to comments a), e), f), and h).	UVT now controlling the plant and will improve the UV treatment compliance.
Puerua	Richardson South + Kaka Point	704	Yes Compliant 28 out of 29 days (97%).	Yes Compliant 30 out of 31 days (97%).	NA
Stirling	Stirling + South Bruce + Benhar	743	Yes Compliant 29 out of 29 days.	Yes Compliant 31 out of 31 days.	NA
Waitahuna	Balmoral 1 + Balmoral 2 + Tuapeka East	922	No Compliant 0 out of 29 days. Refer to comments a), d), e), and g).	No Compliant 0 out of 31 days. Refer to comments a), d), e), and g).	The Waitahuna WTP will be replaced by the Greenfield Rural Scheme at the end of 2024.
Whitlea Road	Richardson North	312	No Compliant 27 out of 29 days (93%). Refer to comments a), and c).	Yes Compliant 31 out of 31 days.	NA
	<b>Total</b>	<b>6971</b>	<b>21%</b>	<b>49%</b>	

- a. 4-log Protozoal Compliance must be met by all T3 treatment plants (>500 Population) within the Clutha District.
- b. Kaitangata and Stirling WTPs use a multibarrier approach (Filter + UV) to achieve Protozoal compliance. If either treatment process is compromised, Protozoal compliance is difficult to achieve.
- c. Glenkenich and Whitelea Rd WTPs rely on Membrane Filtration to achieve Protozoal Compliance. To maintain compliance, the membrane system must complete one Integrity Test every 24 hours. The integrity test provides assurance that the membrane unit is fit for purpose.
- d. Waitahuna and Evans Flat do not have sufficient processes in place to achieve Protozoal Compliance.
- e. A Boil Water Notice is only considered if there is significant non-compliance at the treatment plant or if E. Coli is detected in the distribution zone.
- f. Moa Flat and North Bruce have been on a long-term Boil Water Notice due to the inadequate protozoal barriers at the treatment plant.
- g. Waitahuna and Tuapeka West are on a long-term Boil Water Notice due to the inadequate protozoal barriers at the treatment plant. These plants will be replaced by the Greenfield Rural Scheme.
- h. North Bruce and Moa Flat WTPs rely on UV Disinfection to achieve Protozoal Compliance.

### **3 - Aluminium Compliance 1 February to 31 March 2024**

Aluminium testing is a requirement of the Drinking Water Quality Assurance Rules (DWQAR) which came into effect in November 2022.

Aluminium levels that exceed the Maximum Allowable Value (MAV) of 1 mg/l continue to be detected at the North Bruce WTP and in the North Bruce distribution networks. The PACI is now creating good floc formation and potential issues with the clarifier are under investigation.

After successfully lifting the Aluminium Advisory notice for Moa Flat in February 2024, a non-compliant result was analysed from the WTP on 19 March 2024. A new Aluminium Advisory notice was issued for the Moa Flat consumers on 27 March 2024. Four weeks of compliant aluminium sample results have been received and the sampling frequency has reverted to the routine sampling schedule. While the new coagulant is trialled at this site, the AI advisory notice will remain in place.

A non-compliant result was analysed from the Tuapeka East distribution network on 6 March 2024. A new Aluminium Advisory notice was issued for all Waitahuna consumers on 25 March 2024. Four weeks of compliant aluminium sample results have been received and the sampling frequency has reverted to the routine sampling schedule. Due to the lack of dose control at this site, the AI advisory notice will remain in place.

Non-compliant levels of aluminium were detected in the Lawrence distribution network on 14 March 2024. An Aluminium Advisory notice was issued, and corrective sampling commenced on 17 January 2024. The AI advisory notice will be lifted following the receipt of four weeks of compliant aluminium sample results from the treatment plant and distribution network.

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## Risk & Assurance Committee

### Item for INFORMATION

<b>Report</b>	3 Waters Operations 8 Month Report
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	6
<b>Prepared By</b>	Linda Till – Head of Three Waters Greg Bowie – Financial Accounting Team Leader
<b>File Reference</b>	

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### REPORT SUMMARY

This report displays the financial results for the 3 Waters activity for the first eight months of the 2023-24 financial year.

This report combines high level financial results for the Urban Water, Rural Water, Wastewater, Stormwater, Water Management and Water Operations business units.

### RECOMMENDATION

- 1. That the Risk & Assurance Committee receives the 3 Waters Operations 8 Month Report.**

## REPORT

A summary of the first 8 months is provided below with further detail included in Appendix A

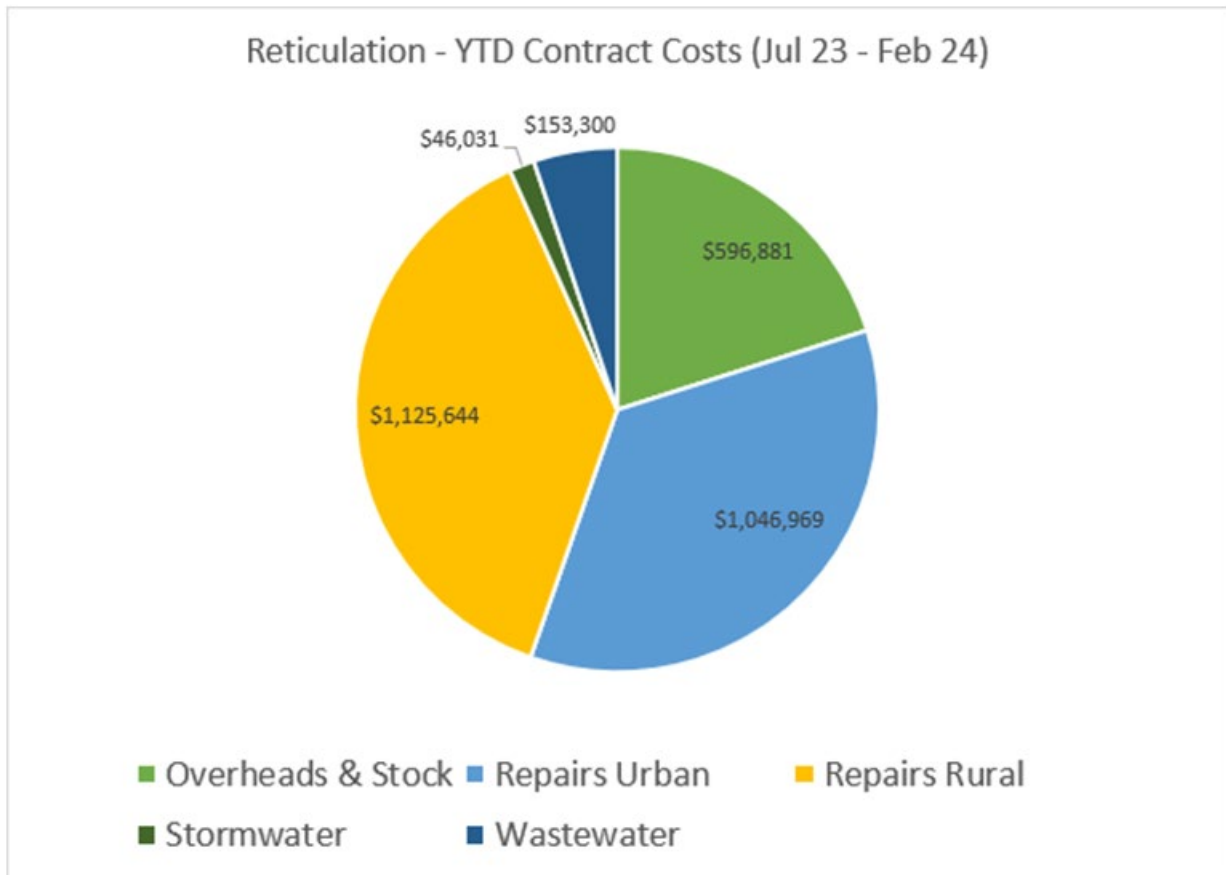
	Actual	8 Month Budget	Variance		Full Yr Budget	Variance
Income	-11,674,797	-11,301,828	372,969		-16,952,742	-5,277,945
Expenditure	15,326,986	10,454,078	-4,872,908		15,681,117	354,131
Capital Funding	0	-26,833,077	-26,833,077		-40,249,615	-40,249,615
Capital Expenditure	22,430,720	29,054,763	6,624,043		41,590,145	19,159,425
Net	26,082,909	1,373,937	-24,708,973		68,905	-26,014,004

### July 2023 to February 2024 for Three Waters

- Total 3 Waters opex expenditure for the first 8 months of 2023/24 is \$15.3m, compared to a YTD budget of \$10.5m, meaning an overspend of \$4.8m.
- Consultancy charges total \$1,071k to date. The bulk is made up of payments to Beca Infrastructure Limited (\$405k) Morrison Low & Associates Limited (\$111k), and Octa Associates Limited (\$87k). Much of this relates to support and assistance with 3 Waters work, which we would expect to reduce going forward.
- Andrew Haulage 2011 Limited (\$94k), Isaac Construction Limited (\$228k) was for overheads for the retic contract, therefore these costs will not reduce.
- Salaries are \$1.7m over YTD budget, however this includes an unbudgeted \$1.6m of salaries for Water Operations staff.
- Education costs of \$38k include \$31k for Drinking Water Treatment training, and \$7k for CDC operator training.
- Emergency repairs of \$304k relate specifically to end-of-contract Citycare costs, which have been kept separate from other non-routine costs.
- Non-routine sampling and non-routine expenditure are also over budget by \$2.3m. This is a product of our advisory notices.
- Projected deficit to 30 June if expenditure stays at a similar level is \$6.75m.
- Please note – Capital work is not yet funded, no loans have been raised or reserves transferred, this is done at the end of the year.

### The next four months....

- Consultancy for the next four months is expected to continue, this is primarily for Beca who are focusing on our non-compliant wastewater plants, particularly Biofiltro & Iain Rabbits for providing technical advice on our non-compliant water treatment plants. This work is to address abatement notices and potential infringements at our wastewater plants and lift boil water notices and advisories on our water schemes.
- There will also be additional training costs of around \$17k, this is for 2 water trainees to obtain their water qualifications. These 2 trainees have filled gaps created by resignations.
- Isaac Group, Andrew Haulage & Contract Excavation are our three main reticulation contractors. From July to February, we paid them \$2.969M (see graph on next page showing breakdown). We are expecting this to stay at a similar level for the remainder of the year, but we will be receiving additional services from March as we introduce our planned maintenance program. Agreed margin reduction of 6% for will be reflected from 1 March.





## APPENDIX A

	Actual	8 Month Budget	Variance		Full Yr Budget	Variance
<b>Income</b>						
1115 Rates - Water	-5,711,632	-5,316,111	395,521		-7,974,167	-2,262,535
1116 Rates - Water - Projects	0	-24,127	-24,127		-36,190	-36,190
1118 Rates - Stormwater	-673,797	-597,984	75,813		-896,976	-223,179
1121 Rates - Wastewater	-2,103,991	-1,871,155	232,836		-2,806,732	-702,741
1123 Rates - Loan Rates	-27,471	-30,969	-3,498		-46,453	-18,982
1138 Out of District Water	-291,265	0	291,265		0	291,265
1148 Lease - Other	623	0	-623		0	-623
1176 Stimulus Support	0	-87,857	-87,857		-131,786	-131,786
1211 Sales - Sundry	0	-25,135	-25,135		-37,702	-37,702
1215 Water Meter Income	-29,628	-77,399	-47,771		-116,098	-86,470
1216 Operational Income from OCF	-194,544	-258,212	-63,668		-387,318	-192,774
1219 Fees - Water Application Admin	-18,372	0	18,372		0	18,372
1233 Income - Miscellaneous	-34,908	-45,979	-11,070		-68,968	-34,060
1269 Fees - Sewerage Connect	0	-2,712	-2,712		-4,068	-4,068
1273 Fees - Water Connection	-11,877	-31,207	-19,331		-46,811	-34,934
1280 Fees - Contributions	-53,523	-397,902	-344,379		-596,853	-543,330
1285 Fees - Trade Waste	-422	0	422		0	422
1286 I & I Reinspection Fee	0	-11,319	-11,319		-16,979	-16,979
1810 Internal - Recoveries	-1,307,187	-1,307,187	-0		-1,960,780	-653,593
1811 Internal Telemetry	-8,227	-7,995	232		-11,992	-3,765
1815 Internal Transfer	-832,799	-832,799	-0		-1,249,198	-416,399
1830 Internal - Sewer	-375,781	-375,781	-0		-563,671	-187,890
	<b>-11,674,797</b>	<b>-11,301,828</b>	<b>372,969</b>		<b>-16,952,742</b>	<b>-5,277,945</b>

Expenditure	Actual	8 Month Budget	Variance	Full Yr Budget	Variance
3111 Salaries	2,322,252	594,139	-1,728,113	891,208	-1,431,044
3162 Kiwisaver	45,957	15,269	-30,687	22,904	-23,053
3193 Staff Training	18,390	7,665	-10,725	11,497	-6,893
3194 Education	38,183	1,671	-36,513	2,506	-35,677
3229 Staff Uniform	6,759	0	-6,759	0	-6,759
3239 Cafeteria Expenses	3,754	0	-3,754	0	-3,754
3243 Protective Clothing	4,435	0	-4,435	0	-4,435
3245 Employee Membership Fee	1,765	3,400	1,635	5,100	3,335
3451 Consultancy	1,071,152	16,703	-1,054,449	25,054	-1,046,098
3457 General Expenses	4,369	0	-4,369	0	-4,369
3459 Rates	32,304	76,279	43,974	114,418	82,114
3461 Insurance Expenses	0	75,073	75,073	112,609	112,609
3465 Legal Expenses	7,525	0	-7,525	0	-7,525
3471 Council Membership & Su	2,607	0	-2,607	0	-2,607
3473 Fringe Benefit Tax	4,043	3,853	-190	5,779	1,736
3491 Interest Charge	906,256	828,243	-78,013	1,242,364	336,108
3495 Stimulus Repayment	0	87,858	87,858	131,787	131,787
3571 Advertising - Newspaper	100	0	-100	0	-100
3591 Postage	447	0	-447	0	-447
3593 Freight & Courier	969	0	-969	0	-969
3611 Printing & Stationery	10,590	0	-10,590	0	-10,590
3613 Office Consumables	845	0	-845	0	-845
3615 Photocopying	699	0	-699	0	-699
3619 Newspaper, Periodical	137	0	-137	0	-137
3851 Electricity	12,292	12,554	262	18,831	6,539
4023 Consent Mgmt Syst software mtc	9,000	0	-9,000	0	-9,000
4061 Chemicals	90,645	522,884	432,239	784,326	693,681
4062 Chemicals - jobs	77,373	0	-77,373	0	-77,373
4121 Minor - Plant & Equipme	34,062	0	-34,062	0	-34,062
4127 Cleaning & Security	30,621	0	-30,621	0	-30,621
4161 Fuel	85,128	0	-85,128	0	-85,128
4165 Vehicle Expenses	27,482	0	-27,482	0	-27,482
4167 Motor Vehicle Insurance	998	0	-998	0	-998
4170 Vehicle Internal Lease	28,534	28,534	0	42,801	14,267
4175 Vehicle Reimbursement	2,666	0	-2,666	0	-2,666
4215 Routine Maintenance	97,395	0	-97,395	0	-97,395
4218 Routine Maintenance - Jobs	38,565	0	-38,565	0	-38,565
4219 Non Routine Maintenance - Jobs	68,360	0	-68,360	0	-68,360
4220 Non Routine Maintenance	11,322	0	-11,322	0	-11,322
4835 Telemetry Internal Purch	8,243	8,227	-17	12,340	4,097
4836 Telemetry Ops Costs	45,965	3,862	-42,103	5,793	-40,172
4837 Repairs and Servicing	1,921	0	-1,921	0	-1,921
4838 Rural Retic Materials	4,198	0	-4,198	0	-4,198
4840 Operation & Maintenance	116,785	1,042,058	925,273	1,563,087	1,446,302
4841 Opex Projects	0	286,108	286,108	429,162	429,162
4842 Operation & Maintenance - Jobs	313,728	0	-313,728	0	-313,728
4843 O&M Routine Sampling	513,026	335,755	-177,271	503,632	-9,394
4845 Monitoring Expenses	88,560	4,189	-84,371	6,283	-82,277
4847 Grounds Maintenance	19,453	0	-19,453	0	-19,453
4848 Consumables	20,059	0	-20,059	0	-20,059
4855 Resource Management	36,012	48,593	12,582	72,890	36,878
4860 Sundry Expenditure	1,499	28,008	26,509	42,012	40,513
4863 Non Routine Sampling	235,871	39,521	-196,350	59,281	-176,590
4865 Non Routine Expenditure	1,072,850	1,301,597	228,748	1,952,396	879,546
4866 Non Routine Exp - Jobs	2,324,679	0	-2,324,679	0	-2,324,679
4867 Emergency Repairs	304,160	0	-304,160	0	-304,160
4870 Electricity Water Services	518,780	771,543	252,764	1,157,315	638,535
4871 Electricity Water - Jobs	259,384	0	-259,384	0	-259,384
4880 Booster - Electricity	173,949	140,592	-33,357	210,888	36,939
4885 Professional Services	0	4,801	4,801	7,202	7,202
5520 Internal - Others	2,961,307	2,961,307	0	4,441,961	1,480,654
5521 Overheads - Water	0	0	0	0	0
5525 Internal Water Purchase	832,799	828,013	-4,785	1,242,020	409,221
5530 Internal Sewer	375,781	375,781	0	563,671	187,890
	<b>15,326,986</b>	<b>10,454,078</b>	<b>-4,872,908</b>	<b>15,681,117</b>	<b>354,131</b>

<b>Capital Funding</b>	<b>Actual</b>	<b>8 Month Budget</b>	<b>Variance</b>		<b>Full Yr Budget</b>	<b>Variance</b>
6910 Transfer from Special Funds	0	-149,573	-149,573		-224,359	-224,359
6914 Transfer from Depreciation	0	-742,525	-742,525		-1,113,788	-1,113,788
6915 Transfer from Depr - projects	0	-2,284,895	-2,284,895		-3,427,342	-3,427,342
9715 Loan Principal - Receive	0	-23,656,084	-23,656,084		-35,484,126	-35,484,126
	<b>0</b>	<b>-26,833,077</b>	<b>-26,833,077</b>		<b>-40,249,615</b>	<b>-40,249,615</b>
<b>Capital Expenditure</b>						
6965 Transfer to Depreciation	605,845	605,845	-0		908,767	302,922
7810 Professional Services	1,028,321	217,149	-811,172		325,723	-702,598
7820 Minor Purchases	284,575	503,884	219,309		755,826	471,251
7821 Minor Purchases - Jobs	405,914	0	-405,914		0	-405,914
7830 Physical Works	18,175,290	27,688,422	9,513,132		39,540,633	21,365,343
7831 Sewer Upgrade Physical Works	-1,590	0	1,590		0	1,590
7930 Contract Payments (Ass	1,346,303	0	-1,346,303		0	-1,346,303
8204 Motor Vehicles Additons	546,599	0	-546,599		0	-546,599
9717 Loan Principal - Paid	39,464	39,464	0		59,196	19,732
	<b>22,430,720</b>	<b>29,054,763</b>	<b>6,624,043</b>		<b>41,590,145</b>	<b>19,159,425</b>

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## Risk & Assurance Committee

### Item for INFORMATION

<b>Report</b>	Audit Recommendation Monitoring Report
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	7
<b>Prepared By</b>	Sharon Jenkinson – Chief Financial Officer
<b>File Reference</b>	891543

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### REPORT SUMMARY

This report provides an update on actions taken on recommendations from the Deloitte Final Report to Risk and Assurance Committee on the 30<sup>th</sup> June 2023 Annual Report Audit.

Items will be removed once they have been actioned.

There has been no update since the last meeting.

### RECOMMENDATION

1. That the Risk & Assurance Committee receives the Audit Monitoring Report.

## Audit Monitoring Report.

### Deloitte Recommendations to Clutha District Council from the Final Report to Risk and Assurance on the 30<sup>th</sup> June 2023 Annual Report Audit.

Matter	Observation	Recommendation	Response	23/24 status
Valuation recommendations – 3 Waters	<p><b>Plant Assets : Replacement Costs and Standard Lives Review</b></p> <p>The previous valuation recommended unit rates and useful lives of large / high value plant assets be reviewed at the next valuation. This was not done for the 2023 valuation as CDC were completing and capitalising major upgrades to several treatment plants. It is recommended that during the next valuation, the contract schedules from these upgrades are used for updating replacement costs of similar plant assets at other sites. Any assets that are not able to be reviewed and updated in this manner can then be assessed using specialist advice.</p> <p><b>Review rates for open drains and overland flow paths</b></p> <p>These assets continue to have a unit rate of \$0. In the event of a natural disaster event (e.g. earthquake) these assets may need to be repaired, so for insurance purposes assessment of the replacement value of these assets is recommended.</p> <p><b>Taumata Arowai – the new Water Services Regulator</b></p> <p>This valuation has not considered any impact of Taumata Arowai, the new water services regulator for New Zealand, on future compliance and the ability of CDC's assets to meet new or enhanced standards beyond those changes already implemented via the Act. Future valuations should factor any proposed regulatory changes into decisions regarding asset lives and impairment.</p>	<p>These recommendations will help improve the quality of asset data in Asset Finda which is critical in both valuing the Council's assets as well as driving the Council's asset maintenance decisions which forms the base of the Council's Long-Term Plan.</p>	<p>Recommendations noted, we will work through these over the coming year.</p>	<p>This is ongoing, we have had a full revaluation done for 3 waters for the 30 June 2023 year. We are working with the water team on improvements in data capture and reporting. We are also now providing a Work in Progress listing to the water team on a more regular basis for review.</p>

Matter	Observation	Recommendation	Response	23/24 status
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<p>Progress reporting on major projects and review of WIP accounts</p>	<p>We note that the major projects report only reports the budget vs actual spend to date and when the expected completion date is. It does not include an analysis of costs to complete an assessment of percentage of completion for each project to enable an appropriate assessment of the expected under/over achievement relative to budget and an early warning signal if projects are expected to be over budget. Further we note that costs relating to projects are only reviewed (for allocation purposes) once the project is completed. This means that the costs that are not capital in nature often sit in the WIP account (overstating the balance sheet) and are not expensed until the end of the project.</p>	<p>We recommend the Council implement a process to include a project by project progress assessment based on the expected costs to complete and an assessment of % completion as part of its major projects reporting. This should also include a more in depth assessment of budgeted costs versus actual spend. We also continue to recommend WIP accounts (including project costs) be reviewed periodically (at least annually as part of the annual report process) to ensure costs are correctly capitalised and/or expensed to ensure appropriate recognition in the relevant period. i.e. to avoid prior period adjustments subsequently being required.</p>	<p>Management is currently working with Capital Delivery on monitoring project spend vs budget, % of completion with remaining budget being sufficient.</p>	<p>We now provide a regular update on percentage of capital projects completed, as part of our KPI reporting to the Risk &amp; Assurance Committee. We also review the WIP account more thoroughly, to ensure that any costs that are not capital in nature are expensed appropriately prior to year-end.</p>
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Matter	Observation	Recommendation	Response at time	23/24 status
Statement of Service Performance – lack of review of calculation measures	We note there is no formal review of the calculation of performance measures being reported to Council.	Performance measures are an important part of Council's reporting to its ratepayers. We recommend a review process over the calculation and reporting of performance measures be implemented on a regular basis to provide greater confidence in performance reporting to Council.	Currently working on implementing a regular review process going forward.	When the data to complete median calculations are available, these will begin to be reviewed. We are working on implementing a process of regular review for the other measures.

Matter	Observation	Recommendation	Response	23/24 status
Segregation of duties	There is presently a lack of segregation of duties as certain personnel who can raise a payment can also approve the same payments they have raised. Per review of payroll control, audit note the Payroll Manager generated and approved the payroll payment.	We recommended that management review its segregation levels and ensure that there is sufficient separation such that those raising payments are not also able to authorise them and make the payment.	Currently staff who process a file for payment can upload it and be the first authoriser. This payment then requires a second authoriser. Staff are to contact the bank and investigate other options.	Staff spoken with the bank around options. In order to segregate duties further Council will require more online signatories. This is in conflict with the below audit recommendation.

Matter	Observation	Recommendation	Response	23/24 Implementation status
Quantum of online banking signatories	<p>A total of 7 (10 in 2022) staff members have access to the online banking system as primary authorising signatories including all finance staff, two rates' officers and the HR Manager. This presents a risk to Council due to a high number of staff having the ability to submit and authorise online banking transactions.</p> <p>Additionally Council's processes allow for the creators of batch payments to approve them with a secondary approval from one other team member.</p>	<p>We recommend that Council review their listing of online signatories to determine whether it is appropriate for all aforementioned staff to maintain the same level of access within the Online Banking System.</p> <p>Best practice would see two individuals approving payments who are different to those who create the batches for payment.</p> <p>Council should also consider implementing a primary and secondary tier based approval process which would require only certain employees with higher delegations, as appropriate for their position, to be the secondary approvers for payments.</p>	<p>Currently 7 staff have access to our online banking. They all have different authorities and security levels. No one is able to create and complete final authorisation.</p>	<p>As above.</p>



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## Risk & Assurance Committee

### Item for INFORMATION

<b>Report</b>	Treasury Management Report
<b>Meeting Date</b>	24 April 2024
<b>Item Number</b>	8
<b>Prepared By</b>	Greg Bowie – Financial Accounting Team Leader
<b>File Reference</b>	891544

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### REPORT SUMMARY

This report covers Councils Investment and Borrowing portfolios, the monitoring of these and compliance with Council Policy.

The report also includes information regarding Council's loans with LGFA, their maturity dates and interest rates.

At the end of this report, we have also included the quarterly report from Bancorp to 31 March 2024. At the time of writing, the Melville Jessup Weaver quarterly report to 31 March 2024 is not yet available.

### RECOMMENDATION

- 1. That the Risk & Assurance Committee receives the Treasury Management Report.**

REPORT

1. Dashboard

<b>TREASURY DASHBOARD</b>																																						
Period to 31/03/2024																																						
<b>Investment Balance</b>		\$000	↑																																			
Nikko Current Balance		32,904																																				
Nikko Year-End Budgeted Balance		29,628																																				
<b>Movements</b>		\$000																																				
Opening Balance (01/07/2023)		29,833																																				
Growth (Interest + Gains/Losses)		3,187																																				
Additions		-																																				
Withdrawals (Rates Subsidy)		-																																				
Management Fees		- 116																																				
Closing Balance (31/03/2024)		<u>\$ 32,904</u>																																				
<b>Debt Balance</b>		\$000	↓																																			
LGFA Borrowing Current Balance		106,800																																				
LGFA Year-End Budgeted Balance		111,252																																				
<b>Movements</b>		\$000																																				
Opening Balance (01/07/2023)		70,516																																				
New Debt		37,000																																				
Rollover Debt		30,500																																				
Repaid Debt		- 30,500																																				
Reversal of Accrued Interest - 2022/23		- 716																																				
Closing Balance (31/03/2024)		<u>\$ 106,800</u>																																				
Link Management Fees (paid from bank a/c)		22																																				
<b>YTD Return on Investment (March)</b>																																						
<b>Debt Maturity Profile</b>																																						
<b>Benchmarks - Performance (NZD Gross Returns)</b>																																						
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">3 months</th> </tr> <tr> <th>Fund</th> <th>B'mark</th> </tr> </thead> <tbody> <tr> <td>New Zealand cash</td> <td>1.54%</td> <td>1.41%</td> </tr> <tr> <td>New Zealand bonds</td> <td>0.26%</td> <td>0.25%</td> </tr> <tr> <td>Global bonds</td> <td>0.20%</td> <td>-0.02%</td> </tr> <tr> <td>Core Equity</td> <td>3.87%</td> <td>3.13%</td> </tr> <tr> <td>Property</td> <td>0.04%</td> <td>-0.07%</td> </tr> <tr> <td>Global equities UnH</td> <td>20.04%</td> <td>14.53%</td> </tr> <tr> <td>Global equities H</td> <td>14.41%</td> <td>9.76%</td> </tr> <tr> <td>Multi-strategy</td> <td>4.32%</td> <td>2.16%</td> </tr> <tr> <td>Multi-strategy SPV</td> <td>1.08%</td> <td>2.16%</td> </tr> <tr> <td><b>Total gross return</b></td> <td><b>6.23%</b></td> <td><b>3.83%</b></td> </tr> </tbody> </table>			3 months		Fund	B'mark	New Zealand cash	1.54%	1.41%	New Zealand bonds	0.26%	0.25%	Global bonds	0.20%	-0.02%	Core Equity	3.87%	3.13%	Property	0.04%	-0.07%	Global equities UnH	20.04%	14.53%	Global equities H	14.41%	9.76%	Multi-strategy	4.32%	2.16%	Multi-strategy SPV	1.08%	2.16%	<b>Total gross return</b>	<b>6.23%</b>	<b>3.83%</b>		
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<b>Benchmarks - Liability Management Policy</b>																																						
<b>Policy Compliance</b>																																						
✓																																						
<b>Emerging Issues</b>																																						
Nothing to note at present.																																						
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		Minor non-compliance on Fixed Rate Hedging Bands - 39.3% of fixed debt in March 2024 compared to 40% minimum requirement. Corrects itself on 15/04/2024 when \$2m swap commences, and additional fixed rate bonds are acquired as part of the refinancing process.																																				
<b>Emerging Issues</b>																																						
		Cash flow and monitoring debt limits is an emerging issue.																																				

## 2. Nikko Investment Portfolio

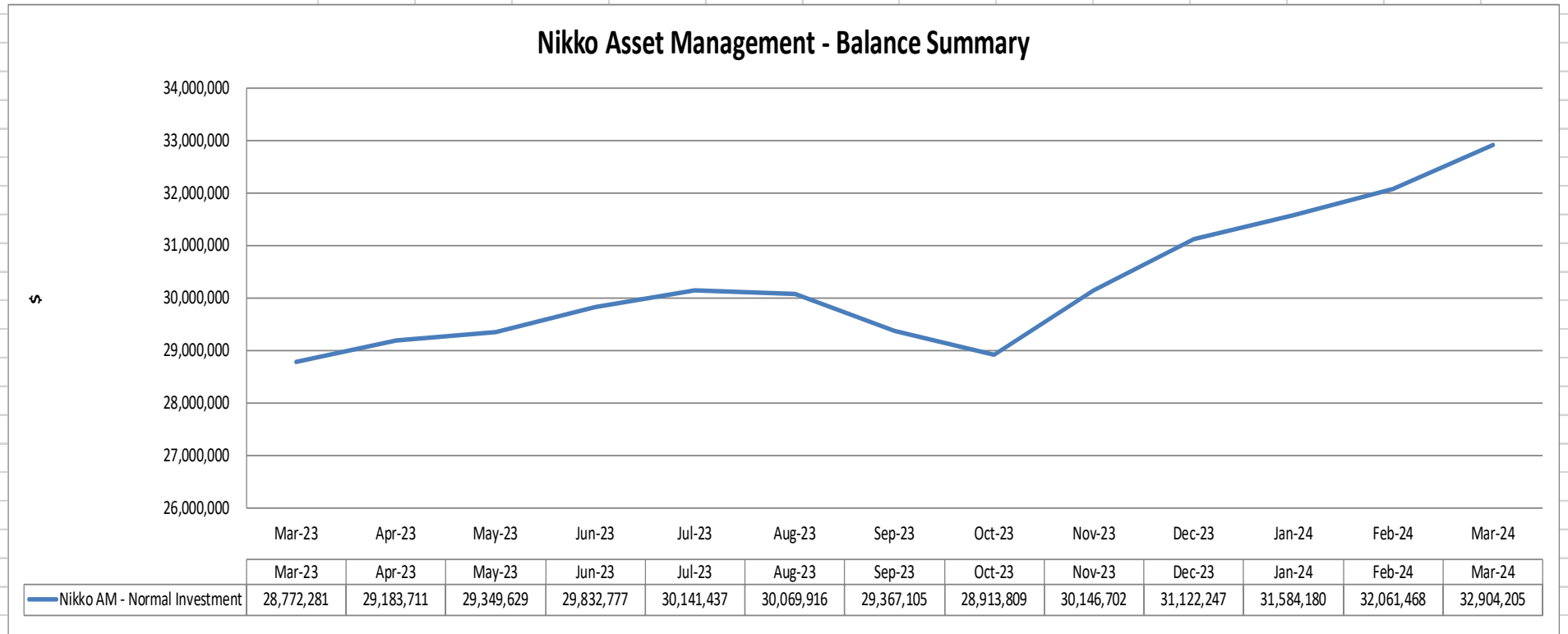
The Nikko Investment Portfolio report shows the monthly returns and compliance with agreed portfolio allocations for the months of April 2023 to March 2024.

We had a \$668k unrealised gain in March and distributions reinvested of \$175k, resulting in a year-to-date cumulative return on investment of 14.36% including the gains and distributions reinvested from the prior 11 months.

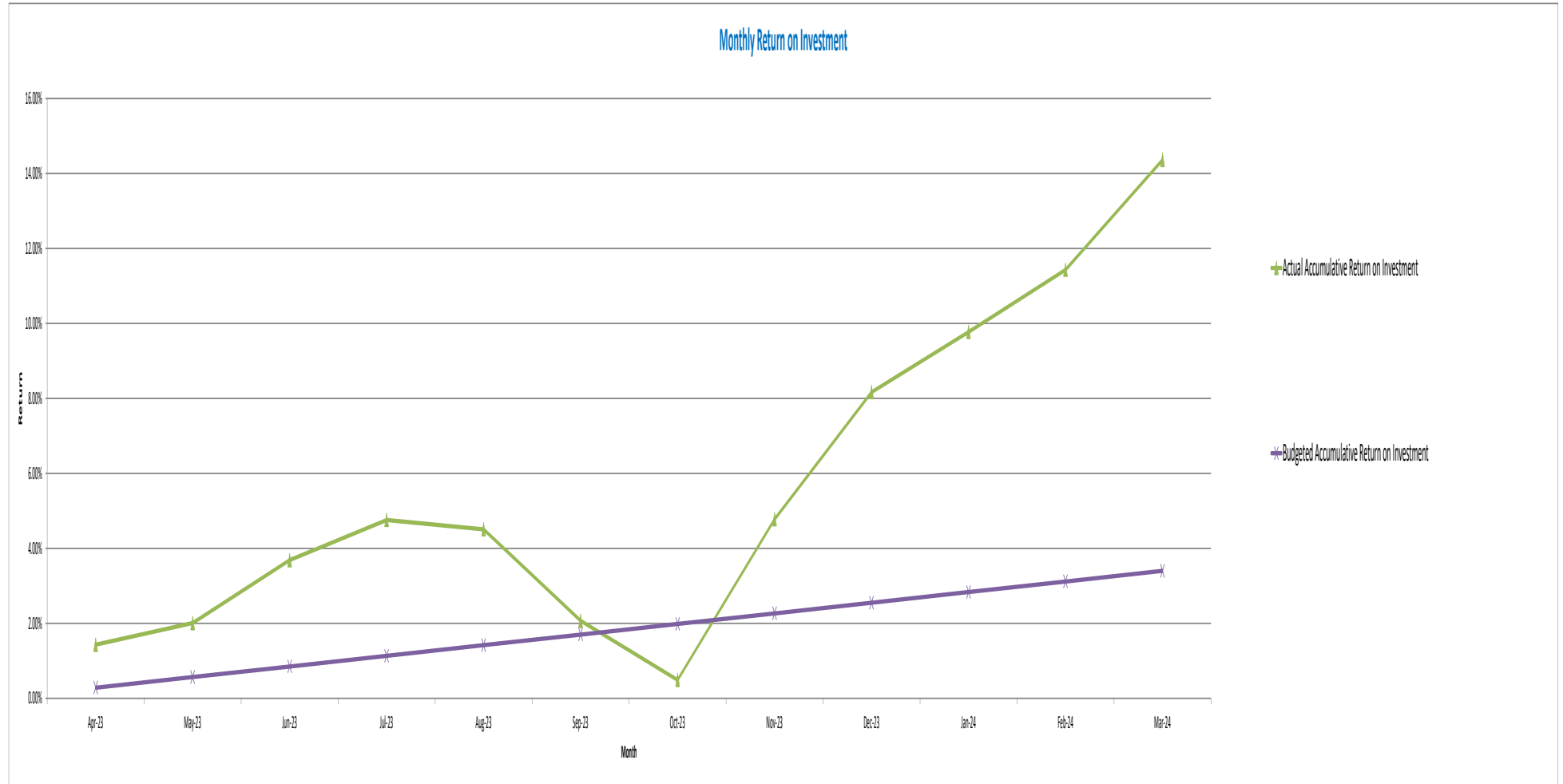
**NIKKO INVESTMENT PORTFOLIO REPORT**

**Combined Nikko Investment Portfolio**

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Nikko AM - Normal Investment	28,772,281	29,183,711	29,349,629	29,832,777	30,141,437	30,069,916	29,367,105	28,913,809	30,146,702	31,122,247	31,584,180	32,061,468	32,904,205
Total	28,772,281	29,183,711	29,349,629	29,832,777	30,141,437	30,069,916	29,367,105	28,913,809	30,146,702	31,122,247	31,584,180	32,061,468	32,904,205
Change each month	149,781	411,430	165,918	483,148	308,660	- 71,520	- 702,811	- 453,297	1,232,894	975,544	461,933	477,288	842,736
Year to date change	- 1,078,104	411,430	577,348	1,060,496	1,369,156	1,297,635	594,824	141,528	1,374,422	2,349,966	2,811,899	3,289,188	4,131,924



**Normal Nikko Investment Portfolio Return on Investment**





### Nikko Investments – Combined Summary of Transactions since Inception to March 2024

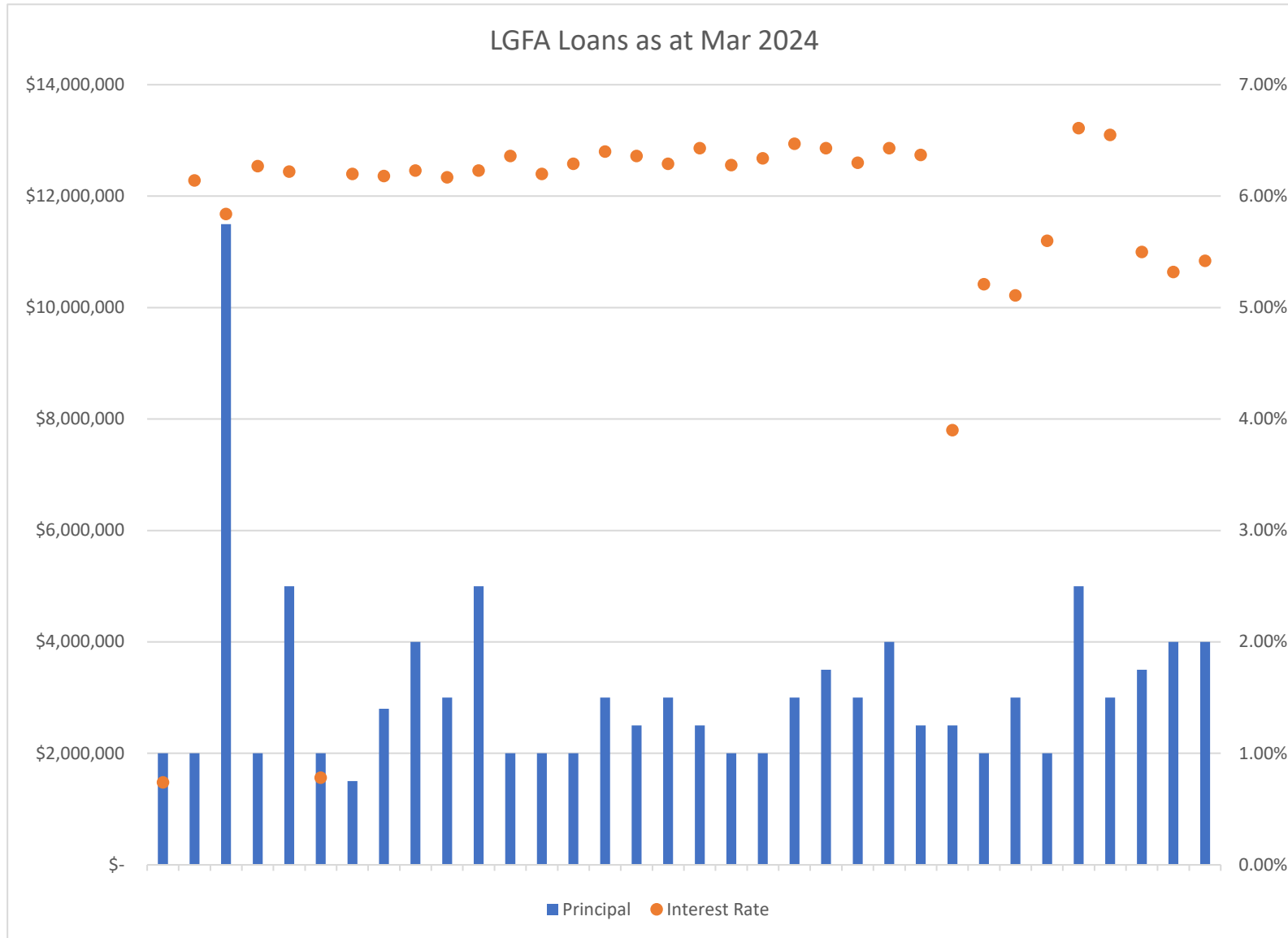
<u>Nikko Investments - Combined</u>	No. of months								
<u>Summary of transactions since inception</u>	3	12	12	12	12	12	12	9	84
	Year 1 - 2016/17	Year 2 - 2017/18	Year 3 - 2018/19	Year 4 - 2019/20	Year 5 - 2020/21	Year 6 - 2021/22	Year 7 - 2022/23	Year 8 - 2023/24	Inception to date
Opening Balance	17,467,879	22,971,320	25,519,659	27,210,811	28,984,496	31,702,036	27,750,397	29,850,316	17,467,879
Plus Capital Injections - Forestry Sales	5,355,020	0	0	0	0	0	0	0	5,355,020
Plus Capital Contributions	0	789,000	1,015,263	0	0	0	0	0	1,804,263
Plus Returns	148,421	2,669,443	2,124,598	1,885,278	3,898,341	-2,888,395	2,246,511	3,189,324	13,273,520
Less Management Fees	0	-119,056	-140,446	-111,593	-156,337	-163,944	-146,591	-115,969	-953,936
Less Capital Withdrawals - Rates Subsidy	0	-791,048	-1,308,263	0	-1,024,464	-899,300	0	0	-4,023,075
Consolidation of Investments	0	0	0	0	0	0	0	0	0
<b>Closing Balance - per audited financial statements (fair price)</b>	<b>22,971,320</b>	<b>25,519,659</b>	<b>27,210,811</b>	<b>28,984,496</b>	<b>31,702,036</b>	<b>27,750,397</b>	<b>29,850,316</b>	<b>32,923,671</b>	<b>32,923,671</b>
Budgeted Long Term Plan forecast balance	14,320,000	13,009,000	25,281,000	25,718,000	26,163,000	30,507,000	30,044,000	29,855,000	29,855,000
Overall Annual % Change in Fund Value - including Capital Withdrawals/Contributions	31.51%	11.09%	6.63%	6.52%	9.38%	-12.46%	7.57%	10.30%	88.48%
Overall Annual % Change in Fund Value - excluding Capital Withdrawals/Contributions	0.85%	11.10%	7.77%	6.52%	12.91%	-9.63%	7.57%	10.30%	70.53%

### 3. LGFA Borrowing Portfolio

The following table shows Council's LGFA borrowing at the end of March 2024. It shows each tranche of borrowing, the relative interest rate and the maturity date. We have also shown this graphically. For comparative purposes we have shown the same information as at the end of the two financial years.

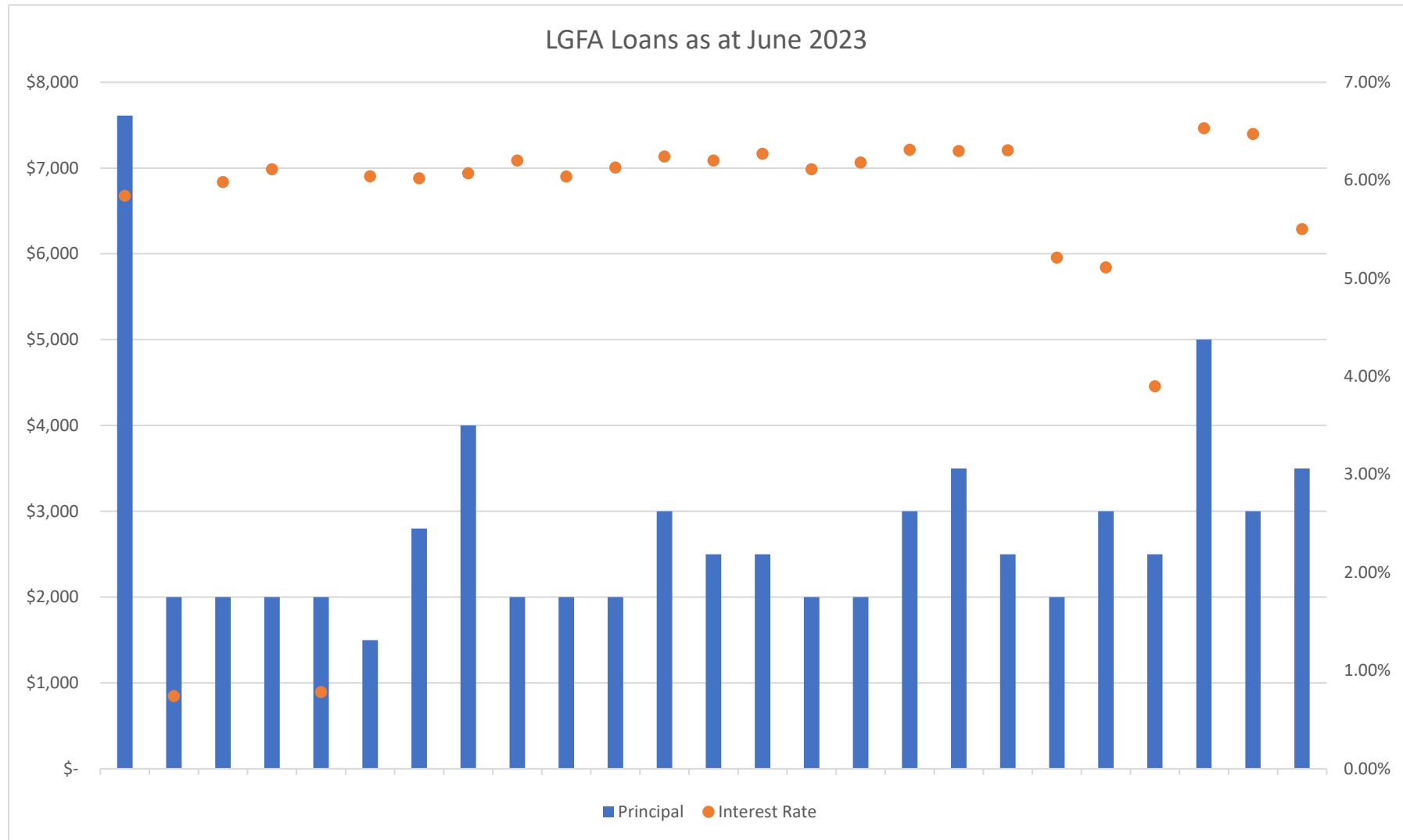
<b>LGFA Borrowing March 2024</b>			
Loan Type	Maturity Date	Interest Rate	Principal
LGFA FRB	15-Apr-24	0.74%	\$2,000,000
LGFA FRN	15-Apr-24	6.14%	\$2,000,000
LGFA CP	16-May-24	5.84%	\$11,500,000
LGFA FRN	15-Apr-25	6.27%	\$2,000,000
LGFA FRN	15-Apr-25	6.22%	\$5,000,000
LGFA FRB	17-Apr-25	0.78%	\$2,000,000
LGFA FRN	17-Apr-25	6.20%	\$1,500,000
LGFA FRN	17-Apr-25	6.18%	\$2,800,000
LGFA FRN	17-Apr-25	6.23%	\$4,000,000
LGFA FRN	17-Apr-25	6.17%	\$3,000,000
LGFA FRN	17-Apr-25	6.23%	\$5,000,000
LGFA FRN	17-Apr-26	6.36%	\$2,000,000
LGFA FRN	17-Apr-26	6.20%	\$2,000,000
LGFA FRN	17-Apr-26	6.29%	\$2,000,000
LGFA FRN	17-Apr-26	6.40%	\$3,000,000
LGFA FRN	17-Apr-26	6.36%	\$2,500,000
LGFA FRN	17-Apr-26	6.29%	\$3,000,000
LGFA FRN	15-Apr-27	6.43%	\$2,500,000
LGFA FRN	15-Apr-27	6.28%	\$2,000,000
LGFA FRN	15-Apr-27	6.34%	\$2,000,000
LGFA FRN	15-Apr-27	6.47%	\$3,000,000
LGFA FRN	15-Apr-27	6.43%	\$3,500,000
LGFA FRB	15-Apr-27	6.30%	\$3,000,000
LGFA FRN	15-Apr-27	6.43%	\$4,000,000
LGFA FRN	15-May-28	6.37%	\$2,500,000
LGFA FRB	15-May-28	3.90%	\$2,500,000
LGFA FRB	15-May-28	5.21%	\$2,000,000
LGFA FRB	15-May-28	5.11%	\$3,000,000
LGFA FRB	15-May-28	5.60%	\$2,000,000
LGFA FRN	20-Apr-29	6.61%	\$5,000,000
LGFA FRN	20-Apr-29	6.55%	\$3,000,000
LGFA FRB	20-Apr-29	5.50%	\$3,500,000
LGFA FRB	20-Apr-29	5.32%	\$4,000,000
LGFA FRB	15-May-30	5.42%	\$4,000,000
		5.64%	\$106,800,000

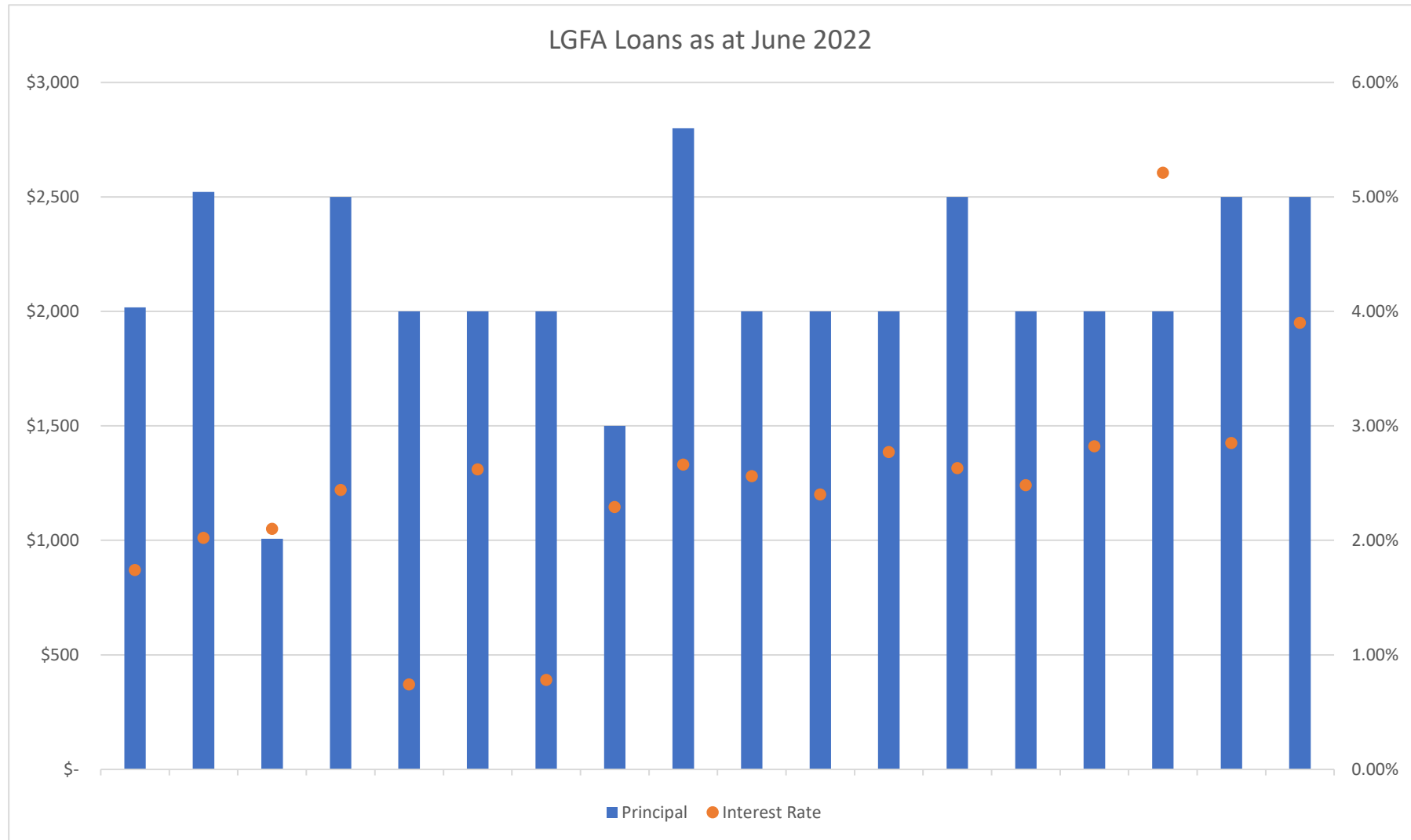




<b>LGFA Borrowing June 2023</b>		
Maturity Date	Principal	Interest Rate
August 2023	\$7,610	5.84%
April 2024	\$2,000	0.74%
April 2024	\$2,000	5.98%
April 2024	\$2,000	6.11%
April 2025	\$2,000	0.78%
April 2025	\$1,500	6.04%
April 2025	\$2,800	6.02%
April 2025	\$4,000	6.07%
April 2026	\$2,000	6.20%
April 2026	\$2,000	6.04%
April 2026	\$2,000	6.13%
April 2026	\$3,000	6.24%
April 2026	\$2,500	6.20%
April 2027	\$2,500	6.27%
April 2027	\$2,000	6.11%
April 2027	\$2,000	6.18%
April 2027	\$3,000	6.31%
April 2027	\$3,500	6.30%
April 2028	\$2,500	6.31%
April 2028	\$2,000	5.21%
April 2028	\$3,000	5.11%
May 2028	\$2,500	3.90%
April 2029	\$5,000	6.53%
April 2029	\$3,000	6.47%
April 2029	\$3,500	5.50%
Total & average interest rate	\$69,910	5.68%

<b>LGFA Borrowing June 2022</b>		
Date Maturing	Amount (\$'000)	Interest Rate
August 2022	\$2,017	0.0174%
August 2022	\$2,522	2.02%
August 2022	\$1,007	2.10%
April 2023	\$2,500	2.44%
April 2024	\$2,000	0.74%
April 2024	\$2,000	2.62%
April 2025	\$2,000	0.78%
April 2025	\$1,500	2.29%
April 2025	\$2,800	2.66%
April 2026	\$2,000	2.56%
April 2026	\$2,000	2.40%
April 2026	\$2,000	2.77%
April 2027	\$2,500	2.63%
April 2027	\$2,000	2.48%
April 2027	\$2,000	2.82%
April 2028	\$2,000	5.21%
May 2028	\$2,500	2.85%
May 2028	\$2,500	3.90%
Total & average interest rate	\$37,846	2.53%







# Quarterly Treasury Report

**31 March 2024**

STRICTLY PRIVATE AND CONFIDENTIAL



**BANCORP**

BANCORP TREASURY SERVICES LIMITED



## Global (for the March 2024 quarter)

The first quarter of 2024 was another volatile one for the US bond market, with the 10-year treasury starting the year at 3.88% and closing on 31 March at 4.32% which was back at the quarter's highs. Within the quarter, there was significant volatility with both sharp rallies and significant sell off in rates.

The February US Federal Open Market Committee ("FOMC") statement provided some positivity about interest rate cuts with the removal of the previous reference that "additional policy firming" may be required. The statement did however highlight that the timing of the easing cycle will be data-dependent stating that, "*The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%.*" Market pricing is assigning a 64% chance that the first cut will occur in June and a 100% chance that it will happen in July.

New York Fed member, John Williams, continued to push back against an aggressive cutting cycle given the stickiness of inflation stating, "*at some point, I think it will be appropriate to pull back on restrictive monetary policy, likely later this year. But it's really about reading that data and looking for consistent signs that inflation is not only coming down but is moving towards that 2% longer-run goal.*"

One of the key questions for 2024, with the global GDP growth outlook deteriorating, was which country, or economic block, will contribute to global growth alongside the US, or if the US falters. At this stage, it appears highly unlikely that the Chinese economy will provide such stimulus given that the domestic economy appears to be in a deflationary spiral with CPI at -0.3% and PPIs at -2.7% for the last 12 months, with the ongoing monthly declines worse than those seen in the Asian Crisis in the late 1990s. While GDP printed at 5.2% for 2023, it was China's slowest annual pace of annual growth since the 1990s and many independent analysts argue that it was closer to zero given the ongoing plunge in property prices and construction levels. IMF President, Kristalina Georgieva, probably summed it up best at the meeting in Davos when she stated, "*China needs structural reforms to continue to open up the economy, to balance their growth model more towards domestic consumption.*"

The increasing and worrying risk for both New Zealand and the global economy continues to be China. This was reinforced again last week, when the People's Bank of China ("PBOC") announced its biggest ever reduction in the benchmark mortgage rate, as authorities again tried to support the struggling property market and thus the broader economy. The 25bps cut to the five-year loan prime rate ("LPR") was the largest since the reference rate was introduced in 2019 and was more than what was expected. The LPR now stands at 3.95% from 4.20% previously, while the one-year LPR was left unchanged at 3.45%.

Australian inflation rose 3.4% in the January year, its lowest level since November 2021. The increase was led by insurance and financial services (8.2%), alcohol and tobacco (6.7%), food and non-alcoholic beverages (4.4%), and housing (4.6%).

## New Zealand (for the March 2024 quarter)

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 Dec 2023	5.50%	5.64%	4.64%	4.33%	4.08%	4.07%	4.14%
31 Mar 2024	5.50%	5.64%	4.80%	4.51%	4.30%	4.29%	4.37%
Change	0%	0%	+0.15%	+0.18%	+0.21%	+0.22%	+0.22%

The March 2024 quarter saw significant volatility, with the benchmark 5-year swap opening the year at 4.08%, reaching a high of 4.77% on 14 February before closing the quarter at 4.37%. At the shorter end of the yield curve the 2 year swap traded in a 4.64% to 5.27% range, finishing the quarter at 4.79%.

The year opened with significant optimism that significant rate cuts were on the near-term horizon, with this being a function of optimism of significant cuts from both the US Fed and the RBNZ, with at one point six 25 basis point rate cuts being built into market pricing of both the NZ and US markets.

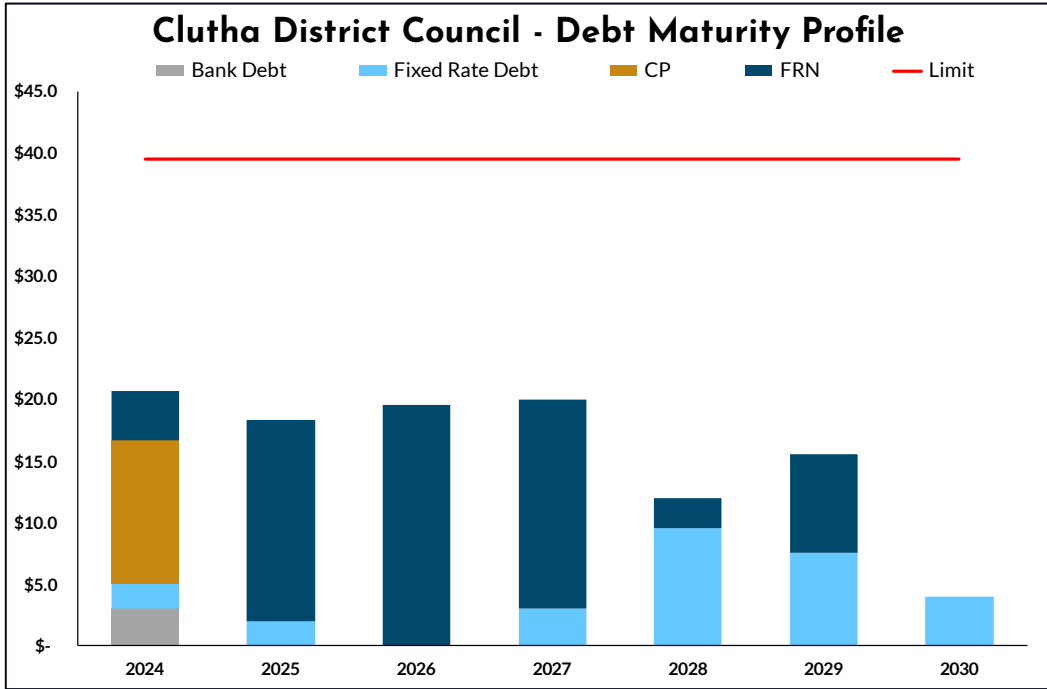
The Reserve Bank of New Zealand (“RBNZ”) seemed to want to temper these expectations with a speech from its Chief Economist Paul Conway on the 30<sup>th</sup> January saying that while the September GDP print was very weak and the June number was revised lower, its focus was on continuing capacity pressures, stronger than expected private demand, continuing strong net inward migration and that non-tradeable inflation was uncomfortably high at 5.9%. The message from this was that the RBNZ has a long way to get inflation back to the midpoint of 2.0%.

This statement was likely behind one of the strangest calls from a local bank for quite some time, with the ANZ coming out with a revised forecast of two consecutive OCR increases, which would have taken the rate from 5.50% to 6.00%, the market reaction was severe flipping from a 40% chance of a cut in May to the strong probability of an increase and pushing swap rates noticeably higher.

The RBNZ’s Monetary Policy Committee (“MPC”) torpedoed any hopes the ANZ had, maintaining the OCR at 5.50% with the MPC statement and the Q&A session taking a slightly ‘dovish’ stance. The RBNZ downgraded its 2024 CPI and unemployment forecasts and lowered its OCR forecasts slightly with the central bank projecting rate cuts to start in H1 2025 with the OCR falling to 3.00% by 2026. In the Q&A session, Governor Orr confirmed the committee had considered raising rates but decided to hold on to a “*very strong consensus*”. This saw the local swaps curve immediately fall by 25bps to 30bps with the market projecting the first cut to occur in August this year and for the OCR to be 4.00%-4.25% by July 2025. Recent data tends to favour the easing cycle starting sooner than the RBNZ is projecting, with unemployment up to 4.0% in Q4 and retail sales volumes contracting by 1.9% over the same period, despite surging immigration and higher retail pricing, while residential building consents are down 28% on an annual basis.

NZ economic data throughout the quarter has been almost universally poor, with the only exception being tourism-related data. When adjusting the poor economic data with the strong net migration, the per capita data reveals an even poorer economic picture. Adding to this theme are regular announcements of job losses occurring in both the private and public sectors. On the 21<sup>st</sup> of March, Q4 2023 GDP data officially confirmed NZ was in a recession with a 0.1% contraction in the December quarter.

# Liquidity and Funding



Debt  
**\$106.8m**  
 External Council Drawn Debt

LGFA Debt  
**\$106.8m**  
 Funds Drawn from LGFA

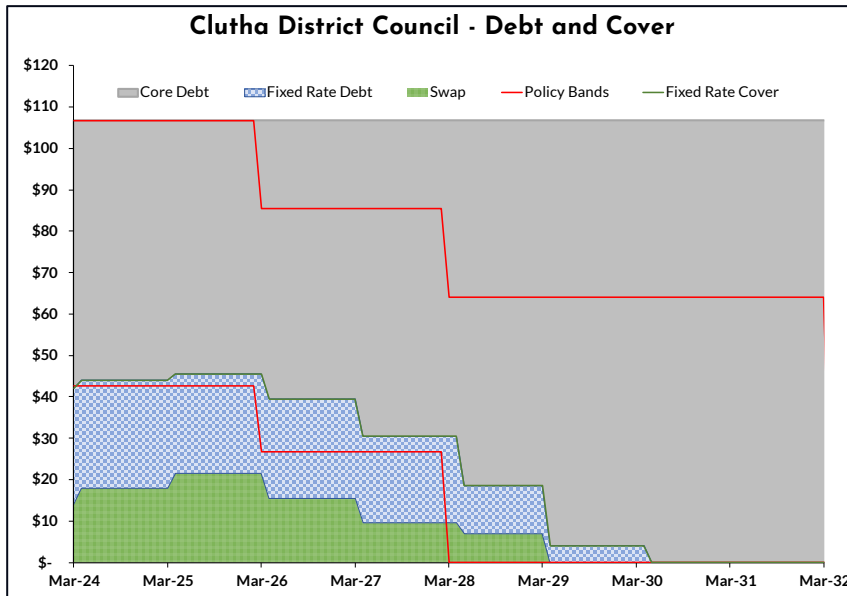
Headroom = undrawn bank facility, cash in bank and the Managed Fund (the LGFA accepts that this can be used in the liquidity calculation)  
**\$40.7m**

Liquidity Ratio (must be >110%)  
**138.1%**

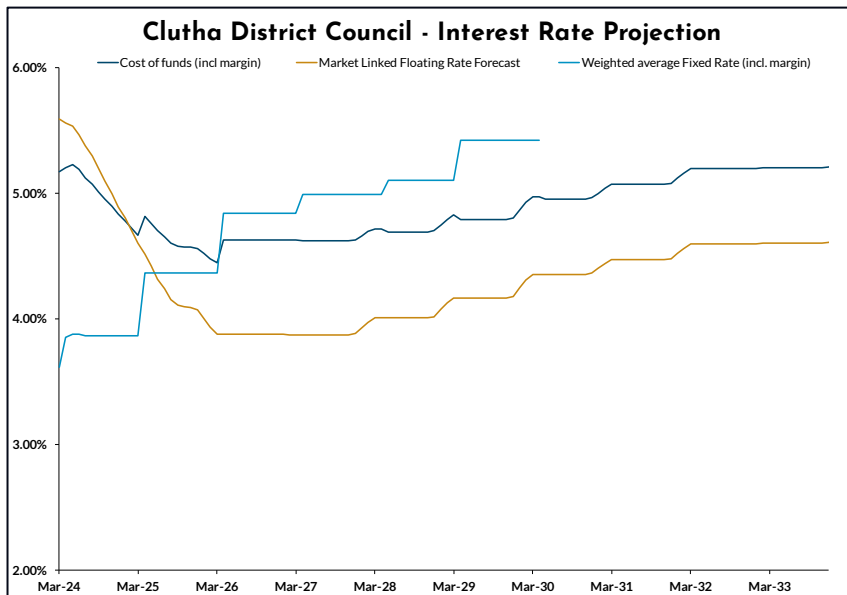
Cost of Funds as at 31 March 2024  
**5.17%**

Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	No
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes





<b>Current % of Debt Fixed</b>	39.3%
<b>Current % of Debt Floating</b>	60.7%
<b>Value of Fixed Rate (m)</b>	\$42.0
<b>Weighted Average Cost of Fixed Rate Instruments</b>	3.42%
<b>Value of Forward Starting Cover</b>	\$11.5
<b>Weighted Average Cost of Forward Starting Cover</b>	4.02%
<b>Value of Floating Rate (m)</b>	\$64.8
<b>Current Floating Rate</b>	5.55%
<b>All Up Weighted Average Cost of Funds Including Margin</b>	5.15%
<b>Total Facilities In Place</b>	\$109.8



Fixed Rate Hedging Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Non Compliant
2 - 4 years	25%	80%	Compliant
4 - 8 years	0%	60%	Compliant

For the Fixed Rate Hedging Bands, the non-compliance is miniscule as CDC has 39.3% of debt fixed in March 2024 compared to the requirement to have a minimum of 40%. This non compliance corrects itself on 15 April 2024 when a swap for \$2.0 million commences. Also on 15 April CDC will acquire additional fixed rate bonds as part of the refinancing process which will further increase its fixed rate hedging percentages.

# LGFA Borrowing Rates

## As at 31 March 2024

Listed below are the credit spreads and applicable interest rates as at 31 March for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Clutha District Council could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.20%	5.84%	N/A
6 month CP	0.20%	5.77%	N/A
April 2024	0.47%	6.11%	6.05%
April 2025	0.57%	6.21%	5.90%
April 2026	0.64%	6.28%	5.50%
April 2027	0.77%	6.41%	5.34%
May 2028	0.86%	6.50%	5.28%
April 2029	0.95%	6.59%	5.30%
May 2030	1.03%	6.67%	5.36%
May 2031	1.12%	6.76%	5.48%
April 2033	1.19%	6.83%	5.59%
May 2035	1.27%	6.91%	5.73%
April 2037	1.33%	6.97%	5.86%



As at 31 March 2024, CDC had \$106.8 million of core debt, all of which is sourced from the LGFA using Commercial Paper (“CP”), Floating Rate Notes (“FRN’s”), and Fixed Rate Bonds (“FRB’s”). In addition, CDC has a \$3m Westpac facility, with a maturity date of 31 July 2024. Details of the drawn LGFA debt is as follows.

Instrument	Maturity	Yield	Margin	Amount
LGFA FRB	15-Apr-24	0.74%	N/A	\$2,000,000
LGFA FRN	15-Apr-24	6.07%	0.43%	\$2,000,000
LGFA FRN	15-Apr-24	6.20%	0.56%	\$2,000,000
LGFA CP	16-May-24	5.94%	N/A	\$11,500,000
LGFA FRB	15-Apr-25	0.78%	N/A	\$2,000,000
LGFA FRN	15-Apr-25	6.13%	0.49%	\$1,500,000
LGFA FRN	15-Apr-25	6.11%	0.47%	\$2,800,000
LGFA FRN	15-Apr-25	6.16%	0.52%	\$4,000,000
LGFA FRN	15-Apr-25	6.15%	0.51%	\$5,000,000
LGFA FRN	15-Apr-25	6.24%	0.60%	\$3,000,000
LGFA FRN	15-Apr-26	6.29%	0.65%	\$2,000,000
LGFA FRN	15-Apr-26	6.13%	0.49%	\$2,000,000
LGFA FRN	15-Apr-26	6.22%	0.58%	\$2,000,000
LGFA FRN	15-Apr-26	6.33%	0.69%	\$3,000,000
LGFA FRN	15-Apr-26	6.29%	0.65%	\$2,500,000
LGFA FRN	15-Apr-26	6.22%	0.58%	\$3,000,000
LGFA FRN	15-Apr-26	6.30%	0.66%	\$5,000,000
LGFA FRN	15-Apr-27	6.36%	0.72%	\$2,500,000
LGFA FRN	15-Apr-27	6.21%	0.57%	\$2,000,000
LGFA FRN	15-Apr-27	6.27%	0.63%	\$2,000,000
LGFA FRN	15-Apr-27	6.40%	0.76%	\$3,000,000
LGFA FRN	15-Apr-27	6.36%	0.72%	\$3,500,000
LGFA FRB	15-Apr-27	6.30%	N/A	\$3,000,000
LGFA FRN	15-Apr-27	6.36%	0.79%	\$4,000,000
LGFA FRN	15-May-28	6.47%	0.73%	\$2,500,000
LGFA FRB	15-May-28	3.90%	N/A	\$2,500,000
LGFA FRB	15-May-28	5.21%	N/A	\$2,000,000
LGFA FRB	15-May-28	5.11%	N/A	\$3,000,000
LGFA FRB	15-May-28	5.60%	N/A	\$2,000,000
LGFA FRN	20-Apr-29	6.59%	0.94%	\$5,000,000
LGFA FRN	20-Apr-29	6.53%	0.88%	\$3,000,000
LGFA FRB	20-Apr-29	5.50%	N/A	\$3,500,000
LGFA FRB	20-Apr-29	5.32%	N/A	\$4,000,000
LGFA FRB	15-May-30	5.42%	N/A	\$4,000,000



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