



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Finance and Policy Committee
to be held in the Council Chamber,
First Floor, Civic Administration Building,
101 Esk Street, Invercargill on
Tuesday 4 April 2017 at 4.00 pm**

His Worship the Mayor Mr T R Shadbolt JP
Cr D J Ludlow (Chairman)
Cr G D Lewis (Deputy Chair)
Cr R L Abbott
Cr R R Amundsen
Cr I R Pottinger
Cr L S Thomas

EIRWEN HARRIS MITCHELL
MANAGER, SECRETARIAL SERVICES

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	Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting; namely:	
	(a) <i>Report of the Director of Finance and Corporate Services</i>	
	(b) <i>Report of the Chief Executive</i>	

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Retail Strategy	To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
Freeholding Residential Land – 257 Ettrick Street, Invercargill	To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
6-18 Esk Street West, Invercargill	To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)
Inner City Development	To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(i)

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|--------------------------------------|----|---|------------------------|
| (b) Draft
Statements of
Intent | of | To enable any local
authority holding the
information to carry out,
without prejudice or
disadvantage,
negotiations (including
commercial and industrial
negotiations) | Section 7(2)(i) |
|--------------------------------------|----|---|------------------------|

TO: FINANCE AND POLICY COMMITTEE

FROM: DIRECTOR OF FINANCE AND CORPORATE SERVICES

MEETING DATE: TUESDAY 4 APRIL 2017

LEVELS OF SERVICE REPORT – 1 JULY 2016 TO 28 FEBRUARY 2017

Report Prepared by: Melissa Short – Strategy and Policy Manager

SUMMARY

Reporting on the Corporate Services levels of service measures for the period comprising 1 July 2016 to 28 February 2017.

RECOMMENDATIONS

That the report be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> The report monitors performance in relation to levels of service measures identified in the Long Term Plan and Annual Plan.
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> No – not relevant

FINANCIAL IMPLICATIONS

No financial implications result from this report.

DEMOCRATIC PROCESS

Democratic Activities	1 July 2016 to 28 February 2017
2015/16 Annual Report adopted before 30 October 2016.	Annual Report adopted on 26 October 2016. Unmodified audit report received.

Consultation:

- Consultation Document for the 2017/18 Annual Plan.
- Proposed Fee Increase - Second or Subsequent Certificate of Public Use for Commercial Buildings under the Building Act 2004
- Equity and Access for People with Disabilities Policy.
- Easter Trading.
- Library Layout.

INVESTMENT PROPERTY

	1 July 2016 to 28 February 2017
Investment Property Activity	
February 2017	No Purchase or Sale Transactions
January 2017	No Purchase or Sale Transactions
December 2016	No Purchase or Sale Transactions
November 2016	No Purchase or Sale Transactions
October 2016	No Purchase or Sale Transactions
Investment Property transactions (Purchases and Sales) September 2016	Purchase of Buildings and Lease (Council Owned Land): 13 and 17 Clyde Street, Invercargill 26 Liddell Street, Invercargill Settlement: 29 September 2016
August 2016	No Purchase or Sale Transactions
July 2016	No Purchase or Sale Transactions

TO FINANCE AND POLICY COMMITTEE
FROM: THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

MEETING DATE: TUESDAY 04 APRIL 2017

MONITORING OF FINANCIAL PERFORMANCE

Report Prepared by: Mr Dale Booth – Manager, Financial Services

SUMMARY

Finance & Policy are \$720,340 under budget for the seven months to 31 January 2017.

RECOMMENDATIONS

That this report be received.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> N/A
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> Yes

FINANCIAL IMPLICATION

The financial commentary and financial accounts are provided for information.

Business Unit **200000 - Finance and Corporate Services**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	3,838,812	3,791,339	47,473	2,660,627	6,499,439
Fees & Charges Revenue	1,506,595	1,456,678	49,917	989,053	2,495,648
Grants & Subsidies Revenue	898,670	873,583	25,086	696,273	1,594,942
Rates Revenue	391,523	419,182	(27,660)	223,477	615,000
Financial Revenue	1,054,983	1,172,396	(117,413)	7,508,295	8,563,278
Total Revenue	7,690,582	7,713,179	(22,597)	12,077,726	19,768,307
Internal Expenditure	2,396,621	2,383,625	12,997	1,689,592	4,086,214
Staff Expenditure	3,886,817	4,220,790	(333,973)	3,489,413	7,376,230
Administration Expenditure	1,341,022	1,250,348	90,674	529,257	1,870,279
Financial Expenditure	689,725	832,551	(142,826)	1,264,515	1,954,241
Grants & Subsidies Expenditure	3,078,533	3,121,688	(43,155)	2,433,513	5,512,046
Repairs & Maintenance Expenditure	107,344	146,923	(39,579)	144,668	252,011
Operational Expenditure	1,077,703	1,279,968	(202,265)	1,236,314	2,314,016
Depreciation Expenditure	292,138	229,823	62,314	101,845	393,983
Total Expenditure	12,869,902	13,465,715	(595,813)	10,889,118	23,759,020
Operating Surplus / (Deficit)	(5,179,320)	(5,752,537)	573,216	1,188,608	(3,990,713)
Capital Expenditure	5,589,804	5,533,120	56,684	7,669,321	13,259,125
Capital Funding	(3,005,934)	(2,801,920)	(204,014)	(10,220,856)	(13,226,790)
Cash Back Depreciation	309	516	(206)	575	884
Rates Required	7,762,882	8,483,222	(720,340)	(3,740,718)	4,022,163

Commentary:

The Finance and Corporate Services Committee is \$720,340 under budget for the first seven months of the year. A departmental breakdown and commentary is provided.

Business Unit **150000 - Museum Operations**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Fees & Charges Revenue	713,716	731,294	(17,578)	585,793	1,299,509
Grants & Subsidies Revenue	661,648	624,821	36,827	468,294	1,129,942
Financial Revenue	3,368	14,163	(10,795)	16,917	20,285
Total Revenue	1,378,732	1,370,277	8,455	1,071,004	2,449,737
Internal Expenditure	389,908	389,908	0	278,505	668,413
Staff Expenditure	613,534	712,106	(98,573)	620,804	1,234,338
Administration Expenditure	53,977	45,291	8,686	23,665	77,643
Financial Expenditure	3	508	(505)	868	871
Grants & Subsidies Expenditure	15,100	8,750	6,350	(100)	15,000
Repairs & Maintenance Expenditure	12,883	9,084	3,800	2,689	15,572
Operational Expenditure	212,999	248,480	(35,481)	212,967	425,965
Depreciation Expenditure	8,125	4,629	3,497	(191)	7,935
Total Expenditure	1,306,529	1,418,756	(112,226)	1,139,208	2,445,737
Operating Surplus / (Deficit)	72,203	(48,478)	120,681	(68,203)	4,000
Capital Expenditure	17,206	3,167	14,040	(13,206)	4,000
Cash Back Depreciation	(0)	0	(0)	0	0
Rates Required	(54,997)	51,645	(106,642)	54,997	0

Commentary:

The Museum Department is \$106,642 under budget to February. This is primarily due to: 1) Step increase of income from Regional Heritage Rate, 2) Delay in ramp-up of expenditure to equal the new income amount. Expenditure will be increased by employment of staff, however this cannot be done until the increase of income becomes permanent (hopefully next year). The unexpended sum this year will be used to acquire shelving for re-housing of the collection, this has been discussed with and approved by the Trust Board.

Business Unit **210000 - Finance and Corporate Services Director**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	(99,167)	(99,167)	(0)	(70,833)	(170,000)
Grants & Subsidies Revenue	243,607	248,762	(5,155)	221,393	465,000
Rates Revenue	391,523	419,182	(27,660)	223,477	615,000
Financial Revenue	64,250	90,475	(26,225)	5,435,750	5,500,000
Total Revenue	600,212	659,253	(59,040)	5,809,788	6,410,000
Internal Expenditure	377,302	377,302	(0)	269,502	646,804
Staff Expenditure	245,323	264,667	(19,344)	213,977	459,300
Administration Expenditure	21,789	8,108	13,681	(7,889)	13,900
Repairs & Maintenance Expenditure	1,115	1,458	(343)	1,385	2,500
Operational Expenditure	7,390	70,992	(63,602)	114,310	121,700
Depreciation Expenditure	14,513	9,333	5,179	1,487	16,000
Total Expenditure	667,432	731,861	(64,429)	592,772	1,260,204
Operating Surplus / (Deficit)	(67,219)	(72,608)	5,389	5,217,015	5,149,796
Capital Expenditure	1,477	0	1,477	3,523	5,000
Capital Funding	0	0	0	(75,000)	(75,000)
Rates Required	68,697	72,608	(3,911)	(5,288,493)	(5,219,796)

Commentary:

The Finance Director department is \$3,911 under budget for the first seven months of the year.

Business Unit **219000 - Finance and Corporate Services - Human Resources**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	522,560	522,560	0	373,257	895,817
Financial Revenue	2,588	598	1,990	(1,563)	1,025
Total Revenue	525,147	523,158	1,990	371,694	896,842
Internal Expenditure	11,363	11,363	(0)	8,117	19,480
Staff Expenditure	354,756	419,828	(65,072)	413,403	768,159
Administration Expenditure	23,230	19,381	3,848	9,995	33,225
Grants & Subsidies Expenditure	600	0	600	(600)	0
Repairs & Maintenance Expenditure	512	1,793	(1,281)	2,561	3,074
Operational Expenditure	20,568	72,209	(51,641)	103,219	123,787
Depreciation Expenditure	6,564	5,319	1,245	2,554	9,118
Total Expenditure	417,593	529,893	(112,301)	539,249	956,842
Operating Surplus / (Deficit)	107,555	(6,736)	114,291	(167,555)	(60,000)
Capital Expenditure	22,379	0	22,379	1,696	24,076
Capital Funding	0	0	0	(84,076)	(84,076)
Cash Back Depreciation	0	0	0	0	0
Rates Required	(85,176)	6,736	(91,911)	85,176	0

Commentary:

The Human Resource department is \$91,911 under budget for the first seven months of the year, this is predominantly due to timing delays within the staff expenditure area (corporate training). It is expected that expenditure in this area will increase in the remaining 5 months of the year, but will likely result in some savings by year end. Also the department has been one staff member down for the past 3 months which has reduced staff expenditure, this also is anticipated to result in savings at year end. The operational expenditure area is also under budget, mainly due to legal fees and contractors being under budget. It is difficult to access whether these budgets will be fully spent at year end as they are only required if needed.

Business Unit **220000 - Finance and Corporate Services - Investment Property**
 Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	14,583	14,583	(0)	10,417	25,000
Fees & Charges Revenue	659,506	594,072	65,435	314,192	973,698
Financial Revenue	20,961	31,871	(10,911)	733,664	754,625
Total Revenue	695,050	640,526	54,524	1,058,272	1,753,323
Internal Expenditure	5,550	0	5,550	(5,550)	0
Staff Expenditure	62,620	77,926	(15,306)	72,399	135,019
Administration Expenditure	124,544	72,708	51,837	18,472	143,017
Financial Expenditure	225,756	296,746	(70,991)	282,952	508,708
Repairs & Maintenance Expenditure	51,305	95,777	(44,471)	112,883	164,189
Operational Expenditure	290,835	361,015	(70,181)	328,049	618,884
Depreciation Expenditure	10,047	14,203	(4,156)	14,301	24,348
Total Expenditure	770,658	918,375	(147,717)	823,507	1,594,164
Operating Surplus / (Deficit)	(75,607)	(277,848)	202,241	234,765	159,158
Capital Expenditure	5,223,285	5,237,686	(14,401)	7,529,837	12,753,122
Capital Funding	(3,013,668)	(3,013,668)	0	(9,790,564)	(12,804,231)
Cash Back Depreciation	309	516	(206)	575	884
Rates Required	2,284,916	2,501,351	(216,435)	(2,496,067)	(211,151)

Commentary:

The Investment Property department is \$216,435 under for the first seven months of the year, this is primarily due the Awarua Dairy Farm Department performing well so far this year. The farming operation is showing a \$240,285 surplus, \$180,399 ahead of budget. It is expected (if the season remains strong) that an amount of additional income will be transferred back to special funds at year end. The administration department of the Awarua Industrial Estate is also under budget by \$58,000, due to reduced interest costs. The Don Street Development is on budget for the first 7 months of the year, but expectation is the total project will not be completed until around October 2017. It is likely that some 2016/17 budget will be carried forward into the 2017/18 year. The remaining departments of Investment Property are on budget for the first seven months.

Business Unit **230000 - Finance and Corporate Services - Accounting and Finance**
 Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	712,524	712,527	(4)	508,951	1,221,475
Financial Revenue	131,963	119,352	12,611	87,037	219,000
Total Revenue	844,487	831,879	12,608	595,988	1,440,475
Internal Expenditure	5,833	5,833	(0)	4,167	10,000
Staff Expenditure	496,897	529,865	(32,967)	422,376	919,273
Administration Expenditure	103,263	85,109	18,154	42,639	145,902
Financial Expenditure	69,319	99,925	(30,606)	241,981	311,300
Grants & Subsidies Expenditure	0	2,917	(2,917)	5,000	5,000
Repairs & Maintenance Expenditure	621	1,692	(1,071)	2,279	2,900
Operational Expenditure	49,273	33,233	16,040	175,627	224,900
Depreciation Expenditure	12,669	21,117	(8,447)	23,531	36,200
Total Expenditure	737,877	779,691	(41,814)	917,598	1,655,475
Operating Surplus / (Deficit)	106,610	52,188	54,422	(321,610)	(215,000)
Capital Expenditure	0	0	0	5,000	5,000
Capital Funding	0	0	0	(220,000)	(220,000)
Rates Required	(106,610)	(52,188)	(54,422)	106,610	0

Commentary:

The Accounting and Finance department is \$54,422 under budget for the first seven months of the year, this is predominantly due to reduced expenditure within the financial expenditure area of the department, mainly resulting from lower bank fees, with the department saving \$20,000 to date for the year. Depreciation expenses are also under budget and expected to be under by approximately \$15,000 at year end. Other expenditure areas of the department are expected to even out over the remaining months of the year.

Business Unit **236000 - Accounting and Finance - Treasury**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	24,867	0	24,867	(24,867)	0
Financial Revenue	709,563	809,760	(100,197)	1,229,129	1,938,692
Total Revenue	734,430	809,760	(75,330)	1,204,262	1,938,692
Financial Expenditure	353,391	367,596	(14,205)	663,784	1,017,175
Operational Expenditure	56,808	0	56,808	(56,808)	0
Total Expenditure	410,199	367,596	42,603	606,976	1,017,175
Operating Surplus / (Deficit)	324,232	442,164	(117,932)	597,285	921,517
Capital Funding	267,920	385,760	(117,840)	503,597	771,517
Rates Required	(56,312)	(56,404)	92	(93,688)	(150,000)

Commentary:

The Treasury department is \$92 over budget for the first seven months of the year.

Business Unit **240000 - Finance and Corporate Services -
Corporate Services**
Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	1,512,945	1,500,112	12,833	1,058,676	2,571,621
Fees & Charges Revenue	130,190	110,786	19,404	57,062	187,252
Financial Revenue	11,928	7,374	4,554	724	12,652
Total Revenue	1,655,063	1,618,272	36,791	1,116,461	2,771,524
Internal Expenditure	594,903	590,125	4,778	416,740	1,011,643
Staff Expenditure	717,283	763,400	(46,117)	610,787	1,328,070
Administration Expenditure	120,678	115,583	5,096	77,463	198,142
Financial Expenditure	0	299	(299)	512	512
Repairs & Maintenance Expenditure	2,867	13,477	(10,610)	20,237	23,103
Operational Expenditure	104,812	118,677	(13,865)	98,634	203,446
Depreciation Expenditure	39,246	13,028	26,218	(16,913)	22,333
Total Expenditure	1,579,788	1,614,587	(34,799)	1,207,460	2,787,248
Operating Surplus / (Deficit)	75,275	3,685	71,590	(90,999)	(15,724)
Capital Expenditure	139,424	135,315	4,109	7,891	147,315
Capital Funding	0	0	0	(163,039)	(163,039)
Cash Back Depreciation	(0)	(0)	0	(0)	(0)
Rates Required	64,149	131,630	(67,481)	(64,149)	(0)

Commentary:

The Corporate Service department is \$67,481 under budget for the first seven months of the year. This is mainly because maintenance expenses are under for the year. It is difficult to assess weather this will even out over the remainder of the year. Salary and wages expenses are also under budget, this is due to some prior years' annual leave being caught up.

Business Unit **250000 - Finance and Corporate Services -
Information Services**
Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	814,806	814,806	0	582,005	1,396,811
Fees & Charges Revenue	170	20,527	(20,357)	35,019	35,189
Financial Revenue	102,066	95,667	6,399	6,934	109,000
Total Revenue	917,042	931,000	(13,958)	623,958	1,541,000
Staff Expenditure	310,422	294,923	15,499	212,078	522,500
Administration Expenditure	634,380	602,583	31,797	105,620	740,000
Repairs & Maintenance Expenditure	19,610	15,083	4,527	6,390	26,000
Operational Expenditure	56,765	87,167	(30,401)	71,235	128,000
Depreciation Expenditure	130,050	97,708	32,342	37,450	167,500
Total Expenditure	1,151,228	1,097,465	53,763	432,772	1,584,000
Operating Surplus / (Deficit)	(234,186)	(166,465)	(67,721)	191,186	(43,000)
Capital Expenditure	169,955	135,000	34,955	80,045	250,000
Capital Funding	(294,174)	(208,000)	(86,174)	1,174	(293,000)
Rates Required	109,966	93,465	16,501	(109,966)	0

Commentary:

The Informational Services department is \$16,501 over budget for the first seven months of the year.

Business Unit **260000 - Finance and Corporate Services -
Secretarial Services**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Revenue	335,694	325,917	9,776	223,021	558,715
Fees & Charges Revenue	700	0	700	(700)	0
Financial Revenue	6,345	3,137	3,208	1,655	8,000
Total Revenue	342,738	329,054	13,685	223,977	566,715
Internal Expenditure	29,980	28,360	1,620	18,637	48,617
Staff Expenditure	470,780	518,018	(47,239)	426,855	897,635
Administration Expenditure	125,724	168,890	(43,166)	163,802	289,526
Repairs & Maintenance Expenditure	3,859	4,375	(516)	3,641	7,500
Operational Expenditure	72,819	93,975	(21,156)	88,281	161,100
Depreciation Expenditure	30,800	33,571	(2,771)	26,750	57,550
Total Expenditure	733,961	847,189	(113,228)	727,967	1,461,928
Operating Surplus / (Deficit)	(391,223)	(518,136)	126,913	(503,990)	(895,213)
Capital Expenditure	10,080	10,000	80	29,920	40,000
Capital Funding	0	0	0	(86,326)	(86,326)
Rates Required	401,303	528,136	(126,833)	447,584	848,887

Commentary:

The Secretarial Services (which includes Secretarial Services, Communications & Records Departments) department is \$126,833 under budget for the first seven months of the year. This is due to some timing variances within the Departments, mainly subscriptions budget (which covers LGNZ work programmes) which tends to be lumpy during the year. The Public Relations budget is also under, due to the Retail Strategy, which is currently taking place and being invoiced in instalments. The City Centre Co-ordinator area is currently under budget, but is expected to even out as planning is underway for events during mid year. Salary and wages are under budget, this is due to three positions within two departments not being filled for the entire year, as well as a large amount of prior years' annual leave being used up this year, bringing the wages expense for this year down.

Business Unit **280000 - Hall and Theatre Operations**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Expenditure	623,879	623,879	0	445,627	1,069,507
Grants & Subsidies Expenditure	16,711	29,396	(12,685)	33,682	50,393
Repairs & Maintenance Expenditure	11,192	0	11,192	(11,192)	0
Operational Expenditure	27	0	27	(27)	0
Depreciation Expenditure	8,729	14,343	(5,614)	15,859	24,588
Total Expenditure	660,538	667,618	(7,080)	483,949	1,144,488
Operating Surplus / (Deficit)	(660,538)	(667,618)	7,080	(483,949)	(1,144,488)
Capital Expenditure	4,214	11,953	(7,739)	16,277	20,490
Capital Funding	0	0	0	(20,490)	(20,490)
Rates Required	664,752	679,570	(14,819)	479,736	1,144,488

Commentary:

The Halls and Theatre department is \$14,819 under budget for the first seven months of the year.

Business Unit **300000 - Finance and Corporate Services -
Democratic Responsibility**
Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Fees & Charges Revenue	2,313	0	2,313	(2,313)	0
Grants & Subsidies Revenue	(6,586)	0	(6,586)	6,586	0
Financial Revenue	1,951	0	1,951	(1,951)	0
Total Revenue	(2,322)	0	(2,322)	2,322	0
Internal Expenditure	182,681	182,681	(0)	130,487	313,168
Staff Expenditure	605,838	632,415	(26,577)	492,999	1,098,837
Administration Expenditure	126,795	116,738	10,057	74,828	201,623
Grants & Subsidies Expenditure	37,056	96,489	(59,433)	115,422	152,478
Repairs & Maintenance Expenditure	3,118	4,126	(1,008)	3,956	7,074
Operational Expenditure	152,712	91,554	61,158	(22,477)	130,235
Depreciation Expenditure	17,750	13,866	3,884	6,020	23,770
Total Expenditure	1,125,950	1,137,870	(11,920)	801,234	1,927,184
Operating Surplus / (Deficit)	(1,128,272)	(1,137,870)	9,598	(798,912)	(1,927,184)
Capital Expenditure	1,785	0	1,785	8,338	10,123
Capital Funding	0	0	0	(65,123)	(65,123)
Rates Required	1,130,056	1,137,870	(7,814)	742,128	1,872,184

Commentary:

The Democratic Responsibility department is \$7,814 under budget for the first seven months of the year. This is primarily due to Grants and Subsidies being under budget within the CEO and Councillors departments. This is offset by operational expenditure being over budget. Operational expenditure is over budget due to additional contractor work being done within the Councillors budget for shared services and introduction of board books. Also additional legal fees within the CEO budget have been incurred.

Business Unit **313000 - Finance and Corporate Services -**
Corporate Planning
 Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Expenditure	147,546	147,546	0	105,390	252,936
Staff Expenditure	9,365	7,642	1,723	3,735	13,100
Administration Expenditure	6,641	15,955	(9,315)	20,661	27,302
Financial Expenditure	0	11,667	(11,667)	20,000	20,000
Repairs & Maintenance Expenditure	261	58	203	(161)	100
Operational Expenditure	50,252	102,667	(52,415)	125,748	176,000
Depreciation Expenditure	4,529	2,707	1,821	112	4,641
Total Expenditure	218,593	288,242	(69,649)	275,486	494,079
Operating Surplus / (Deficit)	(218,593)	(288,242)	69,649	(275,486)	(494,079)
Capital Funding	0	0	0	(75,000)	(75,000)
Rates Required	218,593	288,242	(69,649)	200,486	419,079

Commentary:

The Corporate Planning department is \$69,649 under budget as at end of January. This is predominantly due to the Consultants Fees budget being lower than anticipated and the budget for audit not yet being uplifted. The Consultants budget is expected to even out over the remainder of the year with section 17A review and further Long-Term Plan development work being undertaken.

Business Unit **350000 - Finance and Corporate Services - Grants**

Seven months to 31 January 2017

	Jan YTD			2016 / 17	
	Actual	Budget	Variance	Remaining Budget	Budget
Internal Expenditure	27,675	26,627	1,048	17,971	45,646
Financial Expenditure	41,256	55,810	(14,554)	54,419	95,675
Grants & Subsidies Expenditure	3,009,066	2,984,136	24,930	2,280,109	5,289,175
Operational Expenditure	2,443	0	2,443	(2,443)	0
Depreciation Expenditure	9,116	0	9,116	(9,116)	0
Total Expenditure	3,089,556	3,066,573	22,984	2,340,940	5,430,496
Operating Surplus / (Deficit)	(3,089,556)	(3,066,573)	(22,984)	(2,340,940)	(5,430,496)
Capital Funding	33,988	33,989	(0)	(146,011)	(112,023)
Rates Required	3,123,545	3,100,561	22,983	2,194,928	5,318,473

Commentary:

The Grants budget is \$22,983 over budget as at the end of January. The iconic events fund is \$1,667 over budget and the emerging events fund is \$47,333 under budget. It is anticipated that this will even out as new applications are received over the remainder of the year. The Bluff Pool Trust is \$77,920 over budget to date and is already \$23,753 over the full year budget. This will not correct itself.

TO: FINANCE AND POLICY COMMITTEE
FROM: THE DIRECTOR OF FINANCE AND CORPORATE SERVICES
MEETING DATE: TUESDAY 4 APRIL 2017

AUDIT SUBCOMMITTEE TERMS OF REFERENCE
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Report Prepared by: Melissa Short – Manager, Strategy and Policy

SUMMARY

Attached as Appendix One is the Audit Subcommittee Terms of Reference which require approval.

RECOMMENDATIONS

That the Audit Subcommittee Terms of Reference be approved,

And

That the Governance Statement be updated to reflect the composition of the Audit Subcommittee.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> No.
2.	<i>Is a budget amendment required?</i> No.
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No.
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> This will create a new Terms of Reference document.
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No.
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> No – not relevant.

FINANCIAL IMPLICATIONS

No financial implications arise from this report.

TERMS OF REFERENCE

Attached as *Appendix One* is a draft Terms of Reference Document for consideration of the Committee. It has been based on good practice examples and tailored to fit the Invercargill City Council environment. The second bullet point under the heading 'External Audit' on page 3 has been added following discussion with Audit NZ.

I draw your attention to the opening sentence in the Composition and Tenure section of the draft Terms of Reference where it is indicated that the Subcommittee should consist of "six members appointed by the Council." Currently there are five Council appointments on the Subcommittee. The draft further states that the Subcommittee will comprise at least one independent member. Currently there is no independent member appointed to the Subcommittee. Discussions at the Subcommittee level have identified the need for a budget to be included in the 2017/18 Annual Plan to enable the appointment of an independent member.

Should the terms of reference be approved, the Governance Statement will need to be amended to reflect the composition of the Subcommittee.



INVERCARGILL CITY COUNCIL AUDIT SUBCOMMITTEE – TERMS OF REFERENCE

2016-2019 Term

Objective

The objective of the Audit Subcommittee (Subcommittee) is to assist the Council and Chief Executive to discharge their responsibilities for audit management, including the active oversight of all areas of Council's control environment and the accountability it relates to in an integrated and systematic way.

Authority

The Invercargill City Council authorises the Subcommittee, within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- 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, at Committee meetings; and
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense.

Composition and Tenure

The subcommittee will consist of six members appointed by the Council. The Subcommittee will comprise at least one independent member.

The Finance and Policy Committee, after consultation with the Mayor, will appoint the Chairperson of the Subcommittee.

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. Councillors appointed to the Subcommittee will automatically cease to hold office at the time of the Local Authority triennial elections. They may be eligible for re-appointment post those elections if they are returned to office and have not already served two terms on the committee.

The Chief Executive and the senior management team members will not be members of the Subcommittee, 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 member of the Subcommittee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

Roles and Responsibilities

The Subcommittee has no executive powers.

The Subcommittee is directly responsible and accountable to the Finance and Policy Committee for the exercise of its responsibilities. In carrying out its responsibilities, the Subcommittee must at all times recognise that primary responsibility for management of Council rests with the Chief Executive. The responsibilities of the Subcommittee may be revised or expanded in consultation with, or as requested by, Council or the Finance and Policy Committee from time to time.

Control Framework

The Subcommittee's responsibilities are to:

- 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 any required changes to the design or implementation of internal controls; and
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External Accountability

The Subcommittee's responsibilities are to:

- Review the Annual Report Audit report and Long Term Plan Audit report 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 and performance measures 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 and non-financial information included in Council's Annual Report is consistent with the signed financial statements;
- Satisfy itself that Council has appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and
- Satisfy itself that Council has a performance management framework that is linked to organisational objectives and outcomes.

Internal Audit

The Subcommittee's responsibilities are to:

- Act as a forum for communication between the Chief Executive, senior management, and internal auditors;
- Review the internal audit coverage and annual work plan, ensure the plan is based on Council's risk management plan, and recommend approval of the plan by the Finance and Policy Committee;
- Advise the Finance and Policy Committee and the Chief Executive on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- Oversee the coordination of audit programmes conducted by the internal and external auditors and other review functions;
- Review all audit reports and provide advice to the Finance and Policy Committee/ Chief Executive 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 audit recommendations;
- Review the internal audit authority to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place.

External Audit

The Subcommittee's responsibilities are to:

- Act as a forum for communication between the Chief Executive, senior management, and external auditors;
- Ensure an excellent open and professional relationship with the external auditor through clear communication and engagement, and provide an appropriate forum at which emerging audit issues can be raised by the external auditor and considered by the committee within an appropriate timeframe;
- 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 co-ordination of audit programmes conducted internally and by the external auditors and other review functions; and
- Provide advice to the Finance and Policy Committee on action taken on significant issues raised in relevant external audit reports and good practice guides.

Responsibilities of Subcommittee Members

Members of the subcommittee are expected to:

- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity, and good judgement; and
- Express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.

Reporting

The Subcommittee Chair will regularly, but at least once a year, report to the Finance and Policy Committee on its operation and activities during the year. The report should include:

- A summary of the work the Subcommittee performed to fully discharge its responsibilities during the preceding year; and
- A summary of Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable).

The Subcommittee may, at any time, report to the Chief Executive, the Mayor, or the Finance and Policy Committee any other matter it deems of sufficient importance to do so. In addition, at any time an individual Subcommittee member may request a meeting with the Chief Executive or the Chair of the Finance and Policy Committee.

Administrative Arrangements

Meetings

The Subcommittee will meet at least four times each year. A special meeting may be held to review Council's annual report and long term plan audits.

The Chairperson is required to call a meeting if requested to do so by the Mayor, the Finance and Policy Committee, the Chief Executive, or another Committee member.

A meeting plan, including dates and standing agenda items, will be agreed by the Subcommittee each year. The meeting plan will cover all of the Subcommittee's responsibilities as detailed in this Terms of Reference.

Attendance at Meetings and Quorums

A quorum will consist of a majority of Subcommittee members. Where there is more than one independent member on the Subcommittee, a quorum will include at least one independent member.

Meeting can be held in person, by telephone, or by video conference where available.

The external audit representatives will be invited to attend each meeting, unless requested not to do so by the Chairperson of the Subcommittee. The Subcommittee may also ask the Finance and Corporate Services Director or other employees to attend the Subcommittee meetings or participate for certain agenda items.

The Subcommittee will meet separately with the external auditors at least once a year.

The Chief Executive may be invited to attend Subcommittee meetings or participate in specific discussion or provide strategic briefings to the Subcommittee.

Administrative Support

The Finance and Corporate Services Director will appoint a person to provide secretarial support to the Subcommittee. The secretary will ensure that the agenda for each meeting and supporting papers are circulated, after approval from the Chairperson, at least one week before the meeting, and ensure that the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chairperson and circulated within two weeks of the meeting to each member and Subcommittee observers, as appropriate. The advertising of meetings, agenda, public exclusions and minutes will be managed to ensure full compliance with LGOIMA.

Conflicts of Interest

Once a year, Subcommittee members will provide written declarations to the Chair of the Finance and Policy Committee stating they do not have any conflicts of interest that would preclude them from being members of the Subcommittee.

In accordance with Council Standing Orders, Subcommittee members must declare any conflicts of interest at the start of each meeting, or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.

Where any member is deemed to have a real, or perceived, conflict of interest at a Subcommittee meeting, it may be appropriate that they are excused from Subcommittee deliberations on the issue where the conflict of interest exists.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Subcommittee responsibilities.

Assessment Arrangements

The Chairperson of the Subcommittee, in consultation with the Finance and Policy Committee Chair, will initiate a review of the performance of the Subcommittee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Finance and Policy Committee) with appropriate input sought from the Chief Executive, external auditors, management, and any other relevant stakeholders, as determined by the Chairperson of the Finance and Policy Committee in discussion with the Chairperson of the Subcommittee.

Review of the Terms of Reference

At least once every three years, the Subcommittee will review the Terms of Reference. This review will include consultation with the Finance and Policy Committee, the Finance and Corporate Services Director, the Chief Executive and the Mayor. Any recommended changes to the Terms of Reference will be considered at the Finance and Policy Committee and formally approved by the Council.

Revision History:

Reference Number: A1854463

Effective Date:

Review Period: This Policy will be reviewed every two (2) years, unless earlier review is required due to legislative changes, or is warranted by another reason requested by Council.

Supersedes:

New Review Date:

Associated Documents/References:

Policy Owner: