

Notice of Meeting:

I hereby give notice that an ordinary meeting of the Finance Committee will be held on:

Date: Monday 13 June 2016
Time: 1.00 pm
Venue: Edinburgh Room, Municipal Chambers,
The Octagon, Dunedin

Sue Bidrose
Chief Executive Officer

Finance Committee PUBLIC AGENDA

MEMBERSHIP

Chairperson
Deputy Chairperson
Members

Richard Thomson	
Hilary Calvert	
David Benson-Pope	John Bezett
Dave Cull	Doug Hall
Aaron Hawkins	Mike Lord
Jinty MacTavish	Andrew Noone
Neville Peat	Chris Staynes
Lee Vandervis	Andrew Whiley
Kate Wilson	

Senior Officer

Grant McKenzie, Group Chief Financial Officer

Governance Support Officer

Wendy Collard

Wendy Collard
Governance Support Officer

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Note: Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

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PART A REPORTS (Committee has power to decide these matters)		
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1 PUBLIC FORUM

At the close of the agenda no requests for public forum had been received.

2 APOLOGIES

Apologies have been received from Mayor Dave Cull and Crs Chris Staynes, Richard Thomson and Lee Vandervis.

That the Committee:

Accepts the apologies from Mayor Dave Cull and Crs Chris Staynes, Richard Thomson and Lee Vandervis.

3 CONFIRMATION OF AGENDA

Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

4 DECLARATION OF INTEREST

There were no new declarations of interest.

PART A REPORTS**FINANCIAL RESULTS - PERIOD ENDED 30 APRIL 2016**

Department: Finance

EXECUTIVE SUMMARY

- 1 This report provides the financial results for the period ended 30 April 2016 and the financial position as at that date.

\$ Million	Actual	Budget	Variance		Last Year
Revenue	202.532	203.625	(1.093)	U	203.055
Expenditure	209.927	211.494	1.567	F	202.276
Net Surplus/(Deficit) excluding Waipori	(7.395)	(7.869)	0.474	F	0.779
Waipori Fund Net	3.882	3.050	0.832	F	7.702
Net Surplus/(Deficit) including Waipori	(3.513)	(4.819)	1.306	F	8.481
Capital Expenditure	29.046	33.559	4.513	F	32.606
Debt					
Short Term Borrowings	2.600	13.700	11.100	F	13.700
Term Loans	227.078	241.694	14.616	F	212.332
Total Debt	229.678	255.394	25.716	F	226.032

RECOMMENDATIONS

That the Finance Committee:

- a) **Notes** the financial performance for the period ended 30 April 2016 and the financial position as at 30 April 2016.

BACKGROUND

- 2 This report provides a commentary of the financial performance of Council for the period ended 30 April 2016 and the financial position as at that date.

DISCUSSION

- 3 The net deficit (including Waipori) for the ten months to April was \$3.513 million or \$1.306 million better than budget.
- 4 The favourable variance against budget was due to the following:
- \$1.011 million – higher than expected other operating revenue. Favourable variances included: Solid Waste due to additional tonnage through the Green Island Landfill; Transport where community road safety and corridor access revenue was greater than budget; Improved property revenue including higher than expected residential occupancy; an unbudgeted recovery for the service level agreement with Dunedin City Treasury Ltd; and additional revenue from the Regional Partner Network contract in Economic Development. These favourable variances were partially offset by lower parking enforcement revenue, and lower water sales revenue.
 - \$695k – contributions due to the early timing of recoveries from developments in Mosgiel.
 - \$2.285 million – assets operations and maintenance expenditure was less than expected largely due to delayed timing related to transport work including drainage works, traffic services maintenance, sealed paving maintenance and non-subsidised general maintenance. In addition property maintenance was running behind budget. These favourable variances were partially offset by the early timing of sports-field maintenance, unbudgeted expenditure re the Ocean Beach holding pattern and expenditure on a condition assessment of the Green Island landfill digester.
 - \$1.371 million – lower than expected interest costs, primarily due to the lower than expected loan balances.
 - \$832k – Waipori Fund, resulting from fair value gains in investments, partially offset by losses on the disposal of some international equities.
- 5 These favourable variances were partially offset by:
- \$2.457 million – depreciation costs were higher than expected due to the revision of useful lives for the Council property portfolio as a result of the June 2015 building asset revaluation exercise. The useful lives were adjusted to reflect the component nature of building assets.
 - \$2.878 million – lower than expected grants revenue mainly as a result of Transport undertaking less capital projects than expected.
- 6 Capital expenditure was less than budget by \$4.513 million. Project delays have arisen across a number of portfolios while project scoping is finalised. These favourable variances were partially offset by earlier than expected expenditure on water and waste services projects.
- 7 Total Council debt as at 30 April 2016 was \$229.678 million or \$25.716 million lower than budget. This variance reflected a better than expected opening position for the 2015/16 financial year, strong operating cashflow for the year to date reflecting the

lower than expected operating expenditure and funds received from property disposals (Caledonian Bowling Club, Union Street and the Emerson's Brewery site).

- 8 Note that current year term debt includes \$30.000 million transferred from Dunedin Venues Limited effective 30 June 2015.

OPTIONS

- 9 Not applicable.

NEXT STEPS

- 10 Not applicable.

Signatories

Author:	Lawrie Warwood - Financial Analyst
Authoriser:	Gavin Logie - Financial Controller Grant McKenzie - Group Chief Financial Officer

Attachments

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SUMMARY OF CONSIDERATIONS***Fit with purpose of Local Government***

The financial expenditure reported in this report relates to providing local infrastructure, public services and regulatory functions for the community.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

This report has no direct contribution to the Strategic Framework, although the financial expenditure reported in this report has contributed to all of the strategies.

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

There are no known implications for sustainability.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

This report fulfils the internal financial reporting requirements for Council.

Financial considerations

Not applicable – reporting only.

Significance

Not applicable – reporting only.

Engagement – external

There has been no external engagement.

Engagement - internal

The report is prepared as a summary for the individual department financial reports.

Risks: Legal / Health and Safety etc.

There are no known risks.

Conflict of Interest

There are no known conflicts of interest

Community Boards

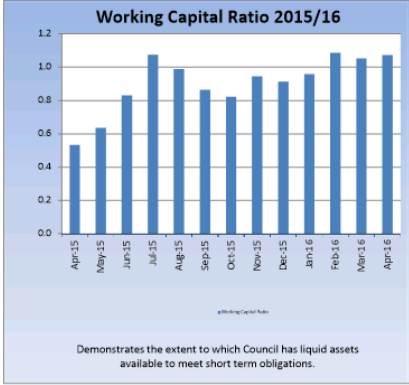
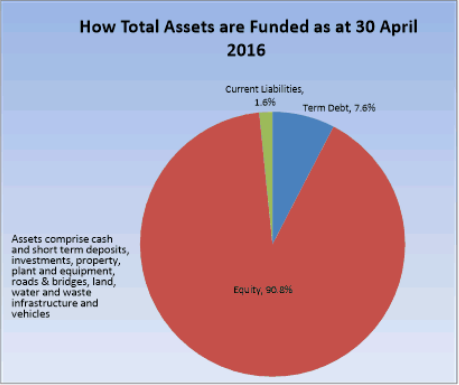
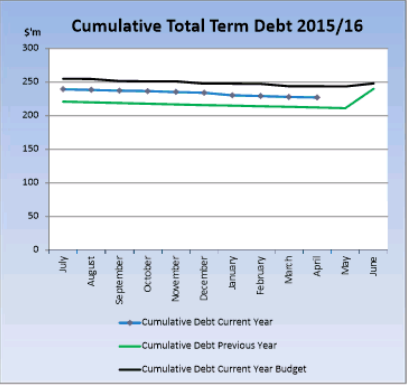
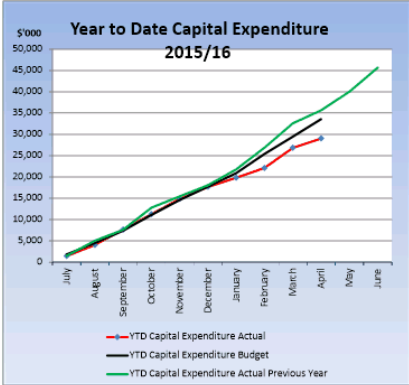
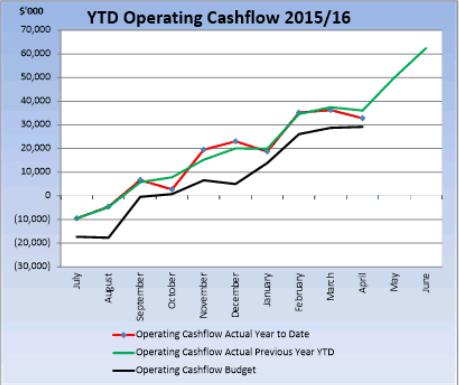
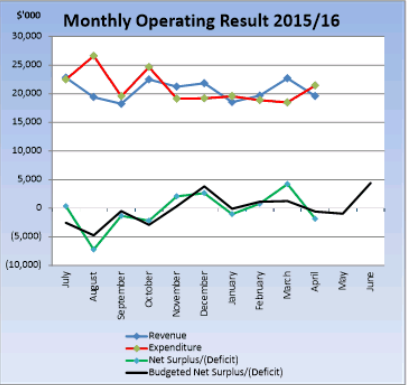
There are no known implications for Community Boards.

DUNEDIN CITY COUNCIL


SUMMARY FINANCIAL INFORMATION AS AT 30 APRIL 2016




Attachment A



ATTACHMENT B

DUNEDIN CITY COUNCIL											
Statement of Financial Performance											
For the Period Ending 30 April 2016											
Amount : \$'000											
Mth Actual	Mth Budget	Mth Variance		Year to Date Actual	Year to Date Budget	Year to Date Variance		LY YTD Actual	LY Full Year Actual	Full Year Budget	
REVENUE											
10,859	10,825	34 F	Rates Revenue	108,606	108,398	208 F		104,351	125,397	130,049	
6	15	9 U	Rates Penalties	527	480	47 F		505	633	600	
4,554	4,655	101 U	Other Operating Revenue	49,652	48,641	1,011 F		51,771	68,916	62,963	
635	1,433	798 U	Grants	12,867	15,745	2,878 U		15,342	21,351	20,025	
159	79	80 F	Contributions	1,491	796	695 F		180	775	1,303	
2,746	2,709	37 F	Internal Revenue	29,389	29,565	176 U		30,906	36,073	34,812	
18,959	19,716	757 U	TOTAL REVENUE	202,532	203,625	1,093 U		203,055	253,145	249,752	
EXPENDITURE											
5,888	5,561	327 U	Personnel Costs	41,553	41,183	370 U		37,853	48,300	49,275	
3,261	3,554	293 F	Asset Ops & Mtce	35,128	37,413	2,285 F		32,719	42,207	44,676	
997	592	405 U	Materials, Supplies, Services	7,024	6,709	315 U		6,890	9,791	7,982	
166	138	28 U	Elected Members Costs	1,240	1,357	117 F		1,123	1,362	1,632	
481	502	21 F	Energy Costs	4,829	4,954	125 F		4,658	5,814	6,027	
276	291	15 F	Premises Costs	9,463	9,762	299 F		10,354	12,159	12,511	
56	37	19 U	Cost of Sales	409	395	14 U		366	428	473	
-	3	3 F	Insurance	2,283	2,331	48 F		2,314	2,315	2,336	
839	582	257 U	Fees & Levies	6,986	6,621	365 U		7,109	9,455	8,115	
480	416	64 U	General Administration Expense	3,677	4,073	396 F		3,462	4,875	4,734	
250	258	8 F	Grants & Subsidies	7,192	7,541	349 F		6,473	6,852	7,986	
19	54	35 F	Other Expenses	449	709	260 F		1,802	17,008	816	
2,713	2,651	62 U	Internal Charges	29,077	28,915	162 U		30,273	35,371	34,247	
4,687	4,440	247 U	Depreciation	46,854	44,397	2,457 U		43,732	53,248	53,277	
1,328	1,513	185 F	Interest	13,763	15,134	1,371 F		13,148	14,936	18,161	
21,441	20,592	849 U	TOTAL EXPENDITURE	209,927	211,494	1,567 F		202,276	264,121	252,248	
NET SURPLUS (DEFICIT) EXCLUDING WAIPORI											
- 2,482	- 876	1,606 U		- 7,395	- 7,869	474 F		779	- 10,976	- 2,496	
Add Waipori Fund Net Operating Result											
635	305	330 F		3,882	3,050	832 F		7,702	9,886	3,660	
NET SURPLUS (DEFICIT) INCLUDING WAIPORI											
- 1,847	- 571	1,276 U		- 3,513	- 4,819	1,306 F		8,481	- 1,090	1,164	


ATTACHMENT C

DUNEDIN CITY COUNCIL Statement of Financial Position As at 30 April 2016 Amount : \$'000					
As at 30-Jun-15		As at 30-Apr-16	Budget 30-Apr-16	Budget 30-Jun-16	As at 30-Apr-15
Current Assets					
5,419	Cash and Deposits	2,243	1,841	684	1,009
18,625	Sundry Debtors	26,169	20,155	14,585	21,753
10,019	Short Term Investments	5,253	-	-	-
348	Inventories	354	1,502	1,502	332
34,411	Total Current Assets	34,019	23,498	16,771	23,094
Non Current Assets					
299,968	Investments	304,644	321,598	317,016	288,409
2,672,805	Fixed Assets	2,649,959	2,847,770	2,914,635	2,776,627
2,972,773	Total Non Current Assets	2,954,603	3,169,368	3,231,651	3,065,036
3,007,184	TOTAL ASSETS	2,988,622	3,192,866	3,248,422	3,088,130
Current Liabilities					
21,534	Sundry Creditors	9,010	14,549	24,427	13,460
12,152	Accrued Expenditure	20,101	15,113	5,085	9,091
-	Short Term Borrowings	2,600	13,700	12,753	13,700
16,402	Derivative Financial Instruments	16,402	12,401	12,401	12,403
50,088	Total Current Liabilities	48,113	55,763	54,666	48,654
Non Current Liabilities					
240,111	Term Loans	227,078	241,694	235,092	212,332
7,230	Other Non-Current Liabilities	7,211	8,888	8,905	7,214
247,341	Total Non Current Liabilities	234,289	250,582	243,997	219,546
297,429	TOTAL LIABILITIES	282,402	306,345	298,663	268,200
2,709,755	COUNCIL EQUITY	2,706,220	2,886,521	2,949,759	2,819,930
3,007,184		2,988,622	3,192,866	3,248,422	3,088,130
Statement of Change in Equity					
2,811,437	Opening Balance	2,709,755	2,891,304	2,891,304	2,811,437
- 1,090	Operating Surplus (Deficit)	- 3,513	- 4,819	1,164	8,481
499	Income Tax	-	-	-	-
- 101,091	Movements in Reserves	- 22	36	57,291	12
2,709,755		2,706,220	2,886,521	2,949,759	2,819,930

ATTACHMENT D

DUNEDIN CITY COUNCIL Statement of Cashflows For the Period Ending 30 April 2016 Amount : \$'000				
	Year to Date Actual	Year to Date Budget	Full Year Budget	LY YTD Actual
Cash Flow from Operating Activities				
<i>Cash was provided from operating activities</i>				
Rates Received	102,514	108,878	130,049	104,856
Other Revenue	62,066	55,628	76,399	55,352
Interest Received	4,652	4,871	7,968	5,339
Dividend Received	1,644	1,571	1,885	3,095
<i>Cash was applied to</i>				
Suppliers and Employees	- 123,855 -	126,687 -	145,968 -	120,583
Interest Paid	- 14,217 -	15,134 -	18,063 -	12,015
Net Cash Inflow (Outflow) from Operations	32,804	29,127	52,270	36,044
Cash Flow from Investing Activities				
<i>Cash was provided from investing activities:</i>				
Sale of Assets	5,090	67	80	69
Reduction in Loans & Advances	-	-	-	-
Reduction in Investments	2,968	-	1,420	-
<i>Cash was applied to:</i>				
Increase in Investments	- 1,739 -	2,550 -	2,438 -	3,440
Capital Expenditure	- 31,866 -	33,559 -	49,754 -	37,232
Net Cash Inflow (Outflow) from Investing Activity	- 25,547 -	36,042 -	50,692 -	40,603
Cash Flow from Financing Activities				
<i>Cash was provided from financing activities:</i>				
Loans Raised	-	-	7,743	-
Increase in Short Term Borrowings	19,150	32,550	-	23,200
<i>Cash was applied to:</i>				
Loans Repaid	- 13,033 -	11,161 -	14,854 -	9,195
Decrease in Short Term Borrowings	- 16,550 -	18,850	-	9,500
Net Cash Inflow (Outflow) from Financing Activity	- 10,433	2,539 -	7,111	4,505
Total Increase/(Decrease) in Cash	- 3,176 -	4,376 -	5,533 -	54
Opening Cash and Deposits	5,419	6,217	6,217	1,063
Closing Cash and Deposits	2,243	1,841	684	1,009


ATTACHMENT E

<p>DUNEDIN CITY COUNCIL Capital Expenditure Summary by Activity For the Period Ending 30 April 2016 Amount : \$'000</p>					
					
Description	Year to Date Actual	Year to Date Budget	Year to Date Variance	% of Budget	Full Year Budget
Arts and Culture	1,097	1,396	299	78.6%	1,650
Community and Planning	-	300	300	0.0%	500
Corporate Services	179	831	652	21.5%	943
Enterprise Dunedin	90	100	10	90.0%	100
Finance	1,128	4,550	3,422	24.8%	5,288
Other	- 7	-	7		-
Parks and Recreation	1,372	1,557	185	88.1%	3,946
Customer and Regulatory Services	49	30	- 19	163.3%	30
Transport	9,689	15,760	6,071	61.5%	18,931
Water and Waste Services	15,449	12,096	- 3,353	127.7%	21,428
Carry Forwards	-	- 3,061	- 3,061	0.0%	- 3,061
	<u>29,046</u>	<u>33,559</u>	<u>4,513</u>	<u>86.6%</u>	<u>49,755</u>


ATTACHMENT F

DUNEDIN CITY COUNCIL Borrowing and Investment Policy As at 30 April 2016 Amount : \$'000			
	Policy	Actual	Budget
Gross Interest Expense/Total Rates Revenue	< 20%	12.6%	13.9%
Gross Interest Expense/Total Operating Revenue	< 8%	7.9%	8.3%
Operating Funds Flow/Interest Expense	> 2.5	3.4	2.9
Coverage of Interest-rate-sensitive debt by hedges (thousands)			
Source of Debt			
Debt advanced from DCTL (excluding short term debt)			225,428
Debt ex Waipori Fund			1,177
Debt ex Other Institutions			473
Total DCC Debt			227,078
Less Interest Rate Protection			
Waipori short term investments natural hedge			6,433
Fixed Rate Funding			-
Debt protected with derivatives			140,400
Fixed Rate debt from other institutions			473
Total Debt Protection			147,306
Interest-sensitive debt not covered			79,772
Non-covered debt/Total Debt			35.1%
Debt Maturity Profile			
Debt to be repaid 2015/16			-
Debt to be repaid next 1-2 years			17,630
Debt to be repaid next 3-5 years			43,485
Debt to be repaid next 5 years plus			165,963
Term Debt Balance			227,078

ATTACHMENT G

DUNEDIN CITY COUNCIL Statement of Public Debt As at 30 April 2016							
Amount : \$'000							
	BALANCE AT 01/07/2015	Principal Paid to date 30/04/2016	Advanced 30/04/2016	BALANCE 30/04/2016		INTEREST Paid to 30/04/2016	
ECONOMIC DEVELOPMENT & CITY PROMOTION							
DUNEDIN CENTRE	25,278 -	763	-	24,515		1,595	
INVESTMENT ACCOUNT	1,205 -	42	-	1,163		76	
DUNEDIN VENUES LIMITED	30,000 -	570	-	29,430		1,387	
PROPERTY							
PROPERTY INVESTMENT							
GREAT KING STREET-CARPARK	1,187 -	487	-	700		62	
BUNNINGS	990 -	71	-	919		61	
TIMARU STREET	622 -	37	-	585		39	
YMCA	2,321	-	-	2,321		123	
ROSEBANK ROAD	5,000	-	-	5,000		266	
PARRY STREET	3,200	-	-	3,200		249	
PROPERTY MISCELLANEOUS							
DUNEDIN ICE STADIUM	582 -	42	-	540		36	
EDGAR CENTRE	4,060 -	264	-	3,796		252	
RAILWAY STATION	79 -	11	-	68		5	
REGENT THEATRE	5,687 -	198	-	5,489		358	
CARISBROOK	3,100	-	-	3,100		109	
HIGH PERFORMANCE SPORT BUILDING	2,931 -	55	-	2,876		186	
PROPERTY OPERATIONAL							
HEALTH	27 -	9	-	18		1	
MUNICIPAL CHAMBERS	34 -	12	-	22		2	
PORT CHALMERS HALL	211 -	10	-	201		13	
WAIKOUAITI HALL REPLACEMENT	1,313 -	43	-	1,270		83	
CIVIC CENTRE	2,186 -	60	-	2,126		138	
TOILETS	129 -	4	-	125		8	
HOUSING							
86-92 PRINCE ALBERT ROAD COMPLEX	473	-	-	473		-	
TRANSPORT							
TRANSPORT	16,032 -	3,643	-	12,389		922	
CITIPARK	1,511 -	229	-	1,282		88	
PUBLIC HEALTH							
WATER DEPARTMENT	21,182 -	1,304	-	19,878		-	
WASTEWATER - TAHUNA	65,996 -	2,351	-	63,645		4,154	
SOLID WASTE	3,326 -	216	-	3,110		205	
NETWORK MANAGEMENT - Stormwater	438 -	12	-	426		28	
NETWORK MANAGEMENT - Waste	8,757 -	1,058	-	7,699		1,758	
CITY DEVELOPMENT							
CITY DEVELOPMENT	2,730 -	116	-	2,614		172	
MUSEUMS, LIBRARIES & ART GALLERY							
CHINESE GARDENS	410 -	31	-	379		25	
OTAGO SETTLERS MUSEUM	14,200 -	462	-	13,738		894	
DUNEDIN PUBLIC ART GALLERY	359 -	10	-	349		23	
SPORT, RECREATION & LEISURE							
COMMUNITY & RECREATION PLANNING	6,918 -	306	-	6,612		434	
AQUATIC SERVICES	3,943 -	268	-	3,675		243	
BOTANIC GARDENS	371 -	12	-	359		23	
CORPORATE SUPPORT							
BUSINESS SOLUTIONS	989 -	167	-	822		56	
INFORMATION SOLUTIONS	576 -	56	-	520		35	
DEBT BEFORE WARM DUNEDIN	238,353 -	12,919	-	225,434		14,109	
WARM DUNEDIN							
Warm Dunedin 2012-2013	643 -	46	-	597		40	
Warm Dunedin 2013-2014	1,115 -	68	-	1,047		68	
TOTAL DEBT	240,111 -	13,033	-	227,078		14,217	
Source of Debt							
Housing New Zealand	473						
Dunedin City Treasury Ltd	225,428						
Waipori Fund	1,177						
Total	227,078						

ATTACHMENT H

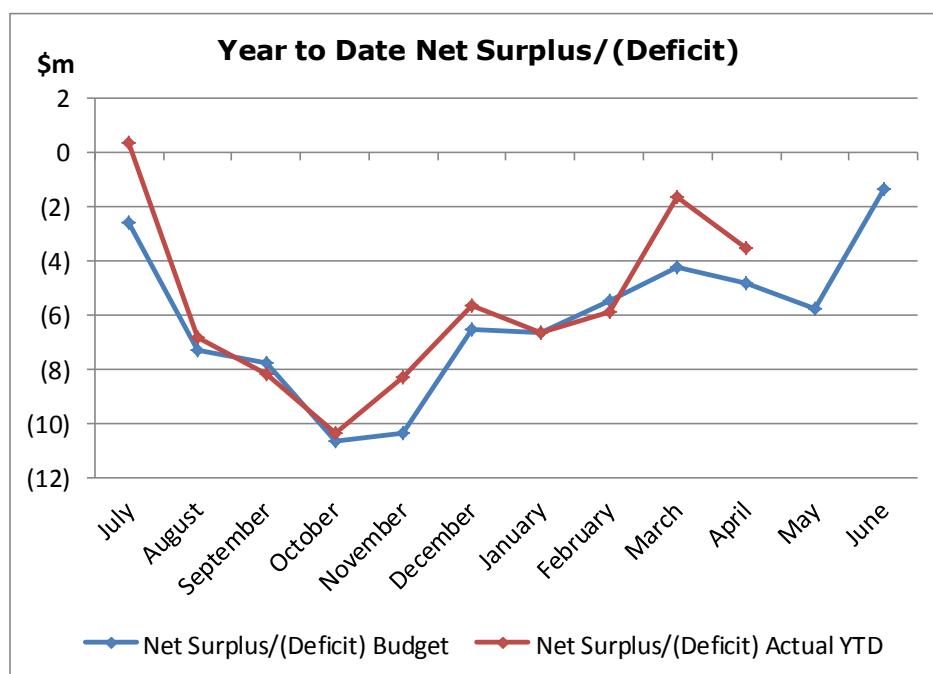
<div><div><div>DUNEDIN CITY COUNCIL</div><div>Summary of Operating Variances</div><div>For the Period Ending 30 April 2016</div></div><div></div><div>Amount : \$'000</div></div>											
Group	Year to Date Surplus(Deficit)			Year to Date Variance Favourable (Unfavourable)							
	Actual	Budget	Variance	Rates Revenue	Other Ext Revenue	Int Revenue	Staff	Ops & Other Exps	Internal Costs	Interest	Depr'n
Waipori Fund	3,882	3,050	832	-	890	-	-	58	-	-	-
Arts and Culture	- 76	- 269	193	- -	19	11	- 15	197	19	199	- 199
Community and Planning	108	- 161	269	- -	8	5	- 114	290	17	79	-
Corporate Services	- 447	- 592	145	-	127	- 50	- 59	85	16	1	195
Enterprise Dunedin	408	1	407	-	114	3	- 216	501	2	-	3
Financial	5,312	6,515	- 1,203	-	511	- 515	277	762	100	467	- 2,805
Investment	- 9,675	- 9,245	- 430	255	132	-	- 702	208	-	93	-
Otago Museum Levy	- 654	- 654	-	-	-	-	-	-	-	-	-
Other	433	- 30	463	-	31	- 157	78	204	353	-	- 46
Parks and Recreation	- 3,093	- 1,966	- 1,127	- -	356	15	- 44	511	6	217	- 454
Customer and Regulatory Services	223	460	- 237	- -	349	2	228	102	15	-	3
Transport	- 721	- 59	- 662	- -	2,647	- 49	123	1,850	64	119	6
WWS Solid Waste	2,459	958	1,501	-	776	- 563	4	137	33	-	62
WWS Three Waters	- 1,672	- 2,827	1,155	-	516	-	78	150	563	196	778
Total Council	- 3,513	- 4,819	1,306	255	- 282	- 176	- 370	3,127	- 162	1,371	- 2,457
* Other includes: Corporate Management, Dunedin Centre and Human Resources.											



ATTACHMENT I

FINANCIAL REVIEW**For The Ten Months ended 30 April 2016**

This report provides a commentary on the Council's financial results for the ten months ended 30 April 2016 and the financial position at that date.

NET SURPLUS/(DEFICIT) (INCLUDING WAIPORI)

The net deficit (including Waipori) for the ten months to April was \$3.513 million or \$1.306 million better than budget.

The favourable variance against budget was due to the following:

- \$1.011 million – higher than expected other operating revenue. Favourable variances included: Solid Waste due to additional tonnage through the Green Island Landfill; Transport where community road safety and corridor access revenue was greater than budget; Improved property revenue including higher than expected residential occupancy; an unbudgeted recovery for the service level agreement with Dunedin City Treasury Ltd; and additional revenue from the Regional Partner Network contract in Economic Development. These favourable variances were partially offset by lower parking enforcement revenue, and lower water sales revenue.

- \$695k – contributions due to the early timing of recoveries from developments in Mosgiel.
- \$2.285 million - assets operations and maintenance expenditure was less than expected largely due to delayed timing related to transport work including drainage works, traffic services maintenance, sealed paving maintenance and non-subsidised general maintenance. In addition property maintenance was running behind budget. These favourable variances were partially offset by the early timing of sports-field maintenance, unbudgeted expenditure re the Ocean Beach holding pattern and expenditure on a condition assessment of the Green Island landfill digester.
- \$1.371 million – lower than expected interest costs, primarily due to the lower than expected loan balances.
- \$832k – Waipori Fund, resulting from fair value gains in investments, partially offset by losses on the disposal of some international equities.

These favourable variances were partially offset by:

- \$2.457 million - depreciation costs were higher than expected due to the revision of useful lives for the Council property portfolio as a result of the June 2015 building asset revaluation exercise. The useful lives were adjusted to reflect the component nature of building assets.
- \$2.878 million - lower than expected grants revenue mainly as a result of Transport undertaking less capital projects than expected.

REVENUE

The total revenue for the period was \$202.532 million or \$1.093 million less than budget. The major income variances were as follows:

Other Operating Revenue

Actual \$49.652 million, Budget \$48.641 million, Favourable variance \$1.011 million

Solid Waste revenue was favourable \$734k primarily due to additional tonnage processed through the Green Island landfill.

Transport revenue was favourable \$288k due to community roading safety receiving an unbudgeted amount of \$79k relating to the cycle way network and safer schools, and corridor access way revenue being \$222k favourable to budget.

Finance revenue was favourable \$256k due to the unbudgeted service level fee recovery from Dunedin City Treasury Ltd (\$248k) along with unbudgeted other recoveries versus budget.

Economic Development revenue was favourable \$147k due to receipt of Regional Business Partner Network contract revenue.

Property revenue was favourable \$176k. This primarily related to higher than expected residential revenue with higher occupancy levels.

These favourable variances were partially offset by:

- Parking Enforcement revenue was unfavourable \$306k with both infringement fees and court fines recoveries being less than expected. This was in part due to fewer infringement notices being issued along with a higher number of referrals for court collection.

Three Waters revenue was unfavourable \$176k due to water consumption being lower than expected.

Grants

Actual \$12.867 million, Budget \$15.745 million, Unfavourable variance \$2.878 million

Transport grants and subsidy revenue was unfavourable by \$3.139 million due to less than expected NZTA funded work (operating & capital) taking place year to date.

This unfavourable variance was partially offset by:

\$108k favourable variance in Civic due to donations received related to the June Flood Relief fund.

Events and Community Development grants were favourable \$94k due to an unbudgeted grant from the Ministry of Youth Development and the timing of Creative New Zealand grants.

Contributions

Actual \$1.491 million, Budget \$796k, Favourable variance \$695k

Development contribution revenue was favourable due to the early timing of recoveries from Mosgiel developments.

EXPENDITURE

The total expenditure for the period was \$209.927 million or \$1.567 million less than budget. The major expenditure variances were as follows:

Personnel Costs

Actual \$41.553 million, Budget \$41.183 million, Unfavourable variance \$370k

The unfavourable variance was due to higher than expected recruiting costs, increased fringe benefit costs associated with the private use of Council vehicles, and unbudgeted salary costs funded from external recoveries and savings in general operating budgets.

These unfavourable variances were partially offset by under-expenditure on staff training (\$96k) and a number of position vacancies across Council.

Asset Operations and Maintenance Costs

Actual \$35.128 million, Budget \$37.413 million, Favourable variance \$2.285 million

Transport costs were favourable \$1.327 million largely due to timing differences with the completion of routine drainage work (\$139k), pavement maintenance (\$185k), traffic services maintenance (\$508k) and non-subsidised general maintenance (\$244k). There is likely to be some savings in this area at year end.

Property costs were \$1.193 million favourable with planned work on hold while a new operational method of assessing required maintenance for the housing portfolio is commissioned. This is likely to result in savings at year end.

BIS costs were \$345k favourable due mainly to the timing of Infrastructure as a Service costs.

These favourable variances were partially offset by:

Parks expenditure was ahead of budget \$383k due to the early timing of sports field maintenance, the timing of building maintenance work, and unbudgeted work on the Ocean Beach Holding Pattern (\$188k).

Water and Waste Services expenditure was unfavourable \$318k due to the early timing of water network maintenance costs and plant maintenance costs associated with an unplanned expenditure on the Green Island Treatment plant thermophillic digester, which is now complete. There have been a number of other unscheduled maintenance expenses for emergency repairs, including for example repairs on the clarifiers at the Mosgiel WWTP.

Premises Costs

Actual \$9.463 million, Budget \$9.762 million, Favourable variance \$299k

Costs were favourable across a number of departments, mainly due to the timing of building warrant of fitness and rate payments.

General Administration Expenses

Actual \$3.677 million, Budget \$4.073 million, Favourable variance \$396k

This favourable variance reflected savings across a number of departments including promotional costs, travel expenditure, telecommunications, printing & stationery and sundry expenditure.

Grants & Subsidies

Actual \$7.192 million, Budget \$7.541 million, Favourable variance \$349k

This favourable variance resulted from the timing of various community and civic grants across Council including Heritage Rates Remission grants, GigCity grant and Waste Strategy grants.

Depreciation

Actual \$46.854 million, Budget \$44.397 million, Unfavourable variance \$2.457 million

Depreciation costs were higher than expected primarily due to a change in useful life for buildings as a result of the June 2015 building asset revaluation exercise. The useful lives were adjusted to reflect the component nature of these assets.

Interest

Actual \$13.763 million, Budget \$15.134 million, Favourable variance \$1.371 million

The favourable variance in interest costs was primarily due to the lower than expected level of debt.

WAIPORI FUND NET OPERATING RESULT

Actual \$3.882 million, Budget \$3.050 million, Favourable variance \$832k

The Waipori Fund net operating result was favourable for the period mainly due to unrealised gains in investments, partially offset by losses associated with the disposal of some international equities.

Consistent with the overall market, gains were recorded in April across most investment types (equities and property), albeit the gain on international equities was impacted by the strong New Zealand dollar.

STATEMENT OF FINANCIAL POSITION

A Statement of Financial Position is provided as Attachment C.

The value of fixed assets was less than budget as at 30 April 2016, due to lower capital expenditure (2014/15 and 2015/16), a net write down of investment properties 30 June 2015 and a negative revaluation adjustment processed across building and infrastructural assets again effective 30 June 2015.

Terms loans were less than budget primarily due to a lower than expected loan balance at the start of the current financial year and proceeds from asset disposals being used to pay down debt.

STATEMENT OF CASHFLOWS

A Statement of Cashflows is provided as Attachment D.

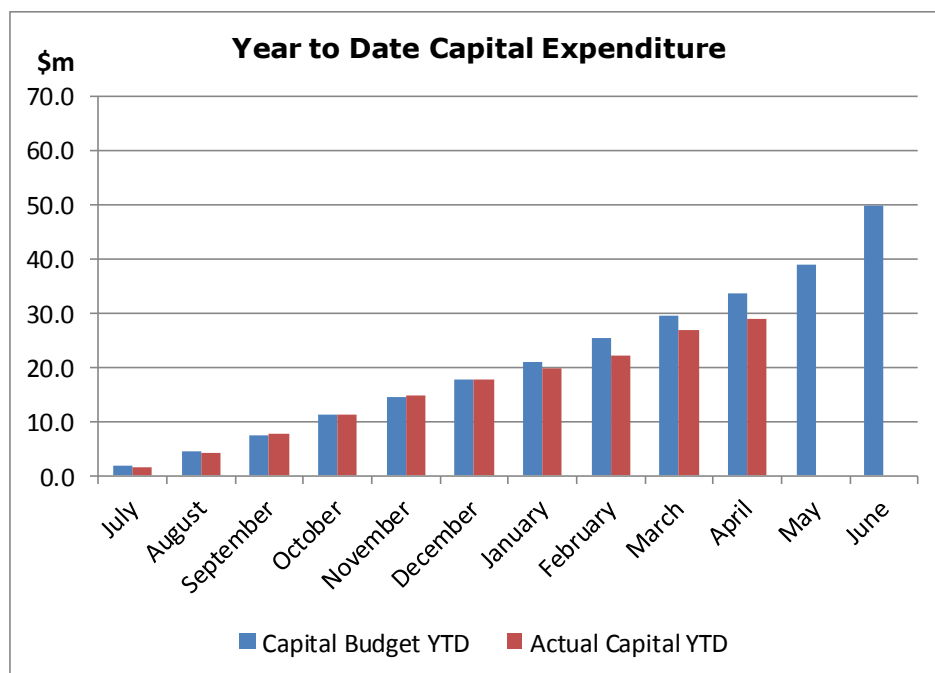
Net cashflow from operations was better than expected reflecting the impact of the lower operating expenses (including interest paid).

Cash outflows from investing were less than budgeted mainly due to asset sales being greater than anticipated (Caledonian Bowling Club site, Union St and the Emerson's Brewery site).

CAPITAL EXPENDITURE

A summary of the capital expenditure programme by Activity is provided as Attachment E.

Total capital expenditure for the period to 30 April 2016 was \$29.046 million or 86.6% of the year-to-date budget of \$33.559 million. Note that the budget includes allocations of \$3.062 million of carry forwards from 2014/15.



Arts and Culture capital expenditure was \$299k favourable

This variance was due to an under-spend on collection acquisitions for both the Art Gallery and Libraries. Library acquisitions are expected to be on budget at year-end while Art Gallery expenditure is partly dependant on external funding.

Community and Planning Group capital expenditure was \$300k favourable

The 2015/16 City Wide Amenity Upgrade has been delayed until 2016/17 due to the Jetty Street hearing process.

The tender for Jetty Street upgrade is about to be released and the main phase of work should commence in September 2016.

Corporate Services capital expenditure was \$652k favourable

A number of corporate systems upgrades and other ICT projects were delayed while scoping work is carried out. Some of these projects are now underway.

Finance capital expenditure was \$3.422 million favourable

A number of building capital projects are in the investigation and design stages. As such some will not be completed in the current financial year.

Parking meter and fleet replacement programmes are also running behind budget (\$176k and \$129k respectively). A tender is in the market for the meter replacement.

Transport capital expenditure was \$6.071 million favourable

Cycle Network expenditure was \$1.443 million favourable. Options are being considered around how best to deliver the remaining works.

Footpath Resurfacing was \$813k favourable. Footpath contracts (North, South and Central) and a kerb and channel contract are now underway.

Other renewal work was \$4.887 million favourable with work at various stages of development and some expenditure likely to carry over to 2016/17.

The Turnbull's Bay slip repairs were \$1.072 million unfavourable. The contract has reached practical completion stage, although buttressing is yet to be completed.

Water and Waste Services capital expenditure was \$3.353 million unfavourable

The delivery of the capital programme continues to progress well. The renewals budget is fully committed for the year, and any further tenders let will have a start date after 1 July 2016.

A budget carry-forward of \$2.300 million from the unspent Tahuna Biosolids project has been signalled to fund the Biosolids project requirements in 2016/17, along with reallocation to switchboard upgrades and Portobello Road stormwater screens.

DEBT

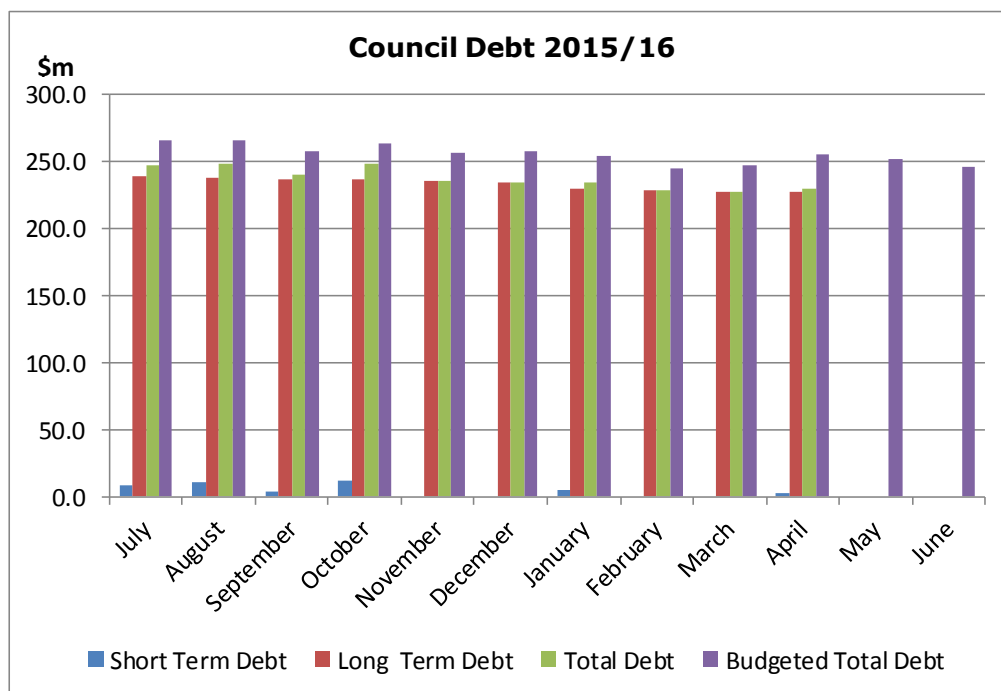
Refer to Attachments F and G.

Attachment F provides a summary of the debt servicing ratios for the year to date.

All of the ratios met the specified targets. These ratios are impacted by the timing of revenue which is not necessarily spread evenly throughout the year compared with the cost of servicing debt.

Term debt was below expectations for the year to date due to no new loans raised in the 2014/15 financial year. Asset sales in the current year have also contributed to a reduction in debt.

Note that both the actual and budget figures include the \$30.0 million transferred from Dunedin Venues Limited effective 30 June 2015.



DEBTORS AND RATES OUTSTANDING

Sundry debtors outstanding as at 30 April 2016 totalled \$26.169 million. This included long term debt of \$3.568 million, and debt associated with Warm Dunedin of \$2.585 million.

Of the \$3.568 million long term debt, \$3.100 million was for debt relating to the sale of Carisbrook. This is due for repayment July 2016.

Debtors outstanding for more than four months (excluding long term debt and Warm Dunedin) totalled \$499k, compared with last year's total of \$274k as at 30 April 2015.

Rates arrears relating to prior year rates totalled \$426k. This was higher than the \$246k total as at April 2015. Of this total \$76k was being recovered under formal arrangements with Council, while the balance was being actively pursued.

COMMENTS FROM GROUP ACTIVITIES

Attachment H, the Summary of Operating Variances, shows, by Group Activity, the overall net surplus or deficit variance for the period ended 30 April 2016. It also shows the variances by revenue and expenditure type.

Community and Planning Group - \$269k Favourable

The favourable expenditure variance was mainly due to delayed timing of some community grant payments, Ara Toi expenditure and the Home Insulation service level agreement payment.

Enterprise Dunedin Group - \$407k Favourable

This favourable variance related primarily to delayed project based expenditure (including Export Education Uplift), and the timing of Regional Partner Network expenditure.

Finance Group - \$1.203 million Unfavourable

Depreciation was unfavourable \$2.805 million due to the change in useful lives of Council building assets resulting from the June 2015 asset revaluation.

External revenue was \$511k favourable primarily due to an unbudgeted recovery for the service level agreement with Dunedin City Treasury Limited, and higher than expected residential property revenue with good occupancy.

Operating costs were favourable \$762k due mainly to planned property expenditure on hold while a new operational method of assessing required maintenance for the housing portfolio is commissioned.

Parks and Recreation Group – \$1.127 million Unfavourable

Operating expenditure was unfavourable \$511k due to the early timing of some sports field work, deferred building maintenance, and expenditure on the Ocean Beach holding pattern project, for which there was no budget. Energy costs at the crematorium and new propagation facility at the Botanic Garden were also slightly greater than budgeted.

External revenue was unfavourable \$356k due to lower than expected revenue across a number of areas - development contributions (budget timing), Moana Pool (memberships), and burial revenue (move to cremations).

Customer and Regulatory Services Group – \$237k Unfavourable

The unfavourable operating variance was primarily due to lower than expected revenue across a number of operating units - Building inspection fees due to lower recoverable activity and parking infringement fees and court fine recoveries due to fewer infringement notices being issued along with a higher number of referrals for court collection.

Transport Group - \$662k Unfavourable

External revenue was unfavourable \$2.647 million mainly due to less than expected NZTA capital and operating work taking place resulting in grants revenue being down on budget. The unfavourable variance was partially offset by unbudgeted road safety revenue and an increase in revenue from corridor access ways.

Operating expenditure was favourable \$1.850 million primarily due to delayed timing of traffic services maintenance, drainage works, sealed pavement maintenance and non-subsidised general maintenance.

Personnel costs were favourable \$123k due to a number of vacancies in the group.

WWS Solid Waste – \$1.501 million Favourable

Landfill revenues were favourable due to the combination of increased waste tonnages from out of the district, and higher than expected sludge volumes.

WWS Three Waters – \$1.155 million Favourable

Revenue was \$516k favourable, largely due to unbudgeted development contribution revenue, partially offset by a shortfall in water sales and trade waste revenue.

Total expenditure was favourable \$639k primarily due to savings in depreciation costs.

SUBMISSION TO THE GOVERNMENT ADMINISTRATION SELECT COMMITTEE ON THE HEALTHY HOMES GUARANTEE BILL (NO 2)

Department: Community and Planning

EXECUTIVE SUMMARY

- 1 This report accompanies a draft submission from the Dunedin City Council (DCC) to the Government Administration Select Committee on the Healthy Homes Guarantee Bill (No 2).
- 2 The report provides background to the Bill and a summary of the Council's response for the Select Committee's consideration.

RECOMMENDATIONS

That the Committee:

- a) **Approves** the attached submission to the Government Administration Select Committee on the Healthy Homes Guarantee Bill (No 2).

BACKGROUND

- 3 Recent Government amendments to the *Residential Tenancies Amendment Act 2016* ('the Act') require landlords to fit all rental properties with insulation and smoke alarms by 1 July 2019.
- 3 The Leader of the Opposition's Healthy Homes Guarantee Bill (No 2) ('the Bill') proposes amendments to the Residential Tenancies Act 1987 with the purpose of ensuring every rental home in New Zealand meets minimum standards of heating and insulation.
- 4 The Bill goes further than the Act in that it adds heating as a requirement for rental properties, and requires that rental properties' heating and insulation meets minimum standards of adequacy for: methods of heating; methods of insulation; ventilation; drainage; draft-stopping; and minimum indoor temperatures.
- 5 The Act allows landlords a maximum period of three years to comply. The Bill would require the standards to be published within six months and apply to all lease agreements entered thereafter. Where no new lease is entered, landlords would have up to five years to comply with the standards.
- 6 Both the Act and the Bill provide exemptions where compliance is impracticable (e.g. no access to install under-floor insulation). Enforcement of both the Act and the Bill would be undertaken through current residential tenancy enforcement mechanisms.

DISCUSSION

- 7 During development of the DCC's Social Wellbeing Strategy the condition of the city's housing was identified as the number one social issue in Dunedin. As a result, one of the three priorities of the strategy is 'Better Homes', recognising that living in cold, damp housing is detrimental to many households, especially those with high social needs.
- 8 The DCC has been involved in a number of housing-related issues as part of delivery on the Social Wellbeing Strategy priority, including:
- co-funding the installation of insulation for the past 10 years for low-income residents in partnership with other organisations;
 - providing access to the Warm Dunedin Targeted Rate programme for both insulation and heating;
 - upgrading its Community Housing rental properties;
 - being a partner and funder of the Cosy Home Charitable Trust; and
 - taking part in a Rental Housing Warrant of Fitness ('Rental WOF') study led by the University of Otago.
- 9 Neither the Act nor the Bill includes the safety and security features recommended in the University of Otago's Housing and Health Research Programme's Rental Warrant of Fitness (WOF).¹ Associated research indicates that the median cost for upgrading rental homes to the Rental WOF standard is around \$8,000 although generally the specific heating and insulation costs are much less.
- 10 The attached draft submission supports the Bill but proposes that the Rental WOF should be the end goal to ensure that everyone living in rental accommodation has a safe, healthy and warm home.
- 11 The draft submission also raises concerns about enforcement, as the onus is currently placed on tenants to take their landlords to the Tenancy Tribunal should landlords fail to comply with the new standards. The Rental WOF addresses this issue by requiring landlords to seek an independent assessment or inspection before their properties can be tenanted.
- 12 In addition, the draft submission proposes:
- a) the maximum time for compliance be brought forward from five to three years, to more quickly deliver health benefits for tenants while giving landlords and the insulation and heating industry sufficient time to achieve compliance.
 - b) the Ministry of Building, Innovation and Employment (MBIE) is adequately resourced for the task of setting the minimum standards.
 - c) that the minimum standard for insulation required for all rental properties be set at the current NZ Building Code as for new builds.

¹ Housing and Health Research Programme, Department of Public Health, School of Medicine and Health Sciences, University of Otago, Wellington.

OPTIONS**Option One – Recommended Option**

- 13 The DCC submits on the Healthy Home Guarantee Bill (No 2), either with or without amendments to the attached draft submission.

Advantages

- The submission supports proposed legislation that will contribute to the DCC's Social Wellbeing priority of 'Better Homes' for Dunedin residents.

Disadvantages

- There are no known disadvantages.

Option Two – Status Quo

- 14 The DCC does not submit on the Healthy Homes Guarantee Bill (No 2).

Advantages

- There are no known advantages.

Disadvantages

- Opportunity to support proposed legislation that will contribute to the Social Wellbeing Strategy's priority of 'Better Homes' for Dunedin residents is lost.

NEXT STEPS

- 15 Subject to the Economic Development Committee's recommendation, the submission will be forwarded to the Government Administration Select Committee by 23 June 2016. The submission will be retrospectively approved by the Council on the 27 June 2016.

Signatories

Author:	Paul Coffey - Community Advisor
Authoriser:	Nicola Pinfold - Group Manager Community and Planning

Attachments

	Title	Page
A	Submission on the Healthy Homes Guarantee Bill (No 2)	33

SUMMARY OF CONSIDERATIONS***Fit with purpose of Local Government***

The attached submission relates to providing local infrastructure and a public service and is considered good-quality and cost-effective.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The attached submission supports proposed standards that will contribute to the Social Wellbeing's priority of 'Better Homes'. It also supports the objectives of the city's Energy Plan and Environment Strategy by supporting legislation that will contribute to increased energy efficiency. There are also links between housing quality and the Economic Development Strategy. Dunedin's poor quality housing is a factor deterring some people from seeking employment in Dunedin. The impacts of sick leave relating to poor quality housing in terms of education and employment are also clearly identified.

Māori Impact Statement

There are no specific impacts for tangata whenua.

Sustainability

The proposed legislation supports sustainability principles by contributing to better health and energy consumption outcomes.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

There are no LTP or Annual Plan implications.

Financial considerations

There are no financial implications for the DCC's social housing budget as the improvements proposed in the Healthy Homes Guarantee Bill (No 2) can be met within existing budgets.

Significance

This report has been assessed under the Council's Significance and Engagement Policy as being of low significance.

Engagement – external

There has been no external engagement.

Engagement - internal

Staff from Corporate Policy, Events and Community Development, and Property were consulted in the preparation this report and attached submission. Staff are happy with the submission's content.

Risks: Legal / Health and Safety etc.

There are no known risks.

SUMMARY OF CONSIDERATIONS

Conflict of Interest

There are no known conflicts of interest.

Community Boards

There are no implications for Community Boards.

30 May 2016

To the Government Administration Select Committee
Parliament Buildings
Private Bag 18041
Wellington 6160

SUBMISSION ON THE HEALTHY HOMES GUARANTEE BILL (NO 2)

This submission is from the Dunedin City Council.

Background

1. The Dunedin City Council is responsible for meeting the current and future needs of communities for good quality local infrastructure, local public service and performance of regulatory functions in a way that is most cost effective for households and businesses, under the Local Government Act 2002.
2. In 2013 the Dunedin City Council released the Social Wellbeing Strategy 2013-2023. During its development, the condition of the city's housing was identified as the number one social issue facing the city. As a result, one of the three priorities of the Strategy is 'Better Homes'. This priority recognises that living in cold, damp housing is detrimental to many households, especially those with high social needs.
3. The Dunedin City Council has been involved in a number of housing-related issues due to its importance to the Social Wellbeing Strategy, including:
 - by co-funding the installation of insulation for the past 10 years for low-income residents in partnership with other organisations, including the Energy Efficiency Conservation Authority (EECA);
 - by providing access to the Warm Dunedin Targeted Rate programme for both insulation and heating;
 - as a partner and funder of the Cosy Home Charitable Trust, the aim of which is that all homes in Dunedin are warm and cosy by 2025;
 - as one of the partners taking part in a Rental Housing Warrant of Fitness ('Rental WOF') study led by the University of Otago.²
4. The Dunedin City Council is also a significant landlord in the city providing approximately 950 bedsits and smaller numbers of one and two bedroom accommodation, mostly to older people. All units have been retrofitted to EECA standards for ceiling insulation, and under-floor insulation where possible to install.

² Housing and Health Research Programme, Department of Public Health, School of Medicine and Health Sciences, University of Otago, Wellington.

