Notice is given that an ordinary meeting of the Corporate Services Committee will be held on:

Date:	**Thursday 24 March 2016**
Time:	**9.30am**
Meeting Room:	**Tasman Council Chamber**
Venue:	**189 Queen Street Richmond**

Corporate Services Committee

AGENDA

MEMBERSHIP

Chairperson	Cr T B King	
Deputy Chairperson	Cr M J Higgins	
Members	Mayor R G Kempthorne	Cr M L Bouillir
	Cr J L Edgar	Cr B W Ensor
	Cr Z S Mirfin	Cr T E Norriss
	Cr B F Dowler	Cr M J Greening
	Cr P L Canton	Cr J L Inglis
	Cr P F Sangster	Cr S G Bryant

(Quorum 7 members)

Contact Telephone: 03 543 8453
Email: valerie.gribble@tasman.govt.nz
Website: www.tasman.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted.

AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation
That apologies be accepted.

3 PUBLIC FORUM

4 DECLARATIONS OF INTEREST

5 LATE ITEMS

6 CONFIRMATION OF MINUTES

That the minutes of the Corporate Services Committee meeting held on Thursday, 11 February 2016, be confirmed as a true and correct record of the meeting.

7 REPORTS OF COMMITTEE

Nil

8 PRESENTATIONS

9 REPORTS

Item 8.1

8 PRESENTATIONS

8.1 ASB BANK ECONOMIST

Decision Required

Report To:	Corporate Services Committee
Meeting Date:	24 March 2016
Report Author:	Valerie Gribble, Executive Assistant
Report Number:	

PRESENTATION

Jane Turner, ASB Economist, will make a presentation to the Committee at 10.00 am.

Appendices

Nil

Item 9.1

9 REPORTS

9.1 ACTION SHEET

Decision Required

Report To:	Corporate Services Committee
Meeting Date:	24 March 2016
Report Author:	Valerie Gribble, Executive Assistant
Report Number:	RFN16-03-03

1 Summary

1.1 Attached is the Corporate Services Committee Action Sheet, for review.

2 Draft Resolution

That the Corporate Services Committee receives the Action Sheet report (RFN16-03-03).

3 Attachments

1. Action Sheet 9

Action Sheet – Corporate Services Committee

Item	Action Required	Responsibility	Completion Date/Status
Meeting Date: 11 February 2016			
	Staff to follow up on the issue of consents for the new hangar at Motueka Aerodrome	Mr Holden	Completed.
	Staff to find out if the rates FAQ sheet is on the website.	Mr Holden	Yes, general FAQs are on the website.

9.2 REMISSION APPLICATION- POLICY ON REMISSION OF EXCESS METERED WATER RATES

Decision Required

Report To:	Corporate Services Committee
Meeting Date:	24 March 2016
Report Author:	Kelly Kivimaa-Schouten, Revenue Accountant; Russell McGuigan, Programme Delivery Manager
Report Number:	RFN16-03-02

1 Summary

1.1 A small business in Murchison had a water bill issued to them in December 2015 which was unusually high ($5,252.40) due to a water leak on the property. Staff advised the business they were not eligible for a rates remission. In February 2016, the business contacted a Ward Councillor requesting financial support as a result of this leak. This application is therefore being brought forward for Corporate Services consideration at his request.

1.2 Volumetric water rates are set as a rate under the Local Government (Rating) Act 2002 ("the Rating Act"). The Rating Act only permits the Council to remit rates in accordance with the Council's Rates Remission Policy.

1.3 The Council's Policy on Remission of Excess Metered Water Rates ("the Remission Policy") is the only Council Remission Policy that permits remissions for water leaks. The Remission Policy applies to properties that are used for residential purposes.

1.4 The application does not relate to a residential dwelling and is therefore is not eligible from a legal rating perspective for a remission under the Remission Policy.

2 Draft Resolution

That the Corporate Services Committee:

1. **receives the Remission Application- Policy on Remission of Excess Metered Water Rates report (RFN16-03-02); and**
2. **declines to issue the applicant a Rates Remission under the Council's Policy on Remission of Excess Metered Water Rates.**

3 Purpose of the Report

3.1 The purpose of this report is to consider an application for a Rates Remission under the Council's Policy on Remission of Excess Metered Water Rates.

4 Background and Discussion

4.1 A small business in Murchison had a water bill issued to them in December 2015 which was $5,252.40. This was much higher than the customer's typical water bill of under $400 due to a water leak on the property.

4.2 The business's previous bill issued in June 2015 was for $1,194.90 and Council records indicate that staff had sent a letter to the customer stating their account was high and they should check for a leak or meter misread and also included a pamphlet explaining how to check for leaks.

4.3 The customer contacted staff in December 2015 and was advised they were not eligible for relief under the Remission Policy.

4.4 In February 2016, the business contacted a Ward Councillor requesting financial support as a result of this leak. This application is therefore being brought forward at the Councillor's request, for Corporate Services to consider.

4.5 Volumetric water rates are set as a rate under the Local Government (Rating) Act 2002 ("the Rating Act"). Section 85 of the Rating Act states that rates may only be remitted under a Council's rates remission policy.

4.6 The Council's Policy on Remission of Excess Metered Water Rates states that the policy applies "to applications from ratepayers who have excess water rates due to a leak in the property's internal reticulation." The policy further defines internal reticulation as going "directly to the dwelling", and states how the dwelling must be used only or mainly for residential purposes.

4.7 The Council determined its broad strategies on the parties that were able to obtain remissions under its Policy on Remission of Excess Metered Water Rates when the Rates Remission Policy was set and consulted on as part of the Long Term Plan 2015-2025 process.

4.8 There would be a legislative compliance risk to Council if it granted a remission that did not qualify under its Remission Policy.

4.9 There is a broad risk that more members of the community will approach the Council directly for consideration if one-off exceptions to approved policies were granted.

4.10 For example, in June 2015, a different business in Murchison had an unusually high bill due to a water leak. They were not eligible for a remission and are presently paying the high water account off on a payment plan. In January 2016 they requested staff pass on to Councillors that they are displeased with having to pay off the leak. They indicated the leak wasn't covered by their insurance, and the leak occurred "hard and fast".

4.11 Council staff routinely advise non-residential water users who have incurred leaks that they are not eligible under the Remission Policy.

4.12 Neither customer uses their property for residential purposes and therefore neither is eligible for a rates remission under the Remission Policy.

4.13 Both customers wanted Council to be involved in reviewing the fairness of this outcome.

4.14 However, the Council does not legally have the ability to grant a remission to an application that does not qualify under the Remission Policy.

4.15 All water users in the district have a responsibility to maintain their private water supply infrastructure to a high standard, amongst other things, to avoid the high costs of water leaks. The policy settings are designed to incentivise ratepayers to maintain their infrastructure and take their own regular readings to identify early any excessive use. Each current water invoice reminds the water user to check for leaks and discusses how to test for leaks.

4.16 The Council has incurred the cost of treating and delivering water that is delivered for use. These costs still need to be met, even where a remission is made. The water supply activity is operated on a break even basis.

4.17 The Council has a precedent of declining applications which do not quality under the Remission Policy. For example, at the Corporate Services Committee meeting held on Thursday, 9 October 2014, the Committee declined remission applications related to water leaks from Tapawera Area School and Wakefield Bowling Club. A motion to review the scope of the Remission Policy in relation to voluntary and educational facilities was lost.

5 Options

Option 1: Decline Remission

5.1 The Corporate Services Committee can decline to grant a remission for this application. This option is recommended by staff.

5.2 This option ensures compliance with legislation and the Council's Remission Policy.

5.3 The cost of the leak would stay with the applicant under this option.

Option 2: Grant Remission

5.4 The Corporate Services Committee can grant a remission although this option is not recommended by staff because there is no legal mechanism under the Council's current Remission Policy to grant this remission.

5.5 The Council made a policy choice when it adopted its Remission Policy to extend possible remissions for leaks only to residential properties. Since then, other non-residential applicants have not been granted remissions. The Council cannot change a Rates Remission Policy without a consultation process.

5.6 Granting a remission would be of financial benefit to the applicant, with the cost being paid by other urban water account ratepayers.

6 Strategy and Risks

6.1 Strategy and Risks are discussed in clauses 4.7-4.10, and 4.15-4.17.

7 Policy / Legal Requirements / Plan

7.1 Legislative and policy considerations are discussed in clauses 4.5-4.8.

8 Consideration of Financial or Budgetary Implications

8.1 The cost of remissions as a result of water leaks are met by other water users through increased charges as the water activity is operated as a closed account.

8.2 The remissions budget has been set using the expectation that only residential customers are eligible for rates remissions due to excess metered water leaks. Water rates would need to increase if the Remission Policy was to cover more than just residential customers.

9 Significance and Engagement

9.1 This decision is of low significance because it relates to the application of a policy that has already been consulted on and therefore only significantly directly impacts on the applicant, although it may set some precedent for other non-residential applicants such as the other customer discussed in clause 4.10 who is paying off their water account.

9.2 The financial impact of the individual remission application is low. However as noted above, there would be flow on effects to other customers if a non-residential applicant was granted a remission.

10 Conclusion

10.1 The Council cannot legally offer the applicant a remission under the Council's Policy on Remission of Excess Metered Water Rates.

11 Next Steps / Timeline

11.1 To inform the applicant of the Corporate Service Committee's decision.

12 Attachments

Nil

9.3 CORPORATE SERVICES MANAGER'S REPORT

Information Only - No Decision Required

Report To:	Corporate Services Committee
Meeting Date:	24 March 2016
Report Author:	Mike Drummond, Corporate Services Manager
Report Number:	RFN16-03-01

1 Summary

1.1 Departmental Financial Update – The year-to-date position is favourable to forecast with the year-end also close to budget. Interest costs are 0 .45% below budgeted levels.

1.2 Finance Section Update – There is a high level of activity with ongoing work on reporting and improved debtor management. The section is now fully staffed.

1.3 Property Services Update – With the retirement of the Property Services Manager and the departure of another team member the section is in a holding pattern dealing with important and urgent issues only. Responsibility for aerodromes has been transferred to the Commercial Manager.

1.4 Information Services Update – The key piece of work is developing the next iteration of the Digital Strategy. Upgrades to facilities and systems are occurring as planned. The EDRMS project is on track.

1.5 Commercial property – These activities were fully reported to the Commercial Subcommittee in February. Consideration is requested on a proposal to pause the current land sale programme at Mapua.

1.6 Audit Subcommittee - Discussions are continuing on meeting the expectations as a result of the expanded role of the subcommittee. Additional resourcing in finance is being considered to meet the support requirements.

1.7 Risk Management – Work is continuing on the Local Government Risk Agency. The focus is on improving risk management processes. The Treasury review of the 60/40 split cost sharing arrangement for catastrophic events with Central Government is due in April. It is expected that this will see a greater share of costs being borne by local authorities.

1.8 Investments and other CCO matters – As expected at this time of the year we have received a number of half yearly reports and draft SOIs. Some of these will go with officers reports to the Joint Shareholders Committee. Full copies are available to Councillors.

2 Draft Resolution

That the Corporate Services Committee receives the Corporate Services Manager's Report (RFN16-03-01).

3 Department Financial Update

Corporate Services Department
Overhead Expenditure Statement
For the year to January 2016

YTD Actual Jan 2015	CORPORATE SERVICES	YTD Actual Jan 2016	YTD Forecast Jan 2016	YTD Variance	Total Forecast 2015/16	Total Budget 2015/16	Total Forecast Variance	YTD % Total Forecast
	OVERHEAD EXPENSES							
1,725,660	Wage Related Expenses	1,694,657	1,713,167	18,510	2,959,003	2,959,006	3	57%
482,478	Maintenance	595,210	613,882	18,672	873,705	856,015	(17,690)	68%
926,739	General Operating Costs	701,548	749,191	47,643	1,262,745	1,294,528	31,783	56%
338,024	Professional Fees	287,217	311,226	24,009	679,646	627,833	(51,813)	42%
34,069	Operations	20,049	26,611	6,562	88,779	88,779	0	23%
81,248	Employee Benefits	81,622	80,887	(735)	146,057	146,055	(2)	56%
50,115	Employment Related Expenses	46,261	41,394	(4,867)	115,622	105,042	(10,580)	40%
409,687	Overheads	391,571	387,303	(4,268)	662,789	662,789	0	59%
(27,001)	Loan Interest	(296,698)	(283,650)	13,048	(495,997)	291,967	787,964	60%
68,163	Financial Expenses	30,678	34,268	3,590	83,074	81,074	(2,000)	37%
38,757	Depreciation	494,234	519,951	25,717	998,014	979,208	(18,806)	50%
4,127,939	**TOTAL OVERHEAD EXPENSES**	**4,046,350**	**4,194,230**	**147,880**	**7,373,437**	**8,092,296**	**718,859**	**55%**
109,093	Capex Additions	408,646	549,892	141,247	1,831,270	1,826,510	(4,760)	22%
4,237,032	**TOTAL OVERHEAD EXPENDITURE**	**4,454,995**	**4,744,122**	**289,127**	**9,204,707**	**9,918,806**	**714,099**	**48%**
	OTHER ITEMS							
(3,793,120)	Overhead Recoveries	(3,702,070)	(3,712,386)	(10,316)	(6,380,986)	(6,380,995)	(9)	58%
(1,102,892)	Income	(1,322,413)	(1,248,487)	73,926	(2,009,992)	(1,898,342)	111,650	66%
(658,980)	**OVERHEAD ACCOUNT BALANCE**	**(569,489)**	**(216,751)**	**352,738**	**813,729**	**1,639,469**	**825,740**	**-70%**

3.1 Year-to-date expenditure is favourable to forecast by $147,000 with favourable variances across most budget lines. The forecast year-end position compared to the budget is a net overhead deficit of $50,000 once the impact of treasury interest costs (down on budget by 0.45%) and depreciation is removed. The driver of the forecast deficit is additional professional fees. These are around programmed investment valuations as part of our ongoing review of assets for potential sale.

4 Finance Section Update

4.1 A number of projects are culminating to present a very high level of activity for the team. These include; finalising the 2016/17 Annual Plan financials which includes draft rates and rates analysis, the December 2015 six monthly report and year-end reforecast, and the February monthly financial reports.

4.2 Work also continues on the refinements of MagiQ BR reports as we enhance the financial information delivered to managers and budget holders. We are also utilising the resources to take more manual intervention out of some of our processes, thereby creating more time in the monthly process to work directly with budget managers. This continues to add value to the understanding of the reports and in forecasting year-end positions.

4.3 After the peak of the third rates instalment, work continues on the contiguous property amalgamation project with QV. The team also remains busy as a consequence of the high level of property sales and subdivision activity.

4.4 A special project plan has been developed to address the shortcomings evident within debtor management. This involves people, processes, policy and systems reviews. A verbal update will be given by the Finance Manager at the meeting.

5 Property Services Update

5.1 The Property Services Manager retired on 10 February 2016. We are currently recruiting a replacement manager. It is expected that final interviews will have been completed and an employment offer made by this meeting date.

5.2 We have re-employed the retiring property manager on a six month fixed term contract to assist with the property aspects of the two large Golden Bay projects; the recreation facility and the Service Centre rebuild. This is due to his knowledge and our desire not to impact these projects timelines. The cost will be capitalised into the projects.

5.3 The Property Services Officer has also resigned to take up a role at the Department of Conservation. We are recruiting for a replacement. As a result of these two departures the section is operating at reduced capacity. This will delay non-urgent work on the programme. Remaining staff are reporting directly to the Corporate Services Manager.

5.4 Best Island Access - The revised Best Island land valuation was received at the start of March. Discussions are occurring with the Property Group and the Ashtons. These are being led by the Chief Executive.

5.5 Responsibility for the aerodromes was transferred to the Commercial Manager in February. These are now reported through the Commercial sub-committee.

5.6 The following document was signed under Delegated Authority:

Adjoining owners certification for uplifting limitations as to parcels from Pt Sec 108 Sq 2 CFR NL 136/39 Ltd.

6 Information Services Update

6.1 Information Services Strategic Plan Update, 2016-2019

Staff interviews and workshops for the Information Services Strategic Plan update will take place from 10-23 March 2016. A Councillor workshop on the strategy is being planned for early April. As part of the update, the Strategy will evolve into a Digital Strategy for Council. This will ensure a more externally-focused strategy with an emphasis on using technology and digitisation to improve functions and processes, providing improved service options and a better customer experience with Council.

6.2 Asset Management System Upgrade

We upgraded the Confirm Enterprise asset management system to the latest version in our test system during the week of 22 February 2016. This will now be thoroughly tested by staff to ensure all modules, screens and contractor links are working correctly before the new system is moved into the live environment next month.

6.3 Meeting Room Web Conference Facilities

Cameras for staff Skype calling, video conferencing and Webinar participation have now been added into the Heaphy, Wangapeka and Sabine rooms. This adds to the web meeting functionality already in place in the Kowhai and Kahurangi Rooms at the Richmond Main Office. This functionality will also be added to the Motueka Service Centre in this financial year, and as part of the Golden Bay Service Centre building work happening later in 2016.

6.4 Electronic Document and Records Managements Systems

This project continues with the new Council file structure being installed into the test system in late March. Once this has been tested and signed off, the new structure will be installed into our document management system and the process of moving departmental documents and records across will begin. This will involve document process reviews and training of staff to ensure the transition is successful. It is planned for all departments to be working within the system by the end of 2016.

7 Commercial Assets

7.1 The commercial activities were reported to the February meeting of the Commercial Subcommittee. The report was confidential as it contained commercially-sensitive information. The section on the Motueka Aerodrome will be released to the Motueka Community Board and to the Aerodrome Advisory Group.

7.2 Discussion is continuing on the best long term use of Council's land holding at Mapua, including supporting the commercial precinct and meeting local community expectations. While the land sales have not been completed there is a due diligence process underway. There are also holding costs including rates, maintenance and loan servicing.

7.3 If a pause in the Mapua land sale process is desired now would be an opportune time for the Committee to signal to staff that a pause and reflect in this sale process is required. This would allow Council to consider the implications of the land sales further.

8 Audit Subcommittee

8.1 The Subcommittee is meeting following Corporate Services on 24 March 2016. There has been some discussion on the expanded role of the Subcommittee and the additional resourcing required to meet best practice. With the expansion of the role and an expectation that the Subcommittee will be fully supported prior to the October elections, additional staff resourcing will be required.

8.2 Graham Naylor, the independent member of the Subcommittee, and an experienced Audit Partner has been assisting by providing a list of all the matters he considers should flow through the Subcommittee in order to meet best audit and risk practice. This will result in a significant ongoing increase in the finance area base work load (along with others). Additional resourcing will be necessary to support this approach. It also shifts matters that would have been dealt with at a management level, other committees, Full Council or the Joint Shareholders Committee, to the Audit Subcommittee. The suggested approach is within the Terms of Reference set for the Subcommittee.

8.3 The need to loop decisions through the Audit Subcommittee will compress some timeframes. I am yet to assess what that will mean overall. I anticipate I will need to bring the likes of the Council's valuers into some meetings. This will come at an additional cost.

8.4 To assist in meeting these raised expectations we are looking at taking on an additional part time staff member in the finance section. This would replace the proposed part time legal officer role that was budgeted on the basis of reducing overall legal costs.

9 Risk Management – Local Government Risk Agency (LGRA)

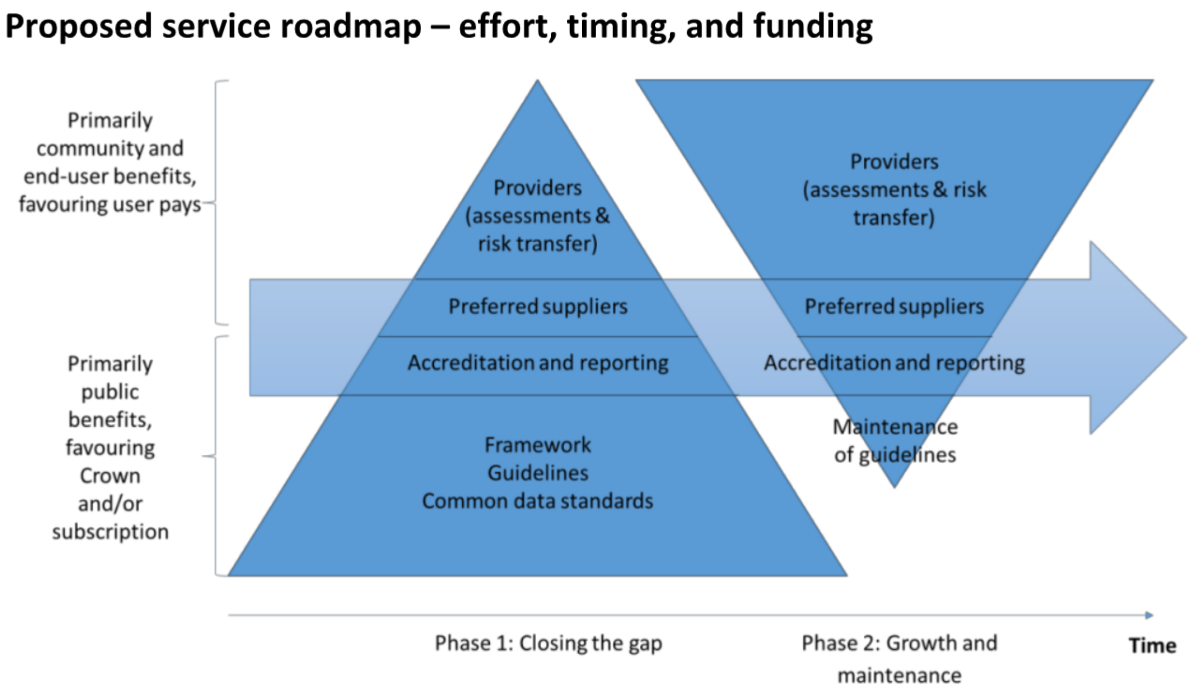
9.1 In June 2015, LGNZ announced it had formed a relationship with the Crown to investigate options for a Local Government Risk Agency (LGRA). The establishment board has been working closely with LGNZ, local authorities, and officials from the Department of Internal Affairs, the Ministry of Civil Defence and Emergency Management and The Treasury since its inception. Its primary task is to identify risk management services that would assist councils and locally owned infrastructure. The Board's initial draft business case is currently underway and we would expect to update any proposal later this year.

9.2 The draft business case recommends establishing an LGRA and implementing it in two phases with an initial focus on assets and natural hazards, acknowledging that risk-based asset management will be integrated into the overall enterprise risk management practices of local authorities.

9.2.1 **Phase 1** will focus on closing the identified information and capability gap to bring New Zealand local authorities up to a higher standard for risk management and capability. For this, local authorities need support to gather more information of a consistent quality about their infrastructure and assets, assess their risk management maturity, and identify what needs to be done to close the gap.

9.2.2 **Phase 2** would focus on growing and maintaining a financially-sustainable risk management capability.

9.3



The approach discussed in the business case is consistent with international moves to draw people's attention to preventing new risks, reducing existing risks, and strengthening resilience so communities and nations can recover from disasters more quickly.

9.4 A mixture of direct funding (from central government and local government) and indirect funding (in the form of savings from industry) will be required to create a financially-sustainable LGRA. The draft business case proposes Crown funding for Phase 1 activities moving to self funding in Phase 2 with Phase 1 beginning in July/August 2016.

9.5 Treasury review of 60/40 cost sharing arrangement. Treasury will release a discussion document on the 60/40 review in April. The LGRA Establishment Board continue to reinforce the importance of the local government sector being able to consider the LGRA proposal and 60/40 review proposal in tandem. It seems likely that a greater share of the costs will in future be met by local authorities.

10 Investments and Other CCO related matters

10.1 Civic Assurance - Council holds shares, as do many local authorities, in Civic Assurance. Civic Assurance is not a CCO (Council Controlled Organisation) but they do voluntarily issue a Statement of Intent (SOI). We have received their draft SOI for 2016. A copy is available to Councillors on request from Valerie Gribble. Civic and related parties have settled the Christchurch earthquake claim at $635m. The total paid to Christchurch City Council by Civic and LAPP for the 2010/11 earthquakes was $829m. Civic have advised that they intend to re-enter the local government insurance market from 30 June 2016.

10.2 Nelson Regional Economic Development Agency (EDA) has provided a copy of their Half Yearly report. A copy is available to Councillors on request from Valerie Gribble.

10.3 Nelson Airport Ltd - NAL has provided a copy of their Half Year Financial Report. This report along with other half yearly reports is considered by the Joint Shareholders Committee. The Directors report is attached (Attachment 1). A full copy is available to Councillors on request from Valerie Gribble. The Company is currently engaged in the five yearly review of aeronautical charges (landing fees). Air New Zealand is known for sharp negotiating skills and effective political lobbying. Councillors should keep in mind that this is a commercial negotiation with controls on charges via the Commerce Commission.

10.4 Nelson Airport Ltd – We have received the Draft Statement of Intent for 2016/17. This SOI and other SOIs are considered by the Joint Shareholders Committee. The draft SOI is highly confidential and commercially sensitive, especially in light of the terminal project and the review of aeronautical charges. Following feedback from shareholders and any modifications from shareholders the final SOI is made public. A full copy of the draft is available to Councillors on request from Valerie Gribble.

10.5 Local Government Funding Agency (LGFA) – The Shareholders Council has received the draft SOI for 2016/17. The draft will be considered by the Shareholders Council at its next meeting. Following that a recommendation will be made to shareholders.

10.6 Local Government Funding Agency (LGFA) – The LGFA half yearly report has been received. The report will be considered by the Shareholders Council at its next meeting. The Directors report is attached (Attachment 2). A copy of the full report is available to Councillors on request from Valerie Gribble.

10.7 Tasman Bays Heritage Trust (TBHT) – The Provincial Museum Trust half yearly report has been received. A copy of the full report is available to Councillors on request from Valerie Gribble.

10.8 The TBHT draft Statement of Intent for 2016-19 has been received. This SOI and other SOIs are considered by the Joint Shareholders Committee. A copy of the SOI is available to Councillors on request from Valerie Gribble.

11 Attachments

NELSON AIRPORT

Directors' Report

For the 6 Months Ended 31 December 2015

Operations

The six months ending December 2015 saw a significant transformation in commercial airline activity.

Commencing as a response to a rationalisation of the regional network by the national carrier, smaller airlines including new entrants took up the challenge, and Nelson's central location along with its active passenger history and professional service ability became an integral destination for these new services. This was enhanced with the announcement by Qantas to extend its low cost subsidiary Jetstar to encompass regional New Zealand, with Nelson Airport again a preferred choice. By the end of December some four new routes were underway with three additional carriers – an annual increase of 3,300 inward flights which is expected to rise by another 2,000 during 2016.

Accommodating and servicing the new airline needs for check-in and baggage retrieval have been very effectively accomplished within the terminal. Airside gate allocations have come under pressure but again these demands have been effectively managed within the existing infrastructure. Nevertheless with peak hour patronage already straining the capacity of the 1975 Terminal and likely to impact further with expected growth, the Terminal upgrade has had to be reviewed in light of these changing patronage and operating requirements. We now forecast that we will have achieved a one million passenger annual volume by November 2016, which continues to place Nelson as the leading Regional domestic airport.

Importantly, the five year review of aeronautical charges is due mid-2016. Aeronautical charges provide compensation for the airline services we provide, including infrastructure, and are designed to transparently reimburse operating costs plus provide a modest return on capital deployed, all based on airline use. With the new Terminal expected to be completed in the next five year term of the charges and airline use rising by over 25% from the previous period, we expect to see some movement in charges (remaining competitive against other regional airports) as the additional assets including airside land are brought to account. Consultation with airline users will commence shortly.

Scheduled rent reviews for airport property have been undertaken with a professional and open approach to market rates and additional revenue has resulted. Similarly we have commenced our own advertising management and this has been advantageous with good net gains compared to previous out-sourcing.

Growth of passengers is only sustainable if we attract visitors to the region rather than just local users. To that end we have initiated a range of marketing projects with Nelson Tasman Tourism, other tourism marketing bodies, and partner airports to stimulate inbound and outbound traffic. This activity will continue to grow given the wider rewards.

The company has engaged with the Ministry of Transport in their review of Domestic Security at Regional airports. We are mindful of potential security needs which may be punitive for our wider precincts as Nelson remains the only airport with reasonable boundary access.

During the six months we rebranded the Nelson airport image – it now graphically reflects our pre-eminence as a gateway to the region and our reach around the world.

Health, Safety and Wellbeing recorded good results and while there were minor incidents from patrons in the Terminal and forecourt, response and mitigation were excellent.

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Notes to the Financial Statements

Item 9.3

Attachment 1

NELSON AIRPORT

Directors' Report
For the 6 Months Ended 31 December 2015

Fiscal Performance

We are pleased to report our financial results for the period showed good growth, buoyed by parking revenues including rental parking and supported by our advertising initiatives. Continuing efficiency was achieved in most controllable costs.

6 months ended	December 15	Budget	December 14
Revenue	$2.837m	+5%	+11%
Profit before Taxation	$1.267m	+19%	+29%

Expectations are for revenue to achieve a record $6.0million in the full year and a profit after tax of $2.0million - a 21% return on opening shareholders equity.

Capital Programme

Work on the Terminal development continues apace and is currently subject to challenge as to economic merit in addition to its future functional attributes and regional representative values. We anticipate this work being completed in the next four months. This is a major project for the region and with a need to remain operational in the same area the timetable will be extended over two years.

Concurrently, work is in progress with Airways Corporation on the location and build of a standalone tower facility, with the relocation of the Doppler VOR to the Monaco causeway also well advanced.

The inadequacy of our parking precinct has been clear for some time and there have been an increasing number of days when our parking areas are full. The terminal forecourt and parking areas are somewhat governed by the new Terminal intentions and these have been taken into account by our capital works specialists. We anticipate parking development preceding the Terminal work and have already upgraded the electronic processing of ticketing to make the process much improved for users.

Paul Steere
Chair

Paul McGuinness
Deputy Chair

29 February 2016

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Notes to the Financial Statements

4

CHAIRMAN'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

"LGFA continues to provide high quality service to our local government stakeholders while introducing new products and growing our membership."

Craig Stobo, Chairman LGFA Board

Directors would like to highlight the following developments at LGFA for the interim results for the six months to December 2015:

1. **Strong Financial and Operational Performance**

   LGFA total interest income for the six-month period of $134.2 million was a 28.3% increase over the 2014-15 comparable period of $104.6 million while Net Operating Profit of $4.8 million was a 6.7% increase on the 2014-15 comparable period of $4.5 million. Operating expenses were higher as a result of the listing of LGFA bonds on the NZX and increased Approved Issuer Levy (AIL) payments incurred as offshore investor holdings of LGFA bonds grow. The financial strength of the LGFA was reaffirmed by credit rating agencies Standard and Poor's and Fitch who maintained our credit rating at AA+. Our credit rating is the same as the NZ Government.

   LGFA commenced nearly all front, middle and back office activities from 1 July 2015 following the transition of services previously undertaken on our behalf by the NZ Debt Management Office. It was pleasing to note that the new Treasury Management System was completed on time and under budget.

2. **Borrowing activity**

   LGFA has now issued $5.665 billion of bonds on behalf of its Council members across six maturities from 2017 to 2027. LGFA is now one of the largest issuer of NZD securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors.

   LGFA successfully launched its short-dated LGFA Bill programme in October 2015 and now auctions 3-month and 6-month LGFA Bills on a monthly basis.

   On 16 November 2015, LGFA listed its bonds on the NZX Debt Market and this will increase our domestic and offshore investor base and add to liquidity.

3. **Lending to the sector**

   LGFA was established four years ago to provide long-dated borrowing, certainty of access to markets and reduce the borrowing costs for the local government sector. It is pleasing to note the following achievements over the past six months:

   - We added two new members, Canterbury Regional Council and Buller District Council, bringing total membership to forty-seven councils.

Left: Construction of the Stopbank Cycle Track. Upper Hutt City Council.

- Bespoke lending continues to be popular for councils in that it provides flexibility as to maturity dates of borrowing and the date of drawdown. LGFA lent $178 million on a bespoke basis for the six-month period. This was approximately 25% of our total lending over that six-month period.
- Following the issuance of LGFA Bills we were able to offer short-dated lending (less than 365 day terms) to councils. LGFA in the first month of this initiative had lent $44 million to three councils.
- The tenor of lending by LGFA to the sector continued to lengthen with the average term of borrowing by councils increasing to 9.2 years in the six-month period.

There have been some changes to the governance of LGFA following the November 2015 AGM. I would like to welcome Linda Robertson and Mike Timmer to the LGFA board and acknowledge the contribution of Paul Anderson who has retired as a director. Paul, as Christchurch City Council Chief Financial Officer, was a member of the Tight Nine that seed funded the LGFA concept, a member of the LGFA Establishment Board and then the LGFA Board when the company was incorporated in December 2011. Paul has made a significant contribution to the success of LGFA and I wish to express my thanks to him for his efforts.

The next six months will be a challenging period for borrowers as a result of the recent market volatility and deteriorating credit market sentiment. I believe however that LGFA is well positioned to continue to deliver relative cost savings to the sector.

Craig Stobo
Chairman, LGFA Board

Item 9.4

9.4 TREASURY REPORT

Information Only - No Decision Required

Report To:	Corporate Services Committee
Meeting Date:	24 March 2016
Report Author:	Bryce Grammer, Financial Accountant
Report Number:	RFN16-03-04
File Reference:	B059

1 Summary

1.1 This report updates Committee members on compliance with the Council's Treasury Management Policy as at 29 February 2016.

1.2 The Council is complying with its Treasury Management Policy, as well as with treasury policy limits.

1.3 The Council borrowings at 29 February 2016 totalled $139 million. The weighted average interest rate on borrowings is 5.274%. The Council's cost of funds including interest rate swaps, bank margins and line fees being taken into account is 5.321%, compared to a budget of 5.70%. Staff continue to closely monitor the markets in order to capitalise on any opportunities to reduce the Council's borrowing costs.

1.4 The Reserve Bank dropped the OCR by 25 basis point to 2.25%, an all-time low, on the 10th March in a bid to fend off the risk of deflation. The outlook for global growth has deteriorated since December due to weaker growth in China and other emerging markets, and slower growth in Europe. While the outlook for New Zealand's domestic economy had positives there were "many" risk. A forecast for future interest rates show the RBNZ is expected to deliver another cut to the OCR to 2 percent some time later this year. Interest rates are then projected to stay at that low until at least early 2019.

1.5 The Treasury cost centre which operates as the Council's internal bank, is operating as per the Treasury Risk Management Policy, with internal interest rates being set quarterly. From 1 January 2016, interest has been charged at 5.4%, and paid on credit balances at 2.8%.

2 Draft Resolution

That the Corporate Services Committee receives the Treasury Report RFN16-03-04.

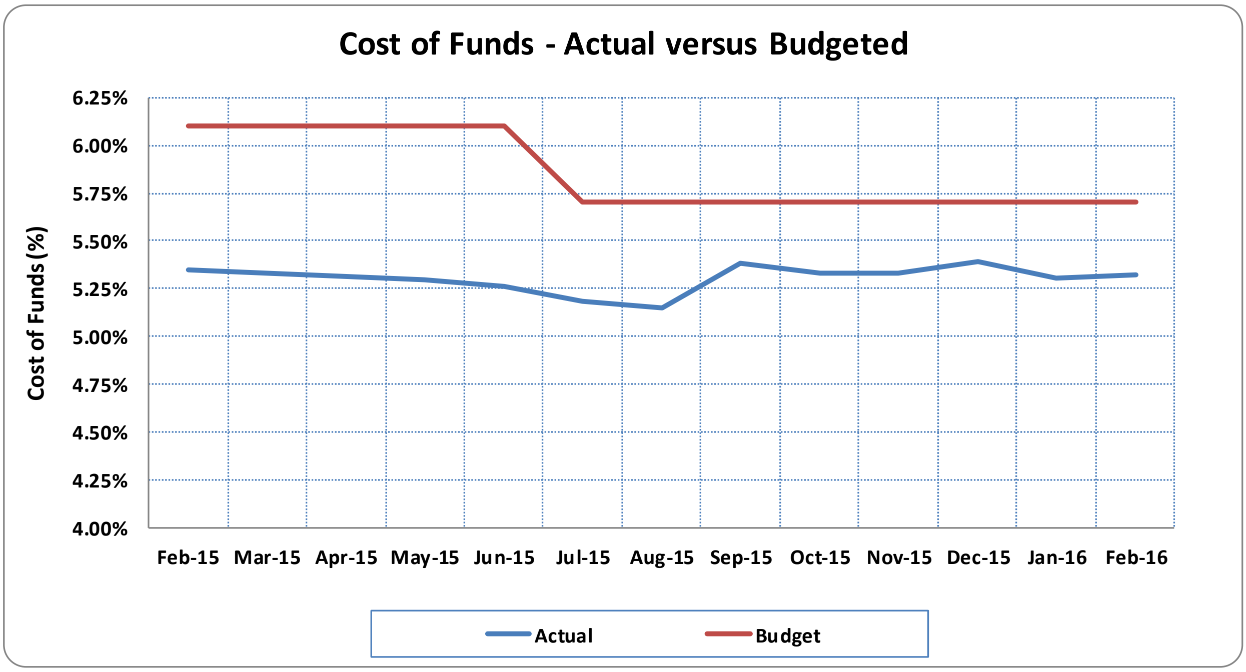
Item 9.4

3 Treasury: January 2016

Debt Levels

3.1 Council's debt at 29 February 2016 stands at $139 million, with an average interest rate of 5.274% (June 2015: 5.166%).

Cost of Funds



3.2 This graph shows the Council's actual weighted average cost of funds at 29 February 2016, including interest rate swaps, bank margins, and line fees at 5.321% against a budgeted rate of 5.7%. The gradual decrease is from more favourable terms resulting from the refinancing of the bank facilities and favourable 2 – 4-year term swap rates. The 'spike' in the weighted average cost of funds for September and December 2015 are due to a lower debt position. This has meant that the Council's debt is currently fully covered by interest rate swaps which are at a higher rate than current floating debt rates. The weighted average cost of funds will decrease when the Council takes on more debt.

3.3 The lower debt position is a reflection of the lower than budgeted capital expenditure, an operating surplus and the timing of the receipt of the rates instalments.

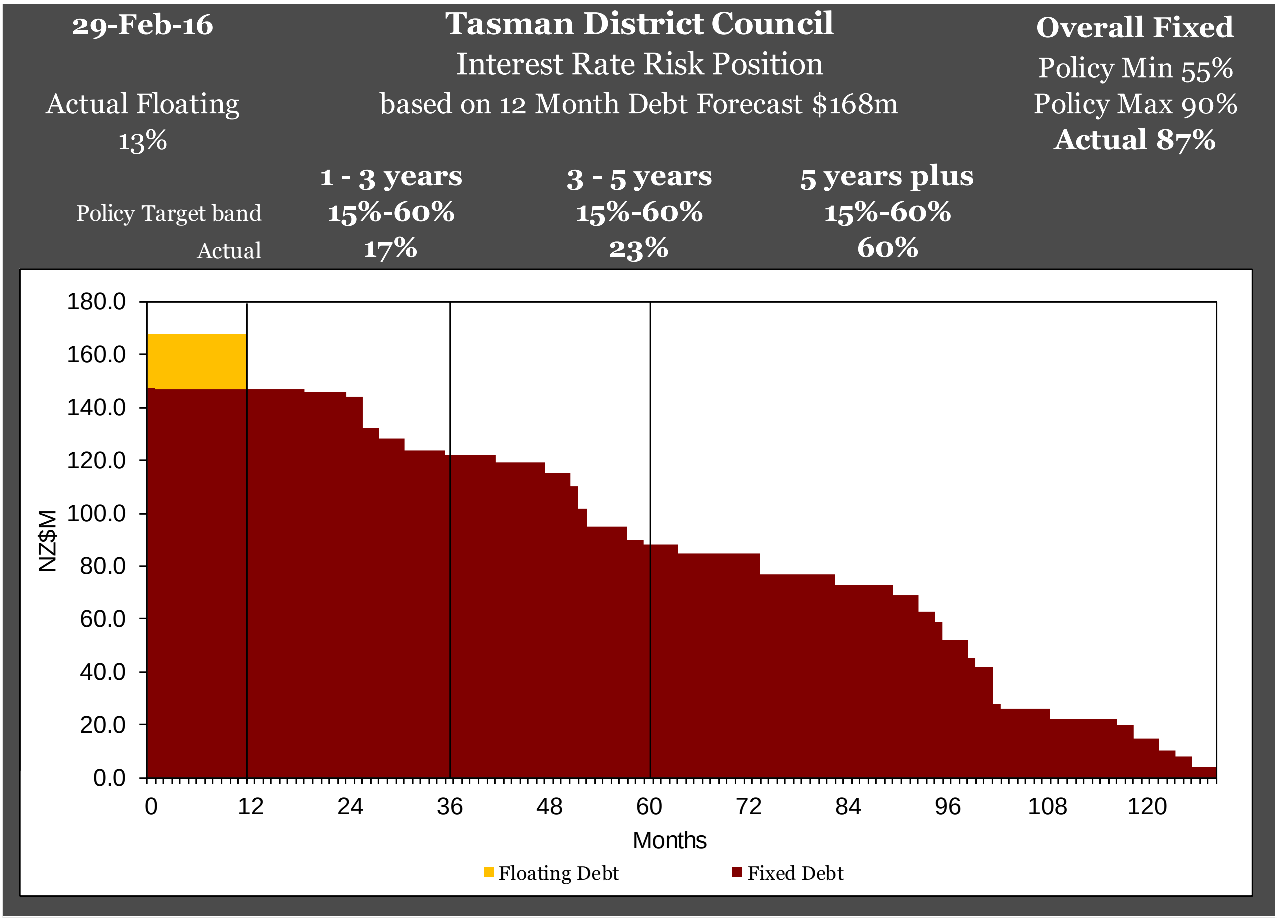
Interest Rate Swaps

3.4 The Corporate Services Manager has delegated authority to enter into interest rate swaps on behalf of the Council on the proviso that it is reported back to this Committee. Committee approval is required before entering into long-dated swaps with a maturity over 12 years. There have been two blend and extend swap transactions and one forward start swap transaction undertaken since the previous report.

3.5 At 29 February 2016 the Council had $147.78 million of interest rate swaps in place, including some "forward start" swaps. After adjusting for the forward start swaps, $144.78 million is 'live' which is equal to 104% cover over existing debt and 87% over forecast 29 February 2017 net debt (ie 12 month debt).

Treasury Limits

3.6 The following are details of the Council's compliance with Treasury limits. The chart below displays the interest rate risk position of Council.



Interest Rate Risk Position Graph

The interest rate risk position graph visually represents the interest rate position within approved interest rate control limits as set out in the TDC Treasury Policy document. The chart takes a snapshot of the risk position as at the reporting date.

The crimson part of the graph depicts the amount of debt which is fixed – this includes fixed rate bonds, together with payer swaps, meaning debt which gets repriced in one year's time or later. The top of the yellow area represents the forecast debt in a year's time. The yellow area therefore illustrates the amount of debt deemed floating rate and will include any forecast debt which has not been pre-hedged. Any existing loans or financial instruments which will be repriced within the next 12 months are included in the red area.

The key areas of focus are:

Fixed Rate Percentage Limit: (wholesale interest rate certainty)

The fixed rate percentage calculation is the total amount of fixed rate debt/interest rate hedges over the 12 month forecast net debt amount. Fixed rate is defined as having an interest rate resetting maturity/expiry date of greater than 12 months.

Fixed Rate Maturity Limits: (spreading of wholesale interest rate maturity risks)

Fixed rate repricing maturity dates are spread based on defined maturity band limits, 1 - 3 years, 3 - 5 years and 5 - 10 years. Minimum and maximum percentage limits within each time band ensures a spread of maturities and reduces the risk of maturity concentrations.

3.7 Fixed Rate Maturity Profile Limit

This measures the spread of the Council's risk of refinancing interest rates, achieved through the use of interest rate swaps.

	Minimum	**Maximum**	**Actual: Feb 2016**	**Within Limits**
1 – 3 years	15%	60%	17%	✓
3 – 5 years	15%	60%	23%	✓
5 – 10 years	15%	60%	60%	✓

3.8 Fixed/Floating Profile

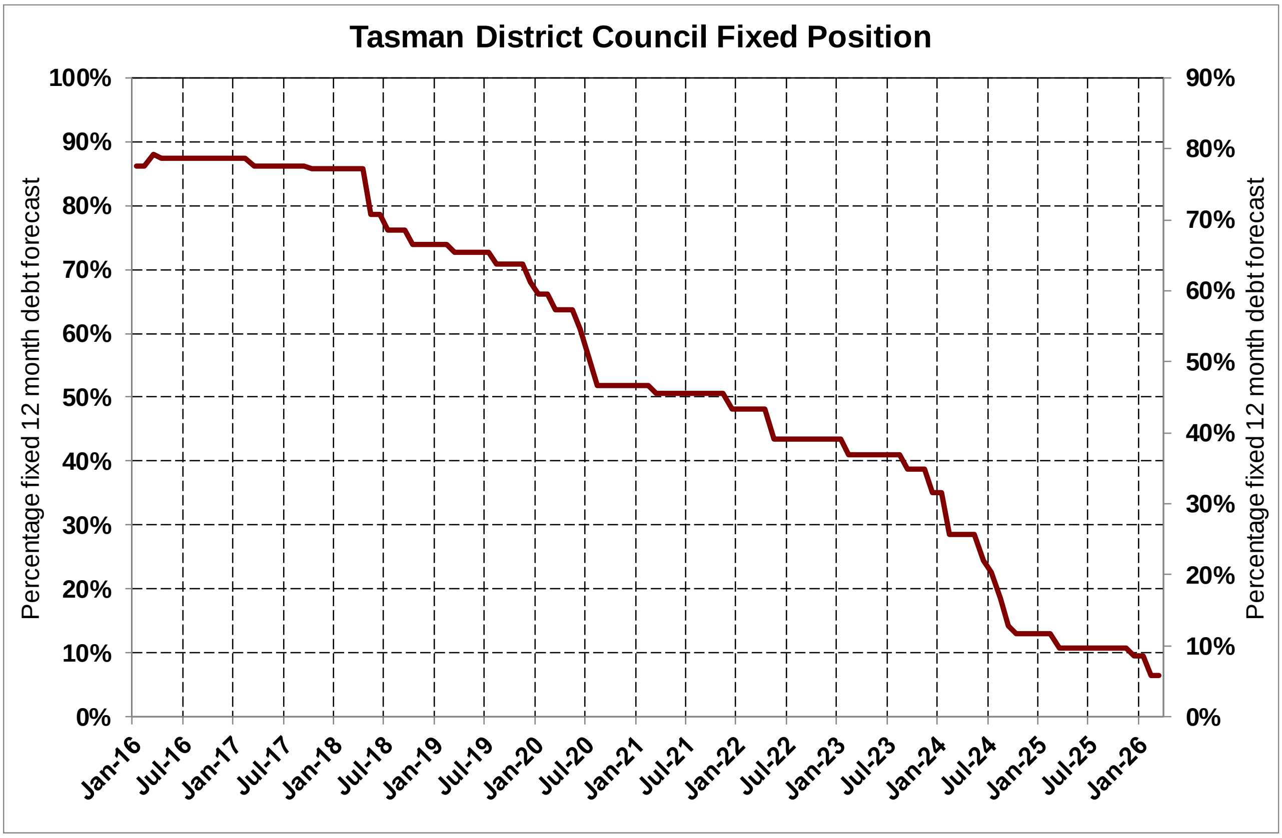
This measure shows the balance between minimising exposures to negative fluctuations in floating rates against savings opportunities. The Council's strategy is to limit negative exposures and provide certainty of future interest rate costs. This is achieved through its use of interest rate swaps.

(A maturity greater than one year is defined as fixed)

Minimum	**Maximum**	**Fixed Actual: Feb 2016**	**Within Limits**
55%	90%	87%	✓

3.9 Cumulative Interest Rate Position

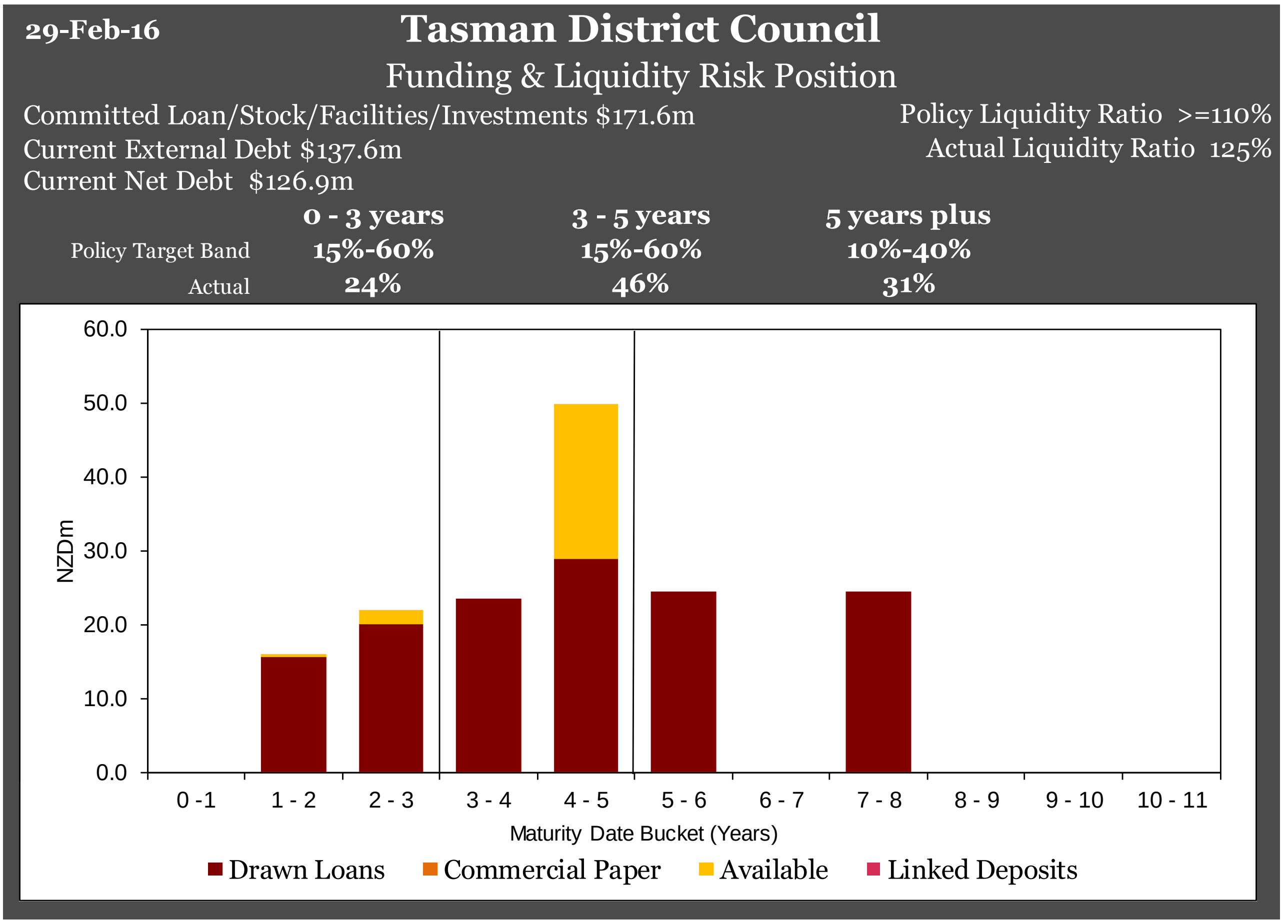
The chart below shows a cumulative interest rate position for the Council. The chart represents the actual percentage of 12 month debt ($168 million) which has a fixed interest rate out to 10 years.



3.10 **Facility Maturity Limit**

Total committed funding in respect to all loans and committed bank facilities is controlled as follows:

The chart below represents the Council's funding maturity profile. The measures indicate how effectively the Council has spread the risk of refinancing its facilities and loans. The Liquidity Ratio represents the debt headroom available in the Council's facilities along with cash available over and above its existing external debt.



Liquidity and Funding Maturity Risk Position Graph
The liquidity and funding risk position visually represents the approved funding maturity limits as set out in the TDC Treasury Policy document. The chart takes a snapshot of the risk position as at the reporting date.

The key areas of focus are:

Liquidity Ratio: (maintaining additional committed liquidity)

The liquidity ratio calculation represents the total committed bank facilities and term debt amounts, together with liquid investments, over the total debt amount.

Funding Maturity Risk Position: (spreading of debt maturity dates)

Existing committed bank facility expiry dates and term debt maturity dates are spread based on defined maturity band limits, 0-3 years, 3-5 years and 5 years plus. Minimum and maximum percentage limits within each time band ensure a spread of maturities and reduce the risk of maturity concentrations.

3.11 The Council is complying with its Treasury Management Policy, as well as with Treasury limits.

3.12 The Council currently has $30m in private placements. The private placements allow the Council to place longer term debt in the years between LGFA issues. The Council also has $90m of debt placed with the LGFA.

3.13

Treasury Limits	**Actual Jan 2016**	**Within Limits**
Net Debt not to exceed 20% of equity	10.1%	✓
Net external debt not to exceed 225% of total operating revenues	118.3%	✓
Net interest as a % of total revenues to be less than 20%	6.3%	✓
Net interest as a % of total annual rates to be less than 25%	10.3%	✓
Liquidity over existing external debt to be at least 110%	125%	✓

Counterparty Credit Risk

3.14 The Council's policy is that NZ Registered banks must have a minimum Standard & Poor's (or equivalent) short term rating of A-1+ or long term rating of AA-. All counterparty banks are Standard & Poor's AA-rated.

3.15 The policy credit limit (NZ$) for each NZ Registered bank is $30 million. This covers the Council's interest rate risk management instruments and cash investments.

Bank	Cash/Cash Investments $m	Notional Swaps $m	Credit Exposure $m	Compliance
Westpac	1.20	63.05	13.86	Within Policy
ASB	10.7	41.73	21.82	Within Policy
ANZ	Nil	43.00	11.25	Within Policy

Funding Mix

3.16 The objective is to have a mix of 80% debt capital markets (such as the LGFA, private placements and commercial paper) and 20% committed bank facilities. The current mix is as follows:

Funding Source	$m	%
Bank Debt	19.0	13.7%
Private Placement	30.0	21.6%
LGFA Debt	90.0	64.7%
Total	**139.0**	**100.0%**

4 Investments

4.1 The Council cash investments total $11.9 million dollars with an average interest rate of 2.85% (June 2015 4.43%). In line with the revised Treasury policy, specific reserves are not kept as cash. The Council continues to maintain adequate cash reserves and committed bank facilities to support any drawdown against specified reserves. The majority of the cash investments are held in the Money Market Account.

4.2 The individual investment balances are as follows:

	$ Invested	Interest Rate
Term Deposit (224 days)	1,200,000	3.73%
Money Market Account (on call)	10,734,645	2.75%
Total	**11,934,645**	**2.85%**

5 Emissions Trading Scheme (ETS)

ETS hedging Limits

5.1 There have been no new transactions entered into since the last report.

5.2 From 1 June 2015, only NZUs are allowed to be used towards ETS liabilities. The current spot rate for NZUs is $10 per unit.

5.3 Due to the deferral of the regional landfill, the Council will have a liability under the ETS for the 2015 calendar year. The Council's forestry assets and the related ETS liabilities/credits are accounted for separately to the landfill.

5.4 It appears that prices for NZUs are increasing so we are currently evaluating purchasing NZUs in advance to meet our December 2015 obligation (which will be due in May 2016).

5.5 The Government has started its review of the New Zealand Emissions Trading Scheme (NZ ETS) and a consultation document has been released. One item being reviewed is the likely transition from 50% to 100% obligation (i.e. getting rid of the current 2:1 discount]. However, this is unlikely to happen until at least June 2016 at the earliest. This will be taken into account, along with an estimate of any outstanding TDC obligation for emissions from 1 Jan 2016, when evaluating the purchase of NZU's in advance.

5.6 The landfill joint venture is proposed to commence from 1 July 2017, at the earliest. This means that Council will have ETS obligations for the December 2016 return year as well as for the six months to 1 July 2017. Council is currently investigating purchasing NZUs internally, at market rates, from the Forestry Activity to meet these obligations. A project to ascertain the harvesting profile and associated forestry requirement to surrender NZUs in any given year, along with projected landfill requirements for NZUs is being undertaken. Based on this the council would have a profile of NZUs they will be required to buy/sell in any given year and this can be incorporated into the financial planning. (Council currently has 116,814 NZUs available which were allocated to the pre-1990 land. These can be sold at any time, as there is no liability at time of harvest of pre-1990 forestry, unless the land is not replanted).

5.7 ETS credits are managed in defined time buckets incorporating minimum or maximum hedging.

	Minimum Cover	**Maximum Cover**	**Actual Feb 2016**	**Within Limits**
***Committed**	80%	100%	100%	✓
Forecast period				
0 – 1 years	0%	80%	80%	✓
1 – 2 years	0%	50%	20%	✓
2 – 3 years	0%	30%	0%	✓

**exposure becomes committed in January-March (quarter following emission period as Council must report emission from the previous year).*

6 Commercial Paper and Working Capital

6.1 The LGFA has made available short term borrowing from 30 days to one year. The current rates for 30 day debt is 5bps over BKBM (compared to bank facility borrowing at 80 to 90 bps). Staff, with our treasury advisors, are investigating options to maximise this opportunity.

7 Treasury Cost Centre

7.1 Staff have completed work on the Treasury cost centre which operates as the Council's internal bank. In essence, the cost centre manages the external costs of borrowings and allocates them across internal loans within individual activities. It also pays/charges interest on reserves and activity balances. As per the Treasury Risk Management Policy, these interest rates are set quarterly. From 1 January 2016, interest is charged on loans and overdrawn closed account balances at 5.4%, and paid at 2.8% on credit balances for the next quarter.

8 Attachments

Nil