

## 9.0 Other business

### Performance, Audit & Risk Committee

---

<b>Date of Meeting</b>	27 June 2019
<b>Author</b>	Louise McDonald Senior Committee Advisor

#### Purpose

Approval is sought to submit the following reports to the Performance, Audit & Risk Committee meeting on 27 June 2019.

- 1. Financial Health Report May 2019**
- 2. Healthier Homes Canterbury Quarterly Report**

The reason, in terms of section 46A(7) of the Local Government Official Information and Meetings Act 1987, why the reports were not included on the main agenda is due to an error.

It is recommended that the Committee receive the reports at this meeting while the information is still current.

#### Recommendation

**That these reports be received and considered at the Performance, Audit & Risk Committee meeting on 27 June 2019:**

- 1. Financial Health Report May 2019**
- 2. Healthier Homes Canterbury Quarterly Report**

#### Legal compliance and risk assessment

Section 46(A) of the Local Government and Official Information Act:

- An item that is not on the agenda for a meeting may be dealt with at the meeting if—*
  - (a) the local authority by resolution so decides; and*
  - (b) the presiding member explains at the meeting at a time when it is open to the public, —*
    - (i) the reason why the item is not on the agenda; and*
    - (ii) the reason why the discussion of the item cannot be delayed until a subsequent meeting*

## 8.1 Financial Health Report 2019

### Performance, Audit and Risk Committee (PARC) report

---

<b>Date of meeting</b>	Thursday 27 June 2019
<b>Author</b>	Tarsha Triplow, Team Leader Corporate Reporting
<b>Endorsed by</b>	Katherine Harbrow, CFO

#### Purpose

1. To report on the financial results for the period ended 31 May 2019.

#### Recommendations

**That the Performance, Audit and Risk Committee:**

1. receives the monthly Financial Health report for the period ended 31 May 2019.

#### Background

2. Monthly financial results are reported to the Performance, Audit and Risk Committee as part of our prudent financial management responsibilities.
3. The financial results for the period ended 31 May 2019 have been prepared and are now presented to the Performance, Audit and Risk Committee for review.

#### Financial Performance

##### Surplus/Deficit

4. As at 31 May, we had an operating deficit of \$1.35 million compared to a budgeted deficit of \$2.5 million, a variance of \$1.1 million.
5. The variance is a result of spending \$0.25 million less than budget and receiving \$0.86 million more revenue than budget.

##### Revenue

6. Rates revenue is in line with budget. User pays and other revenue is \$0.9 million over budget mainly due to unbudgeted Canterbury Regional Economic Development Strategy (CREDS) revenue which is offset in goods and services expenditure.

## **Expenditure**

7. Goods and services are under budget by \$1.6 million.
8. Overheads are over budget by \$1.9 million.
9. Labour is \$0.5 million under budget due to staff changes and vacancies.

## **Realisation of Budget Savings**

10. In January 2019 a budget savings exercise was undertaken. The table below lists the areas identified and where the savings have now been achieved.

<b><u>AIR QUALITY</u></b>		
Air Quality Investigations	25,000	Achieved
<b><u>BIODIVERSITY &amp; BIOSECURITY</u></b>		
Braided rivers	60,000	Achieved
Biosecurity	200,000	Achieved
<b><u>FRESHWATER MANAGEMENT</u></b>		
Zone & Regional Delivery Groundwater Investigation	35,000	Achieved
Zone delivery	100,000	Achieved
<b><u>HAZARDS, RISK &amp; RESILIENCE</u></b>		
Geological Hazard & Risk Investigations	60,000	Achieved
Climate Change Integration Programme	130,000	Achieved
CWMS Facilitation - Regional and Zone Committees	25,000	Achieved
Fluvial Monitoring	50,000	Achieved
<b><u>REGIONAL LEADERSHIP</u></b>		
Executive Projects of Interest	200,000	Achieved
Business Information Services managed service desk	100,000	Achieved
Interest income	40,000	\$30k Achieved
<b><u>TRANSPORT &amp; URBAN DEVELOPMENT</u></b>		
Innovation projects	100,000	Achieved
	<b>Savings Target</b>	<b><u>1,125,000</u></b>

## Cashflow, Debtors and Debt

### Treasury Performance

11. Total cash at bank (including investments) was \$14.8 million as at 31 May 2019 and includes a balance on Metrocards of \$2.97 million. Environment Canterbury's cash balance is therefore \$14.8 million compared to a policy of \$12.8 million.

### Debtors and Debt

12. Of our outstanding debtors of \$3.3 million (excluding rates), \$2 million relates to the current month. Our debtor balances exceeding 90 days is \$0.2 million, our attached financial health report provides the stages of debt recovery for these outstanding balances.

### Capital Expenditure

13. All capital works are \$3.6 million below budget (40.06%) for the year to date, this is due to the underspent IT expenditure and the delay in the Managed Aquifer Recharge (MAR) projects (other).

### Reserves

14. Current year reserve balances will be reported at the completion of the annual report process; the year end rollover is not actioned until the audit is complete.

## Attachments

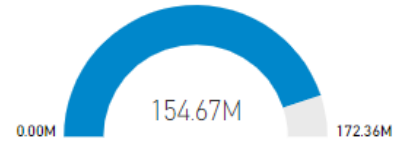
Financial Health Report to 31 May 2019

<b>Peer reviewers</b>	Mark Smith, TL Business Partnership Tanya Clifford, Corporate Reporting Accountant / Internal Audit
-----------------------	--



## FINANCIAL HEALTH REPORT

YTD Actual Expenditure Tracking Against Full Year Budget



	Revenue	Expenditure	Surplus/Deficit
Actuals	153.32	154.67	-1.35
Budget	152.46	154.92	-2.46
Variance	0.86	-0.25	1.12
%Variance	0.57%	-0.16%	

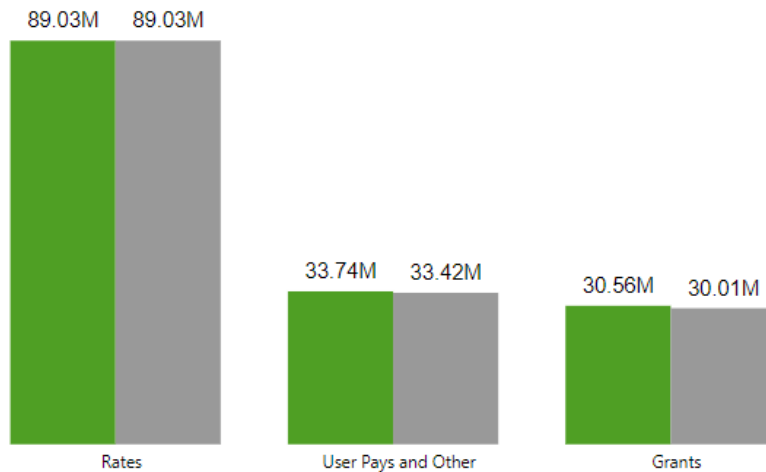
### Revenue

Revenue is \$0.9M, 0.6% over budget. This is due to grant revenue for CREDS and Biodiversity programmes. User Pays is over budget due to increased transport patronage and fares.

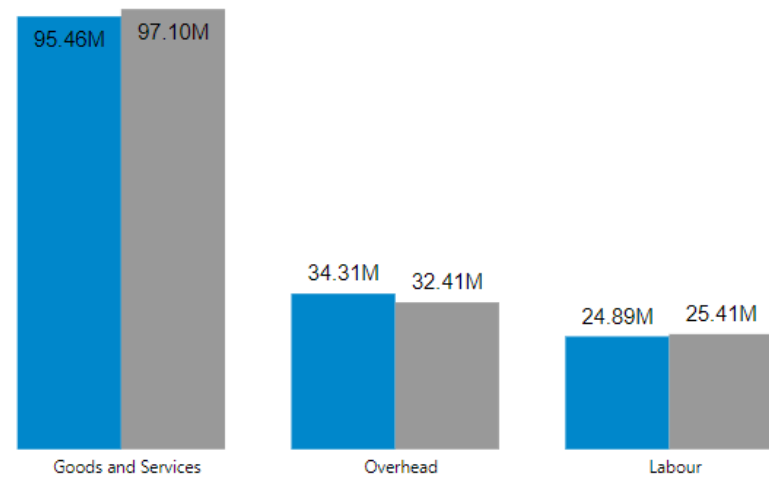
### Expenditure

Expenditure is under budget by \$0.3M, which is 0.3% of budget. Overheads are over budget by \$1.9M (6%). Good & Services is under budget \$1.6M and Labour is under by \$0.5M due to staff vacancies.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure





### Cash and Bank

as at 5/31/2019

# 17.77M

#### Cash

## 0.21M

#### Metrocard

## 2.97M

#### Investment

## 14.59M

#### Investment Details (\$000)

\$	Maturity	Days	Rate
1000	23/08/2019	365	3.56%
600	17/09/2019	365	3.56%
1300	22/11/2019	270	3.35%
900	4/12/2019	180	3.29%
1200	30/12/2019	213	3.26%

### Total Actual Cash & Bank

17.77M

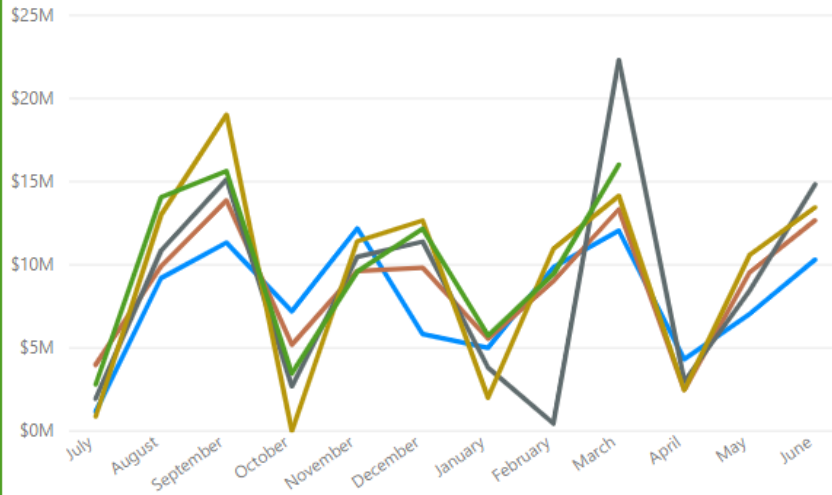
Cash Reserve Policy: 12.8M

### Financial Position

Cash and Bank	18M
Other Current Asset	17M
Non Current Asset	920M
Current Liabilities	-15M
Non Current Liabilities	-39M
<b>Net Assets</b>	<b>901M</b>

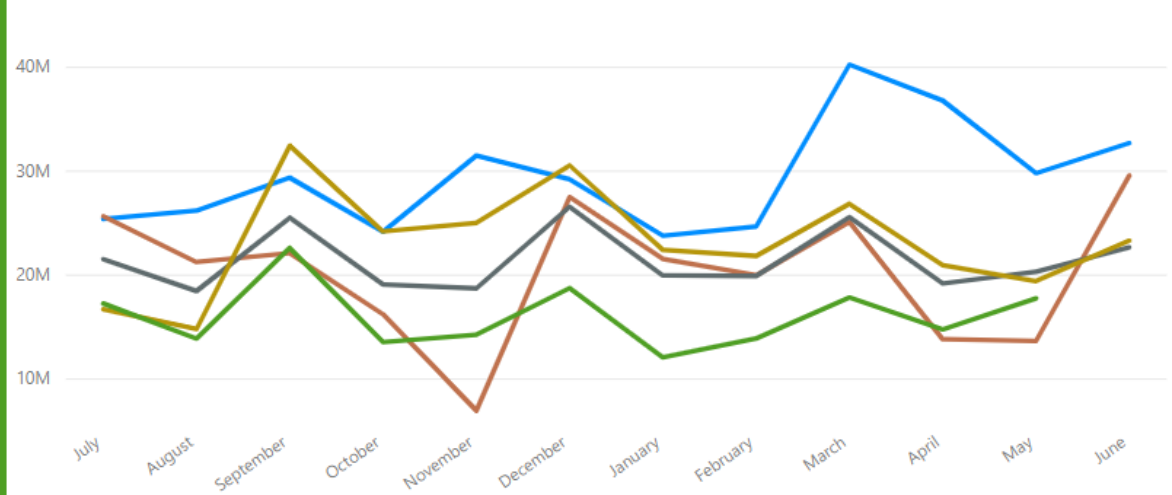
### Rates Revenue Tracking Against Previous Years

Financial Year ● 2015 ● 2016 ● 2017 ● 2018 ● 2019



### Cash and Bank Balance Tracking Against Previous Years

Financial Year ● 2015 ● 2016 ● 2017 ● 2018 ● 2019



# Total Outstanding Debts (Excluding Rates)

Period Ending : 5/31/2019

# \$3,339,364

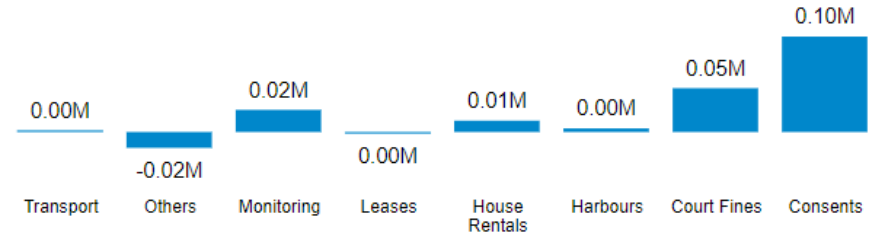


## OVER 90 DAYS DEBT MANAGEMENT

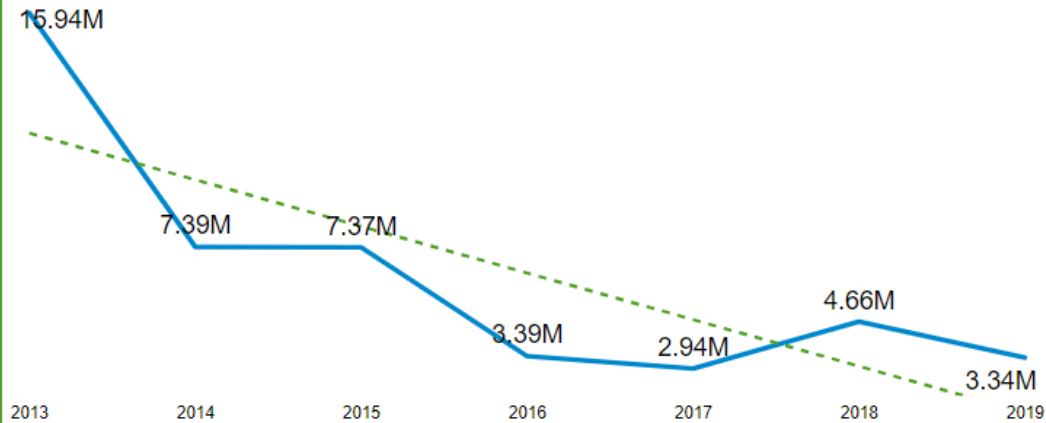
Total	Reminder	Payment Arrangement	Objection/ Query	Collection Agency	Others*
0.23M	0.04M	0.02M	0.02M	0.06M	0.09M

\*Others includes Debt recovery, Liens, Court Action/Infringements

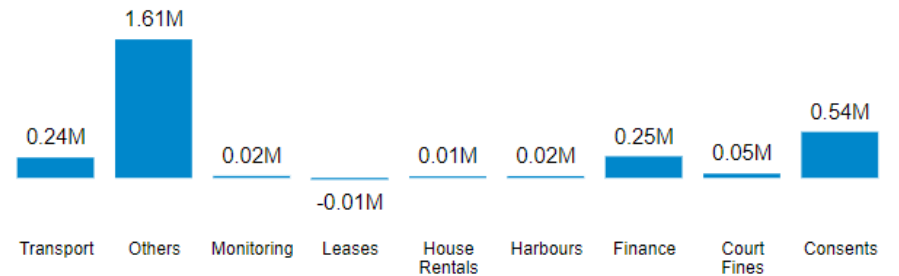
## Over 90 Days Debts by Category (Excluding Rates)



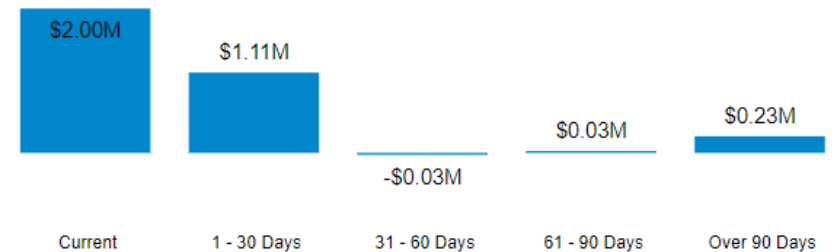
## Amount by Year (Excluding Rates)



## Total Debts by Category (Excluding Rates)



## Amount by Aging (Excluding Rates)



### Notes

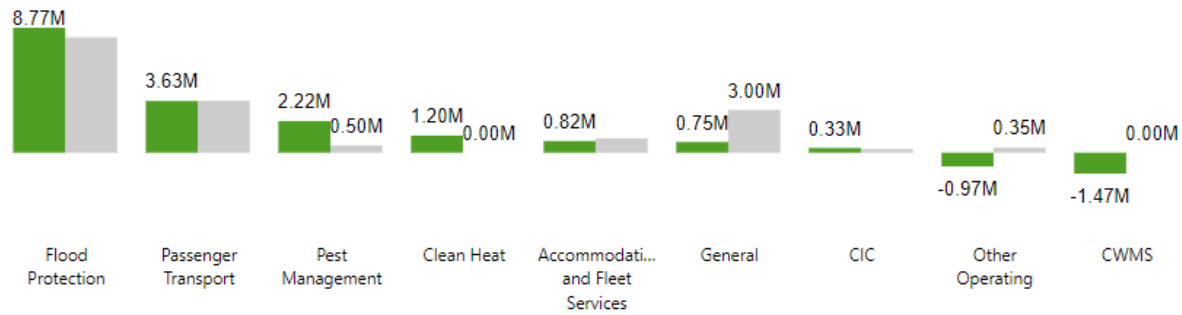
\$2.00M of the \$3.34M debt is current. Only \$0.23M is over 90 days, which is at different stages of debt management as shown above.

Overall, debt has been steadily reducing year on year since 2012/13.

as at 5/31/2019

### Major reserve Balances

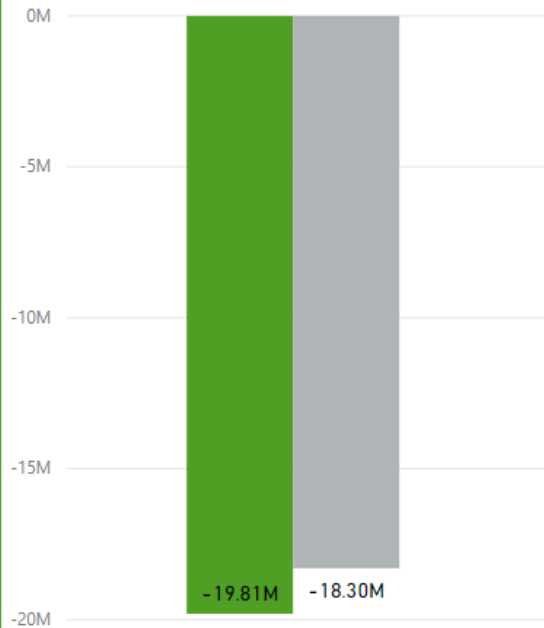
● YTD Actual Balance ● Reserves Policy



**Note:**

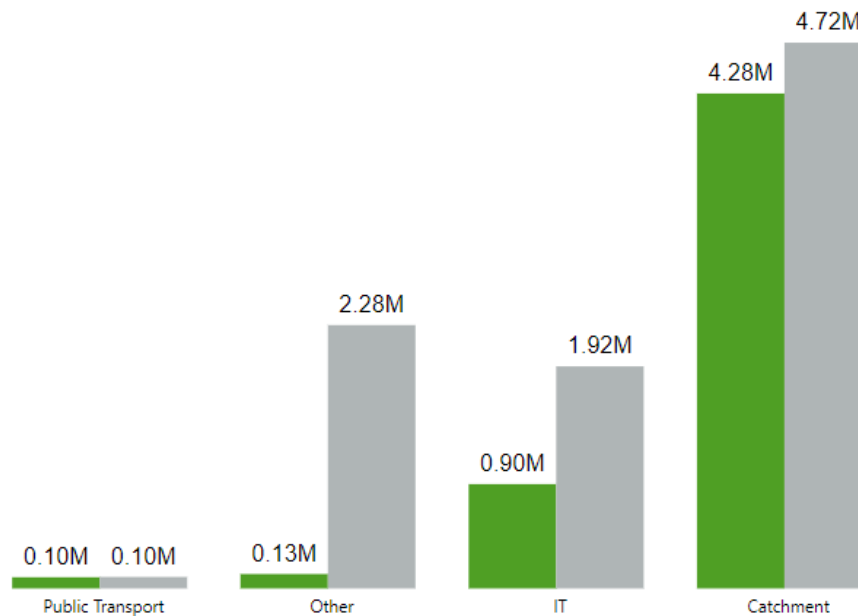
### Waimakariri River Reserve Balance (Debt Funded)

● YTD Actual Balance ● Reserves Policy



### Capital Works

● YTD Actual Capital Works ● YTD Budget Capital Works



**5.41M!**

Goal: 9.02M (-40.06%)

**Note:**

Capital expenditure is \$3.61M less than anticipated for the year.

IT expenditure on the RMA Database; and Project Prioritisation Group projects are all lower than budgeted.

Catchment expenditure is higher than expected largely due to Ashley Stopbank.

Some of the projects within the Other Capital category have been delayed till next year.



## 8.2 Healthier Homes Canterbury Quarterly Report

### Performance, Audit and Risk Committee (PARC) report

---

<b>Date of meeting</b>	27 June 2019
<b>Author</b>	Clare Pattison Senior Strategy Advisor
<b>Endorsed by</b>	Tafflyn Bradford-James Director Communications

#### **Purpose**

1. To provide an update on the performance of Healthier Homes Canterbury.

#### **Recommendations**

That the Performance, Audit and Risk Committee:

1. **Receives the performance update on Healthier Homes Canterbury**

#### **Attachments**

Healthier Homes Canterbury Performance Update Month End April 2019

<b>File reference</b>	[SharePoint link for this paper]
<b>Peer reviewers</b>	Sam Elder

# Healthier Homes Canterbury Performance Update Month End April 2019

## Monthly Activity

Application volumes and associated value of financial assistance approved are broadly on track (Figure 1). Our minimalist approach to promotion of the scheme appears to be appropriate at this stage. There are promotional channels available at zero cost to Environment Canterbury should we need them later. The gap in the actual amount paid and the predicted amount paid is due to the timing of installations and invoicing after application approval, which is managed by suppliers.

We have increased the number of suppliers from 16 to 20. Three suppliers are awaiting approval. We have 31 households ready for heating audits and have engaged Opus as a heating auditor. EECA provides insulation audits as part of our MOU. Due to the nature of the auditing process and the fact only two companies have carried out 5 installations no audits have been fully completed yet.

We signed a 3-year agreement with Christchurch City Council to enable Christchurch households to have a free Home Performance Assessment (HPA) to assess the need for improvements. For this financial year the target is 700 households at a total cost of \$105,000. We allocated 100 to suppliers in April, which they will report to us in May. We expect to allocate 500 in May and any residual in June. The allocation is spread evenly over HPA certified suppliers.

Applications continue to be received from across Canterbury, with the majority (63%) being received from Christchurch (Table 1).

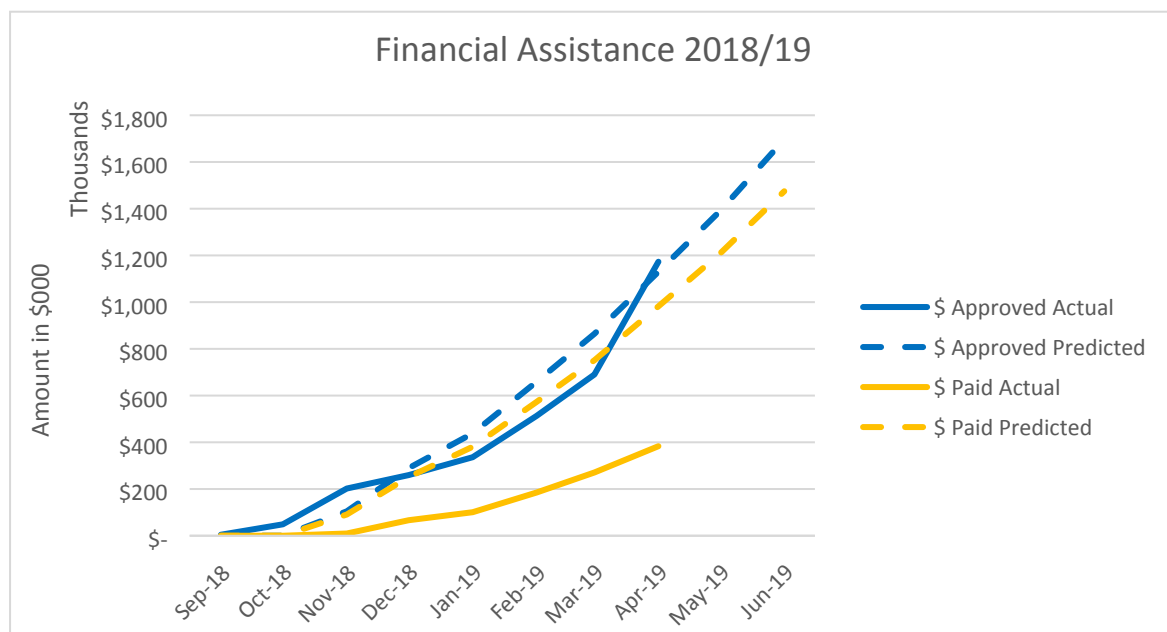


Figure 1: Cumulative value of financial assistance approved and paid

<b>Earliest application date:</b>	24/09/2018
<b>Most recent application date:</b>	30/04/2019

<b>Application status (current)</b>	<b>Owner occupied and rentals</b>	<b>Number of applications by district</b>
Applied: 0		Kaikoura 0
Awaiting TA: 3		Hurunui 0
Accepted: 0		Waimakariri 39
TA Approved: 39		Christchurch City 201
Declined <sup>1</sup> : 23		Selwyn 12
Cancelled: 0		Ashburton 20
On Hold: 9		Timaru 38
PO Issued: 108	Owner occupied: 277	Mackenzie 0
Installed: 37	Rental: 31	Waimate 7
Invoice Paid: 89	Not provided: 9	Waitaki 0
Withdrawn <sup>2</sup> 9		
<b>Total number applications: 317</b>	<b>317</b>	

**Table 1. Current application statistics for Healthier Homes Canterbury from Sept 2018 to 30 April 2019.**

## Financial Performance

The margin for households is set at 5.9% for the 2019/20 year. The margin will be reviewed annually based on borrowing costs, operating costs and uptake of the scheme. This will ensure the scheme remains self-financing.

The full installation amount plus interest will be recovered via the applicant's rates bills over nine years. Repayments for any installations completed by the end of May 2019 will commence 1 July 2019.

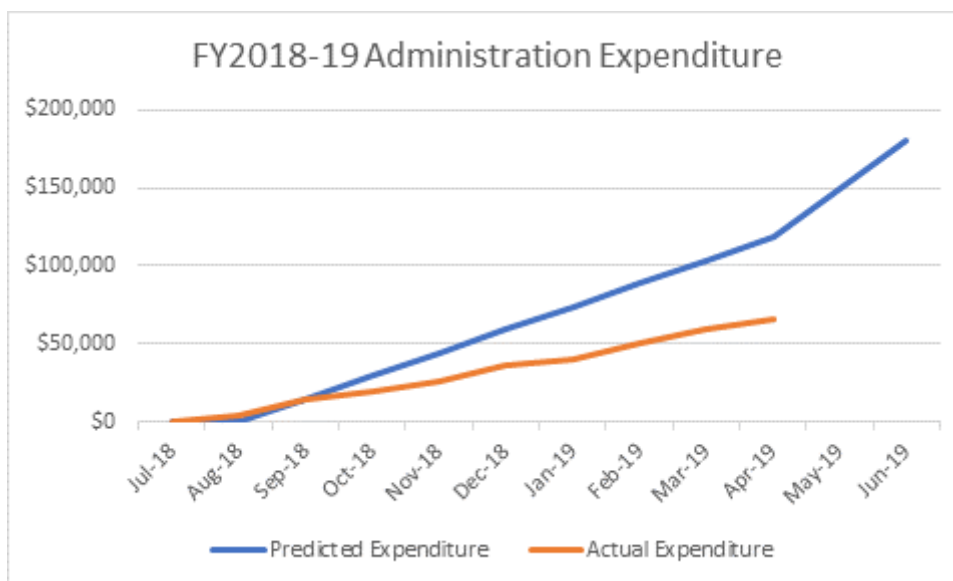
The scheme administration cost must be kept low to ensure that scheme interest rates remain favourable for rate payers. Costs are well below budget YTD (Figure 2); however, are expected to increase as application volumes increase and processing of repayments start.

Checks are in place to ensure that the total value of the financial assistance approved remains within budget.

---

<sup>1</sup> Applications are declined if the district council advises the applicant rates history does not meet criteria.

<sup>2</sup> Applications are withdrawn if the applicant decides not to proceed after approval e.g. applicant now determines it is not affordable.



**Figure 2: HHC Administration cost compared to predicted**

## Risk Summary

Risks associated with the scheme are being proactively managed, as outlined in Table 2.

No.	Identified risk	Risk	Mitigation measures
1	If our administration processes and systems are not well developed, then there is an increased risk of higher administrative costs and higher likelihood of financial or other processing errors.	Medium	Currently we have initiated a software project to reduce the risk of errors and to increase automation to lower administrative overheads. We also have additional administration staff in place. Process flowcharts have been developed for all key processes and peer reviewed by relevant staff.
2	If there is too much interest in the project, then we won't have the financial capacity to approve all the applications.	Medium	The level of marketing has been reduced to manage demand. We are working with customers to help identify other options e.g. subsidies. We also have the option to develop referral systems or use various criteria to prioritise some customers, however this is not in place currently.
3	If the processes with TAs for managing rates and LIM are not established, then we may not get as much money repaid	Medium	We have been working with TAs to ensure they are all up to speed with this, and have provided them up to date copies of process maps

No.	Identified risk	Risk	Mitigation measures
4	If increased operational costs of scheme result in the borrowing interest rate to new customers rising to prohibitive levels, then the scheme may cease to be viable.	Medium	A process has been implemented to routinely monitor operational costs and ensure that they stay at an acceptable level.
5	If rising global and NZ interest rates result in prohibitive borrowing interest rates to customers and actual interest costs exceeding budget, then the scheme may cease to be viable.	Medium	Fixed term borrowing and active treasury management.
6	If there is a lack of clarity about what products are included, then people might commit to work we cannot pay for.	Low	The website is plain English and outlines the options for customers. We have used FAQs to specify/clarify what we will allow in terms of ventilation and document our approach to LED lights and cylinder wraps.
7	If the installation quality is inferior, then ratepayers may not be satisfied with the service.	Low	We have used initial audit process coupled with ongoing random audit process to ensure quality standards are maintained. Service providers failing to meet the required standard will be removed from the project.
8	If the scheme does not reach budgeted uptake, then fewer borrowers may not be able to meet the fixed cost of the scheme.	Low	At present interest in the scheme is growing however customer uptake will continue to be regularly monitored.

**Table 2: Healthier Homes Canterbury Risks**