



Waitaki

DISTRICT COUNCIL

TE KAUNIHERA Ā ROHE O WAITAKI

I hereby give notice that the
Performance, Audit and Risk Committee Meeting
will be held on:

Date: Monday, 29 September 2025

Time: 2:00 pm

Location: Council Chamber, Third Floor
Office of the Waitaki District Council
20 Thames Street, Oamaru

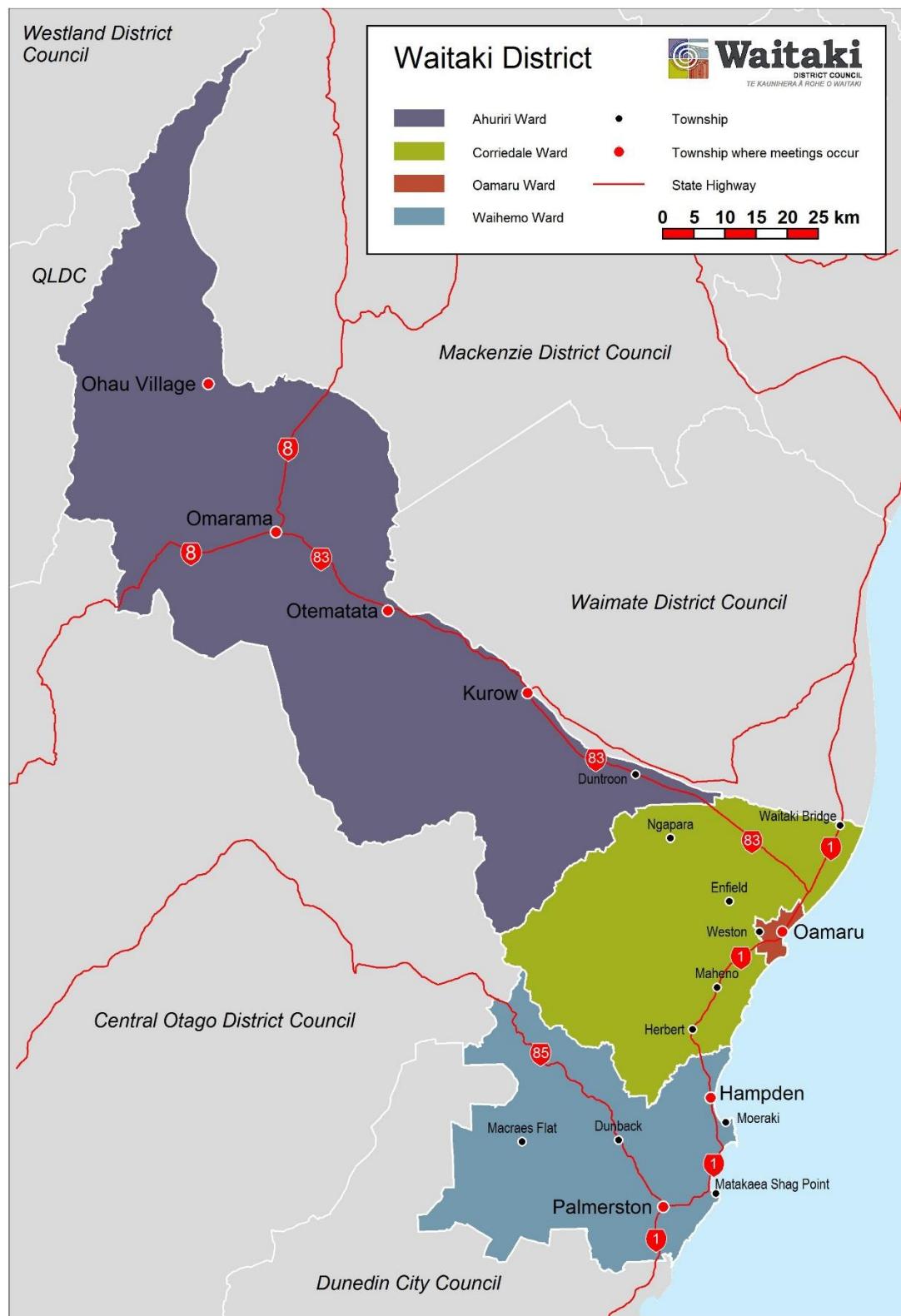
Agenda

Performance, Audit and Risk Committee Meeting

29 September 2025

Alex Parmley
Chief Executive

This meeting will be livestreamed at
https://www.youtube.com/live/cbO0myLkpXM?si=Ap_vnLLA_Sitmfy5





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- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**

3 MEMORANDUM REPORTS

3.1 PROCUREMENT UPDATE

Author: Angela Murray, Procurement Advisor

Authoriser: Joanne O'Neill, Director Strategy, Performance, and Design

RECOMMENDATION

That the Performance, Audit and Risk Committee receives and notes the information.

PURPOSE

This initial report introduces the arrival of a new Procurement Advisor and an overview of the procurement activity undertaken across the organisation in the last quarter (June, July, and August 2025).

PROCUREMENT OVERVIEW

Over the months of June, July, and August 2023, 124 procurement activities with a value of over \$10,000 each were undertaken across the organisation and recorded in Authority. The total value of these procurements was \$4,007,342.

The table below shows the breakdown of procurements >\$10k by department.

Procurements > \$10k Covered by WDC Procurement Policy					
Department	Total value of >\$10k procurements	Total no of procurements by Activity area	No of standard procurements	No of compliant non-standard procurements	No of non-standard procurements requiring further analysis
Roading	\$1,154,665	31	1	28	2
Waters	\$959,861	38	0	26	12
Parks & Recreation	\$819,000	8	1	7	0
Property	\$496,478	22	0	13	9
Aquatic Centre	\$12,000	1	0	1	0
CEO's Office	\$93,728	4	0	4	0
Planning	\$126,500	4	0	4	0
Community Development	\$44,662	2	0	2	0
Economic Development	\$73,004	4	0	4	0
Finance	\$10,881	1	0	0	1
Health Admin & Inspection	\$37,678	3	0	3	0
Human Resources	\$22,885	1	0	1	0
Libraries	\$21,000	1	0	1	0
Oamaru Opera House	\$30,000	1	0	1	0
Solid Waste	\$85,000	2	0	2	0
Governance	\$20,000	1	0	1	0
Totals	\$4,007,342	124	2	98	24

In addition, there was \$1,803,868 of spend which is not governed by the Procurement Policy (e.g. grants, utilities, digital licences, legal fees, subscriptions, payments to government bodies etc.).

It is important to note that this overview relates to the supplier engagements undertaken in June, July, and August 2023, rather than invoices paid over the same period and therefore it is not intended to be a financial report.

The information was gained from an initial desktop audit, using data from Authority and requires a further deep dive into the background/approaches of the individual procurements undertaken by the teams to clarify the findings.

A full review and write up of findings will be undertaken, and a work plan of improvements will be documented by the procurement advisor.

POLICY ADHERENCE REVIEWS

Spot-checking on policy adherence in procurement activities is currently underway. Details of two recent procurements have been requested from procuring officers, one has been reviewed and found to have followed due process. The other is due to be reviewed to confirm whether the appropriate steps have been taken and documents saved as required. These checks will help identify improvements in process or where further training may be necessary.

FOCUS FOR THE NEXT 6-9 MONTHS

Learning the Business: Engaging with departments to understand WDCs procurement needs and contract landscape.

Building Foundations: Reviewing existing procurement processes to ensure they align with best practice and Council policies.

Procurement Capability and Resources: Assessing current procurement capability across teams and identifying any opportunities to uplift skills or resources.

Strategic Alignment: Understanding how procurement activities align to Council priorities - for example supporting local suppliers and exploring sustainable procurement options.

Value for the Community: Assessing how procurement decisions consider long-term value for WDC and for the wider community.

Risk & Compliance Awareness: Understanding the key governance and audit requirements for Procurement at WDC. Working to strengthen procurement documentation and reporting.

CONCLUSION AND NEXT STEPS

This initial phase is about listening, learning, and laying the groundwork for more strategic procurement improvements in the future. Quarterly reporting will continue to be produced and provided to the Performance, Audit, and Risk Committee meetings. The procurement advisor will provide updates to this Committee as work progresses.

3.2 RISK MANAGEMENT UPDATE QUARTER 3 2025

Author: Laura Spring, Strategy and Policy Advisor

Authoriser: Joanne O'Neill, Director Strategy, Performance, and Design

Attachments: 1. Key Risk Register Quarter 3 2025  

RECOMMENDATION

That the Performance, Audit and Risk Committee receives and notes the information.

PURPOSE

The report provides an update on risk management activity across the organisation for Quarter 3 2025. It highlights Council's key risks and encourages discussion on the current external and internal risk landscape.

SUMMARY

Key risks are defined in Council's Risk Management Policy as strategic and organisational risks significant enough to require senior management ownership and quarterly reporting to the Performance, Audit and Risk Committee.

These risks are categorised as:

- Strategic Key Risks – owned by Senior Management Team (SMT) members
- Organisational Key Risks - owned by SMT members or their direct reports and classified as Financial or Operational risks.

This quarter's review shows Council's risk profile has remained stable. Notably, one strategic risk - Externally Managed Council Water Supplies - has reduced from a rating of very high to high, following the signing a formal agreement with Corriedale Water Management Limited.

KEY RISK QUARTERLY REVIEW

Council currently has 27 Key Risks, included as Attachment 1. These are broken into inherent and residual risk scores. Inherent Risk is the level of risk that exists before any controls, safeguards, or mitigation measures are put in place. Residual Risk is the level of risk that remains after controls and mitigation measures have been implemented and are operating effectively, representing the actual current risk exposure that the organisation faces. Figure 1 shows the breakdown of risk scores for Quarter 3.

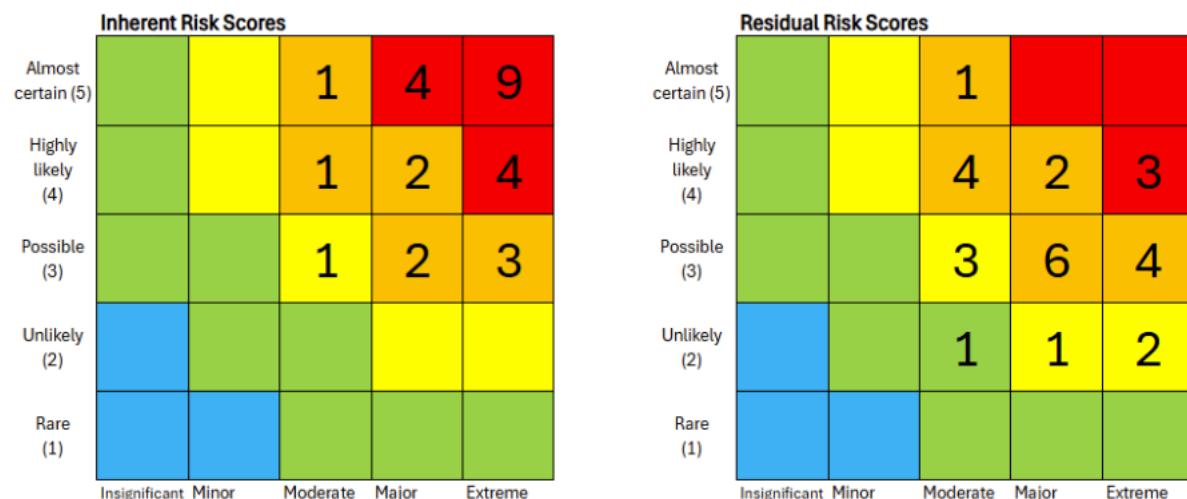


Figure 1 Breakdown of Council's Key Risk Scores – Quarter 3, 2025

Very High Key Risks

Overall, the number of Key Risks with a residual rating of very high has reduced this quarter from four to three:

- 3 Waters Management
- Affordability and Financial Sustainability
- Climate Change.

This represents a steady improvement in our management of very high key risks; a reduction from 7 risks in the same period last year. This reduction reflects ongoing efforts to strengthen risk controls and improve resilience in key areas.

OPERATIONAL RISK MANAGEMENT

The recent recruitment of a Risk and Assurance Advisor will enable increased oversight and development of the operational risk management framework in the coming months.

OPERATIONAL RISK EVENTS

The Operational Risk Event (ORE) process identifies incidents that negatively impact on Council, individuals, or communities. None of the OREs logged this quarter meet the threshold for reporting to the Committee.

CONCLUSION

Council's key risk exposure has improved this quarter, with the number of very high risks decreasing from four to three.

The remaining very high risks are primarily driven by ongoing central government legislative and regulatory changes, particularly in the 3 Waters space. We will continue to monitor risk exposure and implement mitigation measures through established processes.

Risk Name	Risk Description	Risk Type	Owner	Inherent		Controls	Future Controls	Risk Rating June	September Risk Rating				Change from June
				I	L				Residual		Impact	Likelihood	Risk Score
3 Waters Management	Risk that the Council may struggle to effectively deliver 3 Waters services due to rising regulatory standards, changes in central government expectations, or both. This could lead to increased financial outlay, reduced service levels, significant rate increases, community dissatisfaction, and non-compliance with revised standards. Additionally, the Local Government (Water Services) Bill has introduced further uncertainty by contradicting earlier advice and legislation.	Strategic Risk	Paul Hope	5	5	<ul style="list-style-type: none"> - Water Services Delivery Plan submitted to DIA - Re-prioritising work programme to reflect changed environmental and financial regulatory environment - Resource contracted to assist with water services transition 		Very High	5	4	20	Very High	
Affordability and financial sustainability	Risk that service needs outweigh the available budget, due to ongoing external cost increases or increased regulatory requirements, resulting in rates becoming unaffordable, or Council's financial position becoming unsustainable.	Strategic Risk	Alex Parmley	5	5	<ul style="list-style-type: none"> - Working together with other councils and agencies to share knowledge and ideas - Transformation plan ensures Council can deliver affordably and sustainably - Prioritisation tool will focus resources when undertaking Annual and Long-Term Planning - Property Strategy is in place to control the key areas of cost - Long term planning considers the cost vs affordability - New Financial Strategy is developed - Partnership Framework is developed 	<ul style="list-style-type: none"> - Develop a Commercial Strategy - Develop an Organisational Performance Management Framework to help focus on priorities, drive efficiency and improvement - Water Services Delivery Plan is developed 	Very High	5	4	20	Very High	
Climate Change	Risk that the negative impacts of Climate Change are more severe or difficult to manage as a result of Council inaction and lack of understanding or strategy, resulting in environmental harm, an inability of Council to effectively respond to weather events or coastal erosion, loss of key income streams for the district, breach of legislation, and increased financial burden.	Strategic Risk	Roger Cook	5	4	<ul style="list-style-type: none"> - Climate Change declaration agreed - Water sensitive urban design principles are incorporated into the District Plan - Design/placement of new infrastructure considers climate change vulnerabilities (partially implemented) - High level climate change risk assessment - Canterbury Climate Change Partnership Action Plan - Greenhouse Gas Emissions Inventory completed 	<ul style="list-style-type: none"> - Infrastructure strategy to consider climate change - Climate change strategy to be developed, informed by risk assessment and greenhouse gas inventory - Coastal erosion report received and action to be taken 	Very High	5	4	20	Very High	
Externally Managed Council Water Supplies	Risk that water supplies that fall under Council's responsibility but outside of Council's management do not meet required levels of compliance by the regulator's deadline, which may be due to a lack of resources, skilled personnel, or planning. This could result in the inability to ensure water safety, legislative breach, Taumata Arowai enforcement action, potential financial loss via fines, and reputational damage.	Strategic Risk	Alex Parmley / Roger Cook	5	5		<ul style="list-style-type: none"> - Regular governance oversight meetings to be established - Independent assessment of risk - Timely understanding and sharing of any updates from Taumata Arowai and Central Government - LWDW Delivery Plan to address issues 	Very High	5	3	15	High	
Major Economic Event	Risk that the district is severely impacted by a major economic event or financial crisis, resulting in significant reduction in business, loss of jobs, and severely diminished regional economy.	Strategic Risk	Alex Parmley	5	4	<ul style="list-style-type: none"> - Ensuring a diverse economy through the Economic Development Strategy 	<ul style="list-style-type: none"> -Appropriate governance and partnership arrangements in place with businesses and stakeholders to develop economy and meet ED Strategy objectives. 	High	4	4	16	High	
Critical Asset/Infrastructure Failure or Damage	Risk that a critical asset or infrastructure fails or is damaged due to a one-off incident, failure to identify ongoing deterioration, maintenance/oversight processes not being followed or not being fit for purpose, resulting in critical services/infrastructure being unavailable to the community, financial loss, and potential reputational damage or harm to public.	Strategic Risk	Roger Cook / Joanne O'Neill	5	4	<ul style="list-style-type: none"> - Building WOFs are completed annually - Roading maintenance contract is in place and performance is regularly monitored - Water maintenance contract is in place and performance is regularly monitored - Water assets are managed via the Asset Management Plans - Assets are valued on a 3 yearly basis and insured as appropriate 	<ul style="list-style-type: none"> - Critical Asset Management Plan yet to be defined - Asset Planning function to ensure assets are resilient and fit for purpose 	High	5	3	15	High	
District Housing	Risk that housing availability and suitability in the district is inadequate for the growing population, resulting in a loss of current residents, an inability to attract new residents to the district, business growth stagnation, and failure to achieve economic development goals.	Strategic Risk	Joanne O'Neill	3	5	<ul style="list-style-type: none"> - Housing Strategy and Housing Taskforce in place - Community Development Housing Solutions Advisor position funded through Better Off Funding (Temporary for 2 years) - Spatial Plan informs the District Plan, to ensure the two documents are aligned - Oamaru Central and Oamaru North Masterplans completed 	<ul style="list-style-type: none"> - Partnerships sought with developers planning affordable housing across Waitaki 	High	3	4	12	High	

Risk Name	Risk Description	Risk Type	Owner	Inherent		Controls	Future Controls	Risk Rating June	September Risk Rating				Change from June
				I	L				Residual		Impact	Likelihood	Risk Score
Public Harm	The risk of causing harm to the public due to the Council's failure to adequately maintain infrastructure, deliver essential services, or manage public spaces. This includes potential harm arising from road and pathway hazards, contaminated water supplies, insufficient emergency responses, or ineffective waste management. Public harm may also arise from lack of communication or failure to mitigate risks in high-traffic areas such as parks, recreational facilities, or community events.	Strategic Risk	Joanne O'Neill/ Roger Cook	5	5	<ul style="list-style-type: none"> - Infrastructure Strategy is in place and reviewed every 3 years - Adequately resourced compliance team - Water supply bylaw, Backflow prevention policy, Trade waste bylaw, Policy on drinking water quality - Roading bylaws and policies - Project Reclaim - Communication and Engagement Strategy - Emergency management controls are in place as per 'Major Emergency Event' organisational risk - Department OSH reps - OSH refresh and managers appointed to H&S Committee - Collaboration with regional councils on the compliance requirements for water and waste water - Strong safety culture with approved contractors. 	<ul style="list-style-type: none"> - Regular audits and inspections of high-risk areas and infrastructure - Implement a public awareness campaign for identified risks and safe practices - Increase funding for critical infrastructure, maintenance, and upgrades - Strengthen incident response plans and ensure staff are well-trained on safety protocols. - Increased OSH audits - Improved near miss recording - Responsive reporting and intervention through promotion of 'Snap, Send, Solve' and the appointment of Case Officers, Area Leads and Locality Officers. - Increased management oversight of facilities built into new organisational structure. 	High	4	3	12	High	
Political Uncertainty	Risk that Council's priorities and actions are not aligned with central government expectations or reform activity due to political uncertainty, or lack of external consideration in decision-making, resulting in inefficient use of time, resources, and funds, public dissatisfaction, and reputational damage.	Strategic Risk	Alex Parmley	4	5	<ul style="list-style-type: none"> - Central government decisions and updates are monitored and discussed as a standing agenda item at ELT meetings - When submitting Annual Plan Projects, managers must state where decisions and direction have the potential to be impacted by central government decisions and direction - Modelling of impacts of reforms - Membership of networks across regions and local government (Mayoral Forums, LGNZ, Taituara, other professional bodies) - Long Term Plan forecasting assumptions 	<ul style="list-style-type: none"> - Elected Member Induction Programme - Elected Member Development Programme 	High	4	3	12	High	
Iwi Relationship Development	Risk that Council's relationship with Iwi fails to develop and improve due to a lack of adequate communication and engagement, resulting in poor community outcomes, missed opportunities, inappropriate or uninformed decision-making, legislative breach, loss of funding and reputational damage.	Strategic Risk	Alex Parmley	4	3	<ul style="list-style-type: none"> - Regular meetings undertaken - Memorandum of Understanding in operation with Te Rūnanga o Moeraki 	<ul style="list-style-type: none"> - Partnership agreement to be drafted, reviewed, and agreed - Shared Iwi liaison role yet to be established 	High	4	3	12	High	
Change Capacity and Resilience	Risk that Council capacity for change activity is exceeded due to ongoing transformation activity coupled with an increasing number of directives from central government. This could result in staff dissatisfaction, reduced staff well-being, non-compliant or failed implementations, legislative breach, financial loss, and reputational damage.	Strategic Risk	Lisa Baillie (Transformation) Paul Hope (Other change)	4	5	<ul style="list-style-type: none"> - Transformation Project Board Governance - ELT review of ongoing change activity - Transformation Project engagement and communication - Reporting received from Employee Assistance Programme to identify stress - Exit interviews are offered to all staff who leave employment - Staff engagement survey completed and action plan being developed - Transition process developed and implementation underway - Improved digital monitoring - Managers and Leads hui undertaken on a monthly basis - Change leadership training and regular coaching - Mentoring of managers on change where required - Board membership and governance refocused 	<ul style="list-style-type: none"> - Data on projects/change activity - Change training for Elected Members - Updated people & capability approach on business partnering to manage issues and lift capability within units - People Strategy under development - Phase 3 Implementation review underway 	High	3	4	12	High	

3.3 FINANCIAL SUMMARY (TO 31 AUGUST 2025)

Author: Amanda Nicholls, Chief Financial Officer
Authoriser: Paul Hope, Director Support Services

RECOMMENDATION

That the Performance, Audit and Risk Committee receives and notes the information.

PURPOSE

This report presents a high-level financial summary for the period ended 31 August 2025.

COMMENTARY

This report does not replace the regular financial reporting that is provided at each quarter's end. Instead, it is intended to supplement that reporting and bridge the gap between the quarters.

Overall, the Council-wide operating result is in line with budgeted loss of \$372k.

Operating revenue is higher than budget of \$11,012k by \$738k. However, expenditure is also over the total budget of \$11,385k by a similar amount.

Income and Expenditure

- Rates revenue for the first two months of the year totals \$8,336k, and is slightly higher than the budgeted amount of \$8,204k.
- Revenue from external grants and subsidies is \$468k above budget. This is largely due to NZTA roading claims.
- There are smaller offsetting variances to budget in other revenue line items.
- Depreciation will need to be adjusted for the 30 June 2025 revaluations. It is currently on-track against budget but will increase once the revaluations are booked because the valuation increases were \$20m higher than budgeted for. This is the same situation as the prior year; however, the difference will not be as significant.
- Personnel costs are currently underbudget.
- Other expenses are currently overbudget. This is largely due to timing, as the budget is largely split equally over the 12 months of the year; however, there has been some large outgoings in the first couple of months of the year.

A number of aspects of the August period have still to be finalized so the result reported here is an interim one and is provided as an indication of Council-wide financial performance.

Also, as the 30 June 2025 results are still being audited and are not finalized, this affects the opening balance sheet, and thus the results presented in the 31 August 2025 balance sheet are still draft.

Balance Sheet / Financial Position

- Property, Plant and Equipment: Year-to-date capital expenditure totals \$4m which is behind budget. Several large projects are still in progress as planned (Network Waitaki Events Centre, Forrester Gallery, and Kakanui Bridge); however, other waters and roading capital expenditure is behind budget.
- Cash and Cash Equivalents: Cash holdings are healthy as at 31 August 2025, given the quarterly rates take was due by 25 August 2025. There are sufficient funds in place to cover outgoings for the next month.

- Receivables, and Investments including Loans to Other Entities: Current assets are as expected for this time of year and in line with scheduled loan maturities.
- Borrowings: Borrowings currently stand at \$73m, which has not changed since 30 June 2025. The budget expects borrowings to gradually increase over the course of the year to fund capital commitments. As capital expenditure is behind budget, so too is borrowings. It is expected that LGFA borrowing will be required during October 2025.
- Payables and Employee Liabilities: Trade and other payables and employee entitlements are in line with operational activity and will fluctuate as project expenditure progresses.

The next full quarterly report will be provided to the new Council in December, for the first quarter ending 30 September 2025.

3.4 DRAFT ANNUAL REPORT FY 2024/2025

Author: Amanda Nicholls, Chief Financial Officer
Authoriser: Paul Hope, Director Support Services

RECOMMENDATION

That the Performance, Audit and Risk Committee receives and notes the information.

PURPOSE

To consider the first draft of the annual report and gain an understanding of the audit process.

SUMMARY

Annual Report

The first draft of the annual report will be circulated for the Committee's consideration.

The format is the same as previous years, with the front half of the document discussing the performance of the various departments including their financial results and service performance against set measures and targets. The key measures have been previously discussed as part of the CE's report, and a portion of the results come from Council's annual Residents Opinion Survey.

The departments are disclosed, as budgeted prior to the transformed organisation structure. Next year, the annual report will be completely redeveloped in line with the new organisation structure and ways of working.

The second half of the document details the financial statements and notes to the accounts. Draft financial results for the year ended 30 June 2025 and explanations for significant variances, were provided to the Committee on 29 July 2025. The results have not changed materially since the results provided in that report.

Financial results

Overall, Council had budgeted a \$7m profit, but the result was a slight deficit for the year ended 30 June 2025. This was because revenue was lower, and expenditure was higher than budgeted for. Revenue was almost \$4m lower than budgeted due to less grants and subsidies income than expected, largely due to receiving less NZTA subsidies due to cancelled or deferred roading projects. Expenditure was over \$3m higher than budgeted, largely due to higher depreciation and personnel costs than expected.

In terms of the balance sheet, the loans to other entities were \$14m lower due as Observatory Village repaid early during the year, and this has gone towards repaying debt. In total, debt was \$25m lower than budgeted with the remaining difference being due to deferring circa \$20m of capital projects.

Fixed assets are close to budget overall, but this is made up of significant offsetting variances. Additions are close to \$20m lower given the capital work deferred, and depreciation is almost \$3m higher meaning that the assets balance is lower. However, these variances are offset by around \$20m higher revaluation increases than expected. Council budgeted to have an increase in its roading, and land and buildings assets by \$29m; however, there was an almost \$50m increase in these assets.

Revaluations

Council has revalued its land and buildings and roading assets as at 30 June 2025. Land and buildings were last revalued as at 30 June 2022 and have increased in value by around \$55m or 35% of their value since this time. Roading assets were last revalued as at 30 June 2024 and have decreased in value by \$5.6m or 0.79% of their value.

Note: the valuation movements and resulting updates to depreciation and equity balances are still be finalised and have not been booked in the annual report as yet.

A fair value assessment has also been completed of the 3 waters assets which indicated that the carrying value of 3 waters assets have increased by \$9.6m or 2.6%, based on Statistics New Zealand's Capital Goods Price Index. This change in value was not considered material to adjust for or to undertake a full valuation. The last independent valuation took place as at 30 June 2024 and the next one is due on 30 June 2027.

Audit

The audit of the performance information (front half of the annual report) took place the week beginning 8 September 2025. We have no received any feedback or changes from that part of the audit.

The audit of the financial statements began on 22 September 2025 and will be ongoing until the annual report is adopted. The legislative deadline to adopt the annual report is 31 October 2025. There is currently no meeting scheduled given the change in Council. A meeting will be booked with the new Council in the coming weeks.

4 DECISION REPORTS

4.1 TREASURY STRATEGY, FY 2025-2026 SECOND QUARTER

Author: Amanda Nicholls, Chief Financial Officer

Authoriser: Paul Hope, Director Support Services

RECOMMENDATION

That the Performance, Audit and Risk Committee recommends:

That Council:

1. Adopts a Treasury Strategy for the second quarter of the 2025-26 financial year which includes:
 - a) Monitoring available cash and projecting future cash requirements
 - b) Liaising with the Local Government funding Agency (LGFA) to ensure Council's ability to function and deliver on behalf of its communities is not impeded by lack of funds
 - c) Obtaining advice and support from Bancorp Treasury Services on key projects in addition to ensuring compliance with policy limits
 - d) Investing funds considered surplus to immediate requirements based on current forecasts to best advantage to maximise returns.

DECISION OBJECTIVE

To report and discuss Council's proposed Treasury Strategy for the second quarter of the 2025-26 financial year, to review benefits arising from Council's membership of the Local Government Funding Agency (LGFA), and to consider the above recommendations.

SUMMARY

The Liability Management and Investment Policy adopted as part of the 2025-34 Long Term Plan sets out reporting and accountability requirements which include regular reporting of outcomes in the Treasury activity and the adoption of a quarterly Treasury Strategy.

A copy of the Bancorp Treasury Report for the quarter ended 30 June was presented as part of the Treasury Report for 30 June 2025 to the Performance, Audit and Risk (PAR) Committee Meeting on 29 July 2025. It provides helpful analysis of current market pressures and compares Council's borrowing rates against current market rates. The next quarterly Bancorp Treasury Report will be provided in October.

DECISION-MAKING EXPECTATIONS

Governance Decision-Making:	To adopt the proposed Treasury Strategy
Operational Decision-Making:	To implement the Treasury Strategy
Communications	Media Releases – contributed to by officers and Elected Members
	Media/public enquiries regarding governance decision-making topics above can be addressed by governance
	Media/public enquiries regarding operational decision-making topics above can be addressed by officers

SUMMARY OF DECISION-MAKING CRITERIA

	No/Moderate/Key		No/Moderate/Key
Policy/Plan	Key	Environmental Considerations	No
Legal	Moderate	Cultural Considerations	No
Significance	Key	Social Considerations	No
Financial Criteria	Moderate	Economic Considerations	Moderate
Community Views	No	Community Board Views	No
Consultation	No	Publicity and Communication	No

BACKGROUND

Council's primary income is derived from rates, received in quarterly instalments throughout the year. Another significant funding source is grant funding, which is typically received in the month following the related expenditure outflow (e.g. NZTA funding, Government grants and subsidies for specific capital projects). Other key income is fairly regular and predictable (user charges, property rental, regulatory charges, finance income).

Key operating and personnel costs are also relatively stable and consistent throughout the year, and these are generally covered by operating revenue and existing reserves.

Council's significant spend is on capital projects, largely focused on infrastructure and on one-off building developments. This expenditure can be irregular and is mostly funded by external borrowing. Council obtains its borrowing from the LGFA, at competitive rates.

To borrow from the LGFA, Council must abide by that agency's lending covenants. Council also sets its own thresholds in its Liability Management and Investment Policy, adopted every three years as part of the Long-Term Plan. Each quarter, a Treasury Report is provided outlining the Council's Treasury activity for the previous quarter, including compliance with the LGFA covenants and the Council's own thresholds set in its Liability Management and Investment Policy.

To maintain compliance and ensure that Council continues to operate sustainably, careful consideration of Council's Treasury Strategy is necessary, in terms of managing cashflow, debt levels, and considering investment options. This report provides an opportunity to discuss Council's proposed Treasury Strategy for the second quarter of the 2025-26 financial year.

CURRENT SITUATION – THE MARKET

The Bancorp report provided as an attachment to the Treasury Report to the PAR Committee meeting on 29th July 2025 provides detailed analysis of current market conditions. The Official Cash Rate (OCR) had reduced to 3.00% as at 20 August 2025 with the next review due on 8 October 2025. The market has signalled a more cautious approach but has signalled a possible cut in November 2025 but time will tell however as geo-political events have created some uncertainty within markets.

With the constant rate drops since August 2024, Council is now seeing its borrowing costs reduce to more reasonable levels. However, this also results in decreased interest rates now being applied to Council's lending to external entities.

CURRENT SITUATION – INVESTMENTS

Loans to external parties \$20.636M (at 31 August 2025, includes accrued and compounding interest)

- North Otago Irrigation Company Limited (NOICL) – \$13.201M. Interest rates are set quarterly based on the 90-day bill rate plus a margin and are currently 5.69%. Annual principal repayments of \$266k, with a balloon payment in February 2031 of \$11.825M.
- Kurow-Duntroon Irrigation Company Limited – \$3.15M. Interest rate at 3.75% (reviewed July 2025) charged and paid quarterly. A new agreement was reached in December 2024 ceasing principal repayments, the loan matures 20 December 2034.

- Waitaki District Health Services Limited – \$1.927M. Interest rate 5.13% reset quarterly.
- Ōamaru Whitestone Civic Trust – \$0.392M. \$341.5k approved loan facility plus 2 Heritage loans, interest rate 5.27% (\$50.5K Heritage loans interest free).
- Whalan Lodge Trust – Original loan in April 2022 \$0.780M (loan \$0.750M plus compound interest \$30k) Second \$0.607M interest paid from rates from 1 July 2024. Third loan in October 2024 \$0.150M – All loans subject to an interest rate of 4.77%.
- Corriedale Water Management Company Limited – \$17.5k. Interest-free providing initial set-up funding. This advance will be repaid as part of the final settlement when Council's waters assets are relinquished.
- Ōmārama Airfield Limited – \$0.410M interest rate 8.13% with interest compounding up to either \$100k or the date of practical completion. Council approved funding of up to \$0.550M, but this was contingent on no further drawdowns being made after 28 February 2024. It is intended the Loan will be paid off via section sales. The Loan is due for repayment no later than 27 May 2026.

Bank / call account / term deposits

Council's cashflows are extremely cyclical and regular, with four months that may be regarded as "high cash balance" months – August, November, February, and May. These months are when quarterly rate instalments, water billing, and trade waste charges fall due for payment. In each of these months, and when other large inflows, like loan principal repayments, are received, officers must decide how best to deal with the resulting surplus funds, which effectively support Council activities through to the next "high cash balance" month. In making these decisions, officers consider:

- operational requirements; and
- loan repayment obligations; and
- term deposit opportunities.

Interest rates for term deposits have now reduced due to reductions in the OCR. They currently range from 1.00% for Council's call account and term deposits up to 2.35% for two months, to around 3.75% for six months and 3.99% for 12 months. Rates for longer terms have reduced in response to strong indications of a further drop in the OCR.

Council currently has no funds held in the Call Account as it only earns 1.00%. Instead surplus funds are used to repay debt wherever possible.

In addition to the Call account, Council holds funds in two other accounts effectively in "trust". As required by law in a separate account representing contract retentions held. Monies are transferred when retentions are released. Also funds are held representing ticket sales for upcoming events to be held at the Ōamaru Opera House. Revenue is recognised and transferred once the event has been held.

CURRENT SITUATION – BORROWINGS

Council as at 31 August 2025 has borrowed a total of \$72.9M from the Local Government Funding Agency.

Three types of loan are used: Commercial Paper (CP); Floating Rate Notes (FRN); and Fixed Rate Bills (FRB). Maturity dates range from April 2026 to May 2031.

Capital expenditure is continuing with a focus on the three most significant outflows relating to the Network Waitaki Events Centre, Kakanui Bridge and the Forrester Gallery. Although all have major third-party funding attached to them, Council is still required to cover a significant portion of the costs and must fund the timing difference between making payments to contractors and the arrival of third-party funding.

Any necessary short-term borrowing will be financed via the \$6.0M CARL account.

It is expected that further LGFA borrowing of circa \$10M will be required in mid-October 2025 to fund capital work due for payment in October and November 2025. The next round of rates receipts are due by 25 November 2025.

Interest rates available from the LGFA are slowly reducing. Council can currently borrow from the LGFA at around 4.00% fixed, 4.1% floating, and 3.5% on commercial paper for shorter terms.

Bank of New Zealand (BNZ)

Council has a Customised Average Rate Loan (CARL) facility with the BNZ with a limit of \$6M at 5.13%. The CARL facility is intended to be used for short-term borrowing to take advantage of the large quarterly Rates take given that it is more cost effective to borrow for the short-term at the higher CARL rate, than longer term at the lower LGFA rates. Council does not currently have an overdraft facility given it is more economical to utilize the CARL facility. For longer-term requirements, the LGFA will always be the preferred funding source.

Future Borrowing Requirements

The LGFA has proven extremely responsive to requests for funding assistance and will provide funds if needed. Although obtaining new, and refinancing existing, loans from the LGFA require more paperwork than simply processing a transfer from the CARL facility, LGFA debt will always be more reasonably priced.

Forecasts completed for the 2025-34 Long Term Plan predict that new borrowings of circa \$85 million are required over the nine years. There is also over \$200 million of borrowings required to fund 3 waters projects over that period.

Discussion

This Treasury Strategy will continue to provide:

- flexibility in accessing and applying operational funding
- certainty of funding for capital projects
- certainty and savings in loan servicing and facility costs
- funds which, when not required for operational or capital funding purposes, can be used to generate investment revenue

SUMMARY OF OPTIONS CONSIDERED

Option 1 – Adopt the Treasury Strategy for the second quarter of the 2025-26 financial year as outlined in this report, using the expertise of external consultants in relation to the structuring of external borrowing, making use of the lumpsum quarterly Rates take using the BNZ CARL facility for short term funding, and investing funds considered surplus to immediate operational and capital expenditure requirements. **(Recommended)**

Option 2 – Direct the Chief Executive to consider and develop an alternative Treasury Strategy.

ASSESSMENT OF PREFERRED OPTION

Option 1 is preferred. It continues current practice and is regarded by officers as the most practical and viable option in light of Council's present funding circumstances and significant upcoming capital and other projects.

CONCLUSION

Officers will continue to maximise, wherever possible, returns from Council's investments whilst minimising as much as practicable the costs of financing Council's ongoing funding requirements. This Treasury Strategy has been developed and has evolved to ensure that objective is met.

ADDITIONAL DECISION-MAKING CONSIDERATIONS

Waitaki District Council Strategic Framework

Outcomes

Community Outcomes

Prosperous District

- Attractive to new opportunities
- Supporting local businesses
- Fostering a diverse and resilient economy

Strong Communities

- Enabling safe, healthy communities
- Connected, inclusive communities
- Promoting a greater voice for Waitaki
- Celebrating our community identity

Quality Services

- Robust core infrastructure and services
- Community facilities and services we are proud of

Valued Environment

- Protecting our diverse landscapes and water bodies
- Meeting environmental and climate change challenges

Policy and Plan Considerations

To maintain compliance with LGFA borrowing covenants and Council's Liability Management and Investment Policy, careful consideration of Council's Treasury Strategy is necessary, in terms of managing cashflow, debt levels, and considering investment options.

Financial Considerations

To ensure that Council continues to operate sustainably, careful consideration of Council's Treasury Strategy is necessary, in terms of managing cashflow, debt levels, and considering investment options.

Legal Considerations

To maintain compliance with Council's financial obligations under the Local Government Act 2022, careful consideration of Council's Treasury Strategy is necessary.

5 CONFIRMATION OF PREVIOUS MEETING MINUTES

**5.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING
HELD ON 26 AUGUST 2025**

Author: Allyson Woock, Governance Services Officer

Attachments: 1. Public minutes of the Performance, Audit and Risk Committee
Meeting held on 26 August 2025

RECOMMENDATION

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 26 August 2025, as circulated, as a true and correct record of that meeting.

DRAFT UNCONFIRMED MINUTES

**OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBER, THIRD FLOOR, OFFICE OF THE WAITAKI DISTRICT
COUNCIL, 20 THAMES STREET, OAMARU
ON TUESDAY, 26 AUGUST 2025 AT 9:00 AM**

PRESENT: Simon Neale (Chair), Mayor Gary Kircher, Deputy Mayor Hana Halalele, Cr Tim Blackler, Cr Brent Cowles, Cr Jim Hopkins, Cr John McCone

IN ATTENDANCE: Alex Parmley (Chief Executive Officer)
Paul Hope (Support Services Director)
Joanne O'Neill (Strategy, Performance & Design Director)
Roger Cook (Natural & Built Environment Director)
Amanda Nicholls (Chief Financial Officer)
Arlene Goss (Governance Services Lead)
Allyson Wock (Governance Services Officer)
Jason Lilley (Website & Digital Content Creator)

IN ATTENDANCE FOR SPECIFIC AGENDA ITEMS:

Dereck Ollsson (Audit Director, Audit New Zealand)
Laura Song (Audit Manager, Audit New Zealand)

MEETING LIVESTREAM RECORDING: This meeting was livestreamed on council's YouTube channel, the recording of which can be found at the following link:
https://www.youtube.com/live/O6lnOWU0xnU?si=wEzfEslWQSUu_R3c.

MEETING OPEN

The Chair declared the meeting open at 9:01am and welcomed everyone present.

1 APOLOGIES

RESOLVED PAR 2025/035

Moved: Mayor Gary Kircher
Seconded: Deputy Mayor Hana Halalele

That the apology received from Cr Rebecca Ryan (for absence) be accepted.

CARRIED

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1 PUBLIC AND PUBLIC EXCLUDED MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 29 JULY 2025

RESOLVED PAR 2025/036

Moved: Cr Jim Hopkins
Seconded: Mayor Gary Kircher

That the Performance, Audit and Risk Committee confirms both the public and public excluded minutes of the Performance, Audit and Risk Committee Meeting held on 29 July 2025, as circulated, as a true and correct record of that meeting.

CARRIED

4 MEMORANDUM REPORTS

4.1 AUDIT REPORT ON THE FINDINGS FROM THE LTP AUDIT

The circulated report summarised the contents of Audit New Zealand's report to Council on the Consultation Document and Long Term Plan for the period 1 July 2025 to 30 June 2034.

Waitaki District Council Chief Financial Officer Amanda Nicholls and Audit New Zealand Audit Director Dereck Ollsson spoke to the report and responded to questions.

There was discussion surrounding the accounting treatment for intangible assets and the capitalisation of staff costs, as committee members sought to understand Audit New Zealand's stance on this matter.

A question was raised as to why the disclosure underpinning Audit New Zealand's modified opinion of Council's Consultation Document could not have been rectified at the time and was instead rectified during the audit of the final Long Term Plan document.

It was explained that agreement between Council and Audit New Zealand on the accounting treatment for the disclosure could not be reached at the time of the audit of the Consultation Document.

Chair Simon Neale expressed his support of the Council's approach to the accounting treatment of intangible assets during the LTP consultation. This approach was in the interests of the community during consultation because of the regulatory uncertainties, despite this resulting in a modified opinion. Mayor Gary Kircher agreed with the Chair on this matter.

A question was raised as to when the Long Term Plan amendment referred to in the report will take place. It was responded that the Long Term Plan is still in effect and that the requirement for there to be an amendment will depend on the feedback Council receives from the Department of Internal Affairs on its Water Services Delivery Plan. Mr Neale agreed that waiting for further direction on this matter was a prudent approach.

RESOLVED PAR 2025/037

Moved: Mayor Gary Kircher
Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee receives and notes the information.

CARRIED

4.2 AUDIT COSTS AND LTP FEE RECOVERY

The circulated report detailed Audit New Zealand's request for additional fee recoveries for their audit of Council's Consultation Document and Long Term Plan. The report also highlighted historic audit fees.

Chief Financial Officer Amanda Nicholls spoke to the report and noted that negotiations between Council and Audit New Zealand were ongoing in order to reach agreement over the request for additional fee recoveries.

Chair Simon Neale expressed his disappointment that staff at Audit New Zealand did not reach out to him as requested when they first began to observe cost overruns during the audit of the 2025-34 Consultation Document and Long Term Plan, nor at a later stage of the process.

Mr Neale also emphasised the significance of the cost overruns and stressed the importance of Audit New Zealand being prepared to continue to negotiate a more realistic fee with Council staff.

Audit New Zealand Audit Director Dereck Ollsson fielded questions from committee members as they sought to understand how the additional work carried out by Audit New Zealand resulted in additional fees of the magnitude requested.

Noting that additional fees place a burden on ratepayers, Deputy Mayor Hana Halalele asked Mr Ollsson if Audit New Zealand could consider writing off a significant portion of the additional fees in the interest of the community.

RESOLVED PAR 2025/038

Moved: Cr Jim Hopkins

Seconded: Mayor Gary Kircher

That the Performance, Audit and Risk Committee receives and notes the information.

CARRIED

4.3 AUDIT REPORT ON THE FINDINGS FROM THE FY25 INTERIM AUDIT

The circulated report summarised the contents of Audit New Zealand's report to Council on the interim audit for the 2025 financial year.

Waitaki District Council Chief Financial Officer Amanda Nicholls and Audit New Zealand Audit Director Dereck Ollsson spoke to the report.

Chair Simon Neale asked Ms Nicholls if there were any concerns about audit's areas of focus for the final 2025 audit, to which she responded that there were not.

When asked if there were any areas of the final 2025 audit which could be foreseen to require additional work, Mr Ollsson responded no, however, he noted that the audit of Waitaki District Health Services Ltd (WDHSL) was delayed and that this may have a flow-on impact on the delivery of the final 2025 audit of Council.

He stated that this was due to Council having made a request to the Office of the Auditor General for WDHSL to be exempt from the audit of the 2026 financial year, as while this request was being assessed, the 2025 audit of WDHSL was temporarily put on hold.

Mr Neale questioned the requirement for the 2025 audit of WDHSL to have been temporarily put on hold given the request for exemption applied to the 2026 financial year only. Ms Nicholls added that Council staff had been under the impression that the 2025 audit of WDHSL was underway as planned.

Mr Ollsson was asked whether work identified to take place but not completed by Audit New Zealand during the interim audit of Council would incur additional costs when completed at the final audit stage. Mr Ollsson stated he would do a cost analysis and provide an update on this.

There were questions regarding the status of outstanding recommendations from previous audits, including the recommendation to obtain a full seismic assessment report of all Council buildings. It was explained that seismic assessments of Council's buildings have been prioritised on a risk basis and that the percentage of buildings which have been assessed could be circulated to committee members following the meeting.

RESOLVED PAR 2025/039

Moved: Cr Tim Blackler
Seconded: Cr Jim Hopkins

That the Performance, Audit and Risk Committee receives and notes the information.

CARRIED

4.4 VERBAL UPDATE ON ANNUAL REPORT INCLUDING VALUATIONS

Chief Financial Officer Amanda Nicholls provided a verbal update on the 2024-25 Annual Report progress to date, including progress on valuations.

Officers were preparing the 2024-25 Annual Report at the time of this update. There had been no significant movement on the draft financial results since they were received and noted at the Performance, Audit and Risk Committee meeting held on 29 July 2025.

Progress on valuations at the time of this update:

- The roading revaluation was noted as being in the final stages;
- The forestry revaluation was noted as being received and in the process of being reviewed;
- The revaluation of land and buildings was noted as being in progress;
- The three waters valuation was noted as not being subject to revaluation this year, however, it was stated a fair value assessment will be completed.

Audit New Zealand have brought forward the audit of Council's non-financial performance reporting and are due to start on 8 September 2025. The non-financial performance section of the 2024-25 Annual Report had been drafted at the time of this update.

It was noted that Council has previously received qualifications regarding two areas of its non-financial reporting: road smoothness and water loss. It was indicated that Council will likely receive the same qualification for road smoothness this year, as the same approach to measurement has been used. Improvements to the measurement of water loss have been made to avoid future qualifications on Council's water loss reporting.

In response to questions regarding road smoothness, Support Services Director Paul Hope noted that the qualification does not impact Council's relationship with New Zealand Transport Agency Waka Kotahi and that they are still happy with Council's asset management practice.

Audit New Zealand will begin their audit of the financial section of the 2024-25 Annual Report on 22 September 2025.

RESOLVED PAR 2025/040

Moved: Cr John McCone
Seconded: Cr Tim Blackler

That the Performance, Audit and Risk Committee receives and notes the information.

CARRIED

4 MEETING CLOSE

The Chair declared the meeting closed at 10:17am.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 30 September 2025.

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CHAIRPERSON

6 MEETING CLOSE