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**MARLBOROUGH
DISTRICT COUNCIL**

19 June 2024

Record No: 24152637
File Ref: D050-001-C01
Ask For: Nicole Chauval

Notice of Committee Meeting – Tuesday, 25 June 2024

A meeting of the Economic, Finance & Community Committee will be held in the Council Chambers, 15 Seymour Street, Blenheim on **Tuesday, 25 June 2024 commencing at 11.00 am.**

BUSINESS

As per Agenda attached.

**MARK WHEELER
CHIEF EXECUTIVE**

Public Forum

A public forum will be held prior to the Economic, Finance & Community Committee meeting, starting at 8.30am. If you wish to address the Committee you will need to confirm your attendance and speaking time with the Committee Secretary at least 24 hours prior to the meeting Ph: 03 520 7400. Please note topics are restricted to the agenda items or those within the Committee's delegation.



**Meeting of the
ECONOMIC, FINANCE & COMMUNITY COMMITTEE
to be held in the Council Chambers, 15 Seymour Street, Blenheim
on TUESDAY, 25 JUNE 2024, commencing at 11.00 am**

Committee

Clr J D N Croad (Chairperson)
Clr S R W Adams (Deputy)
Clr J A Arbuckle
Clr S J Arbuckle
Clr A R Burgess
Clr D A Dalliessi
Clr B G Dawson
Clr B A Fauls
Clr M R K Flight
Clr G A Hope
Clr R J Innes
Clr B J Minehan
Clr J C Rosene
Clr T P Sowman
Mayor Nadine Taylor
Ms Niven (Iwi Representative)

Department Heads

Mr G K Blake (Chief Financial Officer) and Mr D G Heiford (Manager Economic, Community & Support Services)

Staff

N Chauval (Committee Secretary)

In Public

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1. Apologies

An apology from Clrs T P Sowman, R J Innes and G A Hope has been received.

2. Declaration of Interests

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3. Marlborough Living Cultural Treasure Award

(The Mayor) (Report prepared by Nicola Neilson)

Purpose of Report

1. To accept the request from the Friends of Marlborough Museum that the Marlborough Living Cultural Treasure Award continues under the ownership of Marlborough District Council.

Executive Summary

2. Marlborough District Council is currently a partner with the Friends of Marlborough Museum in managing the Marlborough Living Cultural Treasure Award which was last awarded in 2023.
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RECOMMENDATION

That Council accepts the proposal to own and manage the Marlborough Living Cultural Treasure Award.

Background

3. In 2012, the Marlborough Living Cultural Treasure Award was established by the Friends of Marlborough Museum in partnership with Marlborough Museum and Marlborough District Council.
4. The award is made to recipients who have demonstrated a lifetime of excellence in cultural endeavour and are a source of community inspiration.
5. Nominations were called for publicly and the selection panel consisted of the Mayor, two community representatives, executive director of Marlborough Museum, and a representative of the Marlborough Heritage Trust.
6. The previous recipients are:

2023 Clarry Neame
2017 Margaret Bond
2016 Fran Maguire and Clem Mellish
2015 Triska Blumenfield
2014 J S Parker
2013 Joy Cowley and Duncan Whiting
2012 Peg Moorhouse
7. In 2023, the Marlborough Heritage Trust ceased operating, and the Living Cultural Treasure Award was suspended due to museum staff limitations while negotiations took place between Council and the Marlborough Historical Society.
8. In early 2024, Council was approached by the Friends of the Museum group with a request for Council to accept ownership of the award going forward.

Proposal

9. The Marlborough Living Cultural Treasure Award is managed by Council with the following criteria:
 - a) *Definition of a Lifetime of Achievement.* A lifetime of achievement is defined as between 20 and 40 years of the working life of the Nominee. The age of the Nominees should not be considered but only in the context of their working life.

- b) One award to be presented per mayoral term as follows:
- Call for nominations in November of the year preceding council elections
 - Nominations close in January of election year
 - Selection Panel to meet in late February
 - Award to presented in late March/early April of the election year
- c) Nominations are called for from the public. The status of the Nominators should not be considered as the focus should be on the Nominee. Nominations from previous years can be accepted by the panel and carried forward for further consideration. Late nominations cannot be accepted.
- d) The Selection Panel will consist of:
- Mayor
 - One community representative appointed by the Mayor
 - One previous recipient of the Marlborough Living Cultural Treasure Award. The longest serving Living Cultural Treasure will be invited, if they are not available then the order of service will be the order of invitation
 - Marlborough Chief Executive
 - An iwi representative nominated by Te Tau Ihu Chairs
- e) The Selection Panel may still operate with up to one vacancy.
- f) A short summary of all nominations and additional information will be presented to the Panel followed by discussion. The Panel will decide the winning recipient by majority vote should full consensus not be achieved. The Mayor shall have the casting vote should it be required.
- g) The principal reward for a Living Cultural Treasure Award is public recognition. To ensure this, the honours are conferred at a formal ceremony presided over by Council. The recipient will be presented with the korowai and their name added to the award plaque that will be housed at a Council facility to be determined.
10. New detailed criteria for the award will be designed by Council staff in consultation with the Selection Panel prior to the call for nominations which will focus on a nominee's demonstration on an extraordinary, inspiring and significant contribution in cultural endeavour over a lifetime, and wherever possible sharing these with the community, including inspiring future generations.

Funding

11. Limited funding is required to manage the award and will be covered by the Arts, Culture and Heritage Strategy funding allocated in the Long-Term Plan 2024-2034.

Author	Nicola Neilson, Project Lead – Arts, Culture and Heritage
Authoriser	Dean Heiford, Manager Economic, Community & Support Services

4. Financial Report for the year to 30 April 2024

(Clr Dawson) (Report prepared by David Craig)

F275-001-02

Purpose of Report

- To present the Financial Report for the Assets and Services and Community Facilities (including Parking) Departments for the year to 30 April 2024.

Executive Summary

- The Financial Report for the Assets & Services and Community Facilities (including Parking) Departments from 1 July 2023 to 30 April 2024 is presented below.

Revenue and Operational Expenditure

(in millions)	1 July to 30 April			Whole year		
	Actual	Budget		Forecast	Budget	
Surplus/Deficit	\$7.8	\$19.7	✘ \$11.9	\$41.4	\$23.9	✓ \$17.5
Income	\$116.2	\$140.7	✘ \$24.5	\$153.8	\$168.7	✘ \$14.9
Expenditure	\$108.4	\$121.0	✓ \$12.6	\$112.4	\$144.8	✓ \$32.4

Major variances between year to date actual and budget:

- Roading emergency reinstatement costs relating to the July 2021 and August 2022 storm events are below budget by \$10.81m (year to date spend is \$17.89m) and are offset by reduced operational roading subsidies of \$8.36m.
- Roading subsidy on capital expenditure is below budget by \$16.93m due to a combination of the unexpended capital component of emergency reinstatement works (\$16.42m @ 95%) and the annual renewals programme (\$2.26m @ 51%).
- Network and Asset Management costs are unfavourable to budget by \$843k. Council budgets for 60% of this cost under its roading renewal activities. An accounting transfer will be made at year end to recognise the renewal component.
- Also, within the Roads and Footpaths activity there is a favourable variance of \$1.71m for sealed pavement maintenance. For simplicity, all operating expenditure budget carryovers for various roading activities were accumulated to this expenditure category. It is anticipated that both the operations & maintenance and renewal components of the subsidised roading programme will be fully spent by year end.
- Other flood damage repair costs have been incurred within the Flood Protection activity and are well within budget at this time, with a favourable variance of \$3.32m. This is offset by related insurance claim revenues of \$1.58m. There are also associated savings of \$588k for minor works contracts in the Flood Protection activity.
- Flood event welfare response and recovery costs are captured under the Emergency Management Activity and expenditure to date is \$984k These costs are offset by subsidy of \$827k from Waka Kotahi (NZTA).
- Development contributions (\$1.52m) and Reserve fund contributions (\$513k) are both unfavourable to budget and are indicators of reduced property development activity.
- Dump fee revenue is favourable to budget by \$499k. Tonnage to Landfill for the period July 2023 to April 2024 was 52,827 tonnes, which is 4% higher than for the corresponding period of the previous year (50,336 tonnes).

- The Landfill Emissions Trading Scheme (ETS) obligation has been assessed for the 2023 calendar year at \$816k and NZ Units (carbon credits) for this value have been surrendered to meet this annual commitment. A favourable budget variance of \$529k has resulted.
- Grant income is favourable to budget by \$2.22m due to the Ministry of Education surrender payment for College Park use and contribution towards the hockey turf relocation \$917k, Three Water Reforms funding \$569k, Kanoa funding for Wairau River protection works \$608k, Tourism Infrastructure Funding for public conveniences/freedom camping \$367k and waste levy \$156k; offset by unfavourable Better Off funding payments \$400k.
- Pump station and treatment power costs are both unfavourable to budget in water (\$583k) due to high summer demand and wastewater (\$407k) due to increased aeration capacity at Hardings Road treatment plant.
- Repairs and maintenance are unfavourable to budget by \$564k and predominantly within Community Facilities \$486k (Cemeteries, Public Conveniences, Reserves and Street Berms, Plots & Trees). These variations are partially offset by favourable contract costs of \$201k within those activities.
- Interest payments are favourable to budget by \$864k

Additional information is given on variances at an activity level later in the report.

Capital Expenditure

(in millions)	1 July to 30 April		Whole year			
	Actual	Budget		Forecast	Funded	
Capex	\$44.5	\$97.8	✘ \$53.3	\$93.5	\$98.6	✔ \$5.1

Council has funded a budget of \$98.6m for capital expenditure in the 2023-24 Annual Plan. The total programmed work for the year is \$116.7m (including \$18.1m of carryovers from previous financial years). This ensures that multiple projects can continue to progress.

Actual year to date capital expenditure is \$44.56m and represents 45% of the funded amount.

Capital expenditure is impacted for many reasons including finalising community consultation, obtaining land access, obtaining resource consents, the availability of external professional expertise and receiving an acceptable contract price and contractor availability.

Forecasts

- Forecast values are system generated and require manual intervention to improve accuracy. Much of the required information has been sourced from the 2024-34 Long Term Plan process, which is currently underway.
- The year end operating surplus is forecast to increase by \$17.5m to \$41.4m through a combination of reduced revenue of \$14.9m (roading subsidies) and reduced expenditure of \$32.4m (emergency reinstatement works and flood damage).
- It should be noted that the operating surplus is not a cash surplus as it includes non-cash items, such as vested assets, and other revenues which are specifically dedicated to funding capital expenditure (development contributions, reserve fund contributions etc). The capital portion (or principal repayments) of loans are also funded from the operating surplus.
- Forecast capital expenditure is \$93.5m, which is \$5.1m below the 2023-24 Annual Plan budget and includes \$32.2m of capitalised emergency reinstatement renewals (refer below).
- A notable change has been made to forecasting for emergency reinstatement expenditure. The total budgeted amount for 2023-24 is \$54.45m of which \$34.45m is for operating expenditure and \$20m for renewal expenditure. The total emergency works expenditure for the current year

is now forecast to be \$35.84m. The remaining works will be re-budgeted over the next two years.

- Accounting entries are required to transfer most of the emergency repair works completed to date from operational expense to capital expenditure. This is in alignment with the allocation and timing of expenditure in the long-term plan. This will reverse part of the impairment recorded in the previous year.

RECOMMENDATION

That the financial report for the period ended 30 April 2024 be received.

Background/Context

- Below is the Financial Report for the Assets & Services and Community Facilities (including Parking) Departments, for the ten-month period ended 30 April 2024.
- Budget values include 2022-23 carryovers, which were approved in the August 2023 meeting cycle.
- The Forecast column provides projected end of year outcomes, and these will be continually updated as we progress through the year.
- Entries have been completed to account for April revenues and expenditures, including outstanding retention values of \$2.55m for 54 separate construction contracts.
- All figures are rounded to the nearest thousand unless otherwise stated.
- The use of ✖ or ✔ is challenging for capital expenditure. Normally if you are over budget, it is not good, so should get a ✖. Equally if you are tracking well behind/under budget that is also not good. As a result, for capital expenditure a ✔ is for within -10%/+5% and anything outside that range being a ✖.

Financial Report by Significant Activity

9. Community Facilities

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April			Whole year			
	Actual	Budget		Forecast	Budget		
Surplus/Deficit	\$3,969	\$3,578	✔ \$392	\$4,278	\$3,709	✔	\$569
Revenue	\$18,756	\$17,856	✔ \$900	\$21,808	\$20,727	✔	\$1,081
Expenditure	\$14,787	\$14,279	✖ \$508	\$17,531	\$17,018	✖	\$512

The favourable revenue variance of \$900k or 5% is due to grants \$1.361m (College Park surrender & relocation of hockey turf and Tourism Infrastructure funding), insurance claims \$153k and property rentals \$121k; offset by unfavourable Better Off funding payments \$109k, development contributions \$134k and reserve fund contributions \$513k.

The unfavourable operating expenditure variance of \$508k or 4% is due to consultancy \$82k, insurances \$31k, materials \$109k, monitoring \$31k, pest & weed control \$34k, power \$32k, repairs & maintenance \$586k, tree maintenance (including power line clearance work) \$233k and vandalism \$66k; offset by favourable contracts \$201k, general expenses \$63k, grants (Whale Trail) \$179k, projects \$154k and interest \$140k.

Capital expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Funded		
Capex	\$9,306	\$14,990	✘	-\$5,684	\$12,420	\$14,338	✘	-\$1,918

We have achieved 52% of programmed works or 65% of the \$14.34m approved in the annual plan (i.e., excluding carry overs). This is due to lower than budgeted expenditure in cemeteries \$239k, memorials \$55k, public conveniences \$603k, reserves \$4.663m and swimming pools \$225k.

The major budgets within the community facilities program are for cemeteries \$753k (actual \$389k), public conveniences \$1.15M (\$431k), reserves \$15.51m (\$8.31m) and swimming pools 230k (\$0).

10. Direct Management

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	\$99	-\$528	✓	\$627	\$61	-\$582	✓	\$643
Revenue	\$918	\$600	✓	\$318	\$1,064	\$746	✓	\$318
Expenditure	\$819	\$1,128	✓	-\$309	\$1,002	\$1,328	✓	-\$325

Favourable revenue variance of \$318k is due to Three Waters Reform funding \$342k offset by unfavourable fees \$36k.

The favourable operating expenditure of \$309k or 27% is due to personnel costs \$277k, contracts \$175k, professional fees (climate change provision) \$237k and projects (Better Off Fund) \$82k; offset by unfavourable consultancy \$128k, fuel & oil \$20k, software \$26k and valuation expenses \$285k.

Capital expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Funded		
Capex	\$84	\$0	✘	\$84	\$84	\$0	✘	\$0

No Capital expenditure is budgeted. Actual is for the replacement of three administration fleet vehicles \$152k; offset by trade-in value of existing fleet \$69k.

11. Emergency Management

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	-\$35	\$154	✘	-\$190	\$21	\$196	✘	-\$175
Revenue	\$1,732	\$979	✓	\$754	\$1,987	\$1,184	✓	\$803
Expenditure	\$1,768	\$824	✘	\$943	\$1,966	\$988	✘	\$978

The favourable revenue variance of \$754k or 81% is due to roading subsidies for Marlborough Sounds future access study (MSFAS) & barging costs \$827k and community resilience funding \$86k; offset by unfavourable grants (Better Off Funding) \$139k.

The unfavourable operating expenditure of \$943k or 114% is due to the flood response and welfare costs (MSFAS & barging) \$984k, consultancy (Group Resilience analysis project) \$51k and repairs & maintenance \$23k; offset by favourable personnel costs \$101k and contributions \$18k.

Capital expenditure

(in thousands)	1 July to 30 April			Whole year			
	Actual	Budget		Forecast	Funded		
Capex	\$46	\$7	✘ \$38	\$49	\$9	✘	\$40

A small budget provision of \$9k has been made for office and communication equipment. Expenditure to date is for a replacement administration fleet vehicle \$52k and trailer \$4k; offset by disposal of administration fleet vehicle \$11k.

12. Roads and Footpaths

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April			Whole year			
	Actual	Budget		Forecast	Budget		
Surplus/Deficit	-\$2,267	\$12,592	✘ -\$14,859	\$30,409	\$15,865	✓	\$14,545
Revenue	\$39,882	\$66,298	✘ -\$26,416	\$62,490	\$79,555	✘	-\$17,065
Expenditure	\$42,149	\$53,706	✓ -\$11,557	\$32,081	\$63,691	✓	-\$31,610

The \$26.42m or 40% unfavourable variance in the Roothing and Footpath revenue is due to subsidy on unexpended emergency reinstatement works \$26.12m, development impact levies \$87k, subdivisional works contributions \$42k and vested assets \$233k. These are offset by favourable development contributions \$21k and disbursement recoveries \$47k.

The favourable total expenditure variance of \$11.56m or 22% is primarily due to emergency reinstatement of \$10.81m, with \$17.89m being spent year to date.

Network and Asset Management costs are above budget by \$843k. This is the Waka Kotahi NZTA work category which provides for the general management and control of the road network and management of road assets, including professional services. Council budgets for 60% of this cost under its roading renewal activities and a transfer will be completed at year end to recognise the renewal component.

There are favourable variances for minor events \$326k, sealed pavement maintenance \$1.71m, structure maintenance \$149k and interest costs \$201k; offset by unfavourable routine drainage maintenance \$407k and traffic services maintenance \$240k.

Capital expenditure

(in thousands)	1 July to 30 April			Whole year			
	Actual	Budget		Forecast	Funded		
Capex	\$11,247	\$35,463	✘ -\$24,216	\$48,087	\$35,781	✘	\$12,306

We have achieved 26% of programmed works or 31% of the \$35.78m approved in the annual plan. The renewals programme is on budget with most of the works being completed over the warmer summer months. A high proportion of completed emergency reinstatement works are yet to be capitalised. There are favourable variances in bridge renewals \$392k, footpath renewals \$77k, minor improvements \$1.24m, traffic services \$217k, unsealed road metalling \$372k and emergency reinstatement \$16.42m.

Other non-subsidised activities which are also behind budget include the Northwest Blenheim extension zone \$1.83m, Picton CBD works \$800k, small townships upgrades \$1.46m, roading related works (including cycle facilities, kerb & channel, signage and seal extension) \$1.70m, subdivisional works \$125k and wharves \$323k; offset by Blenheim CBD works, which are ahead of budget by \$329k.

Vested assets are favourable to budget by \$233k.

13. Parking

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April			Whole year				
	Actual	Budget		Forecast	Budget			
Surplus/Deficit	\$257	\$26	✓	\$232	\$272	\$46	✓	\$227
Revenue	\$2,051	\$1,779	✓	\$272	\$2,407	\$2,135	✓	\$272
Expenditure	\$1,794	\$1,754	✗	\$40	\$2,135	\$2,090	✗	\$45

The favourable revenue variance of \$272k or 15% is due to infringements \$120k, collections \$64k, legal fees recovered \$14k, parking leases \$47k and miscellaneous revenue \$20k.

Operating expenditure is unfavourable to budget by \$40k or 2% due to legal fees (lodgement of fines at court) \$15k, levy payments (NZ Police) \$20k, consultancy & professional fees (parking survey and tender consultant) \$45k and security \$16k; offset by favourable repairs & maintenance \$35k and interest \$17k.

Capital expenditure

(in thousands)	1 July to 30 April			Whole year				
	Actual	Budget		Forecast	Funded			
Capex	\$450	\$487	✓	-\$37	\$450	\$86	✗	\$364

We have achieved 91% of programmed works or 524% of the \$86k approved in the annual plan, which is due to the resurfacing of the Coathanger carpark in Picton at a cost of \$321k and upgrades to Blenheim carparks of \$129k. These projects were largely funded by carryovers from prior years as approved by Council.

The revised budget provides for resurfacing of various carparks \$446k, parking machines \$25k and sundry plant \$24k. Other costs for 4G network and Sim upgrades to parking machines are pending.

14. Plant

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	-\$87	\$0	✗	-\$87	-\$36	\$6	✗	-\$43
Revenue	\$0	\$0	✓	\$0	\$0	\$0	✓	\$0
Expenditure	\$87	\$0	✗	\$87	\$36	-\$6	✗	\$43

The unfavourable operating expenditure variance of \$87k is due to repairs & maintenance \$15k and internal plant recharges \$70k.

The internal plant recharges variation is expected to improve after depreciation costs have been applied to individual plant assets, and those costs then recovered from assigned activities.

Capital expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Funded		
Capex	\$183	\$258	✗	-\$75	\$212	\$164	✗	\$48

We have achieved 55% of programmed works or 112% of the \$164k approved in the annual plan.

A new services truck and reserves loader have been purchased. Other minor plant replacement is ongoing.

15. Flood Protection

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	\$4,043	\$976	✓	\$3,067	\$3,960	\$894	✓	\$3,067
Revenue	\$9,670	\$10,505	✗	-\$835	\$11,435	\$12,271	✗	-\$835
Expenditure	\$5,627	\$9,529	✓	-\$3,902	\$7,475	\$11,377	✓	-\$3,902

The unfavourable revenue variance of \$835k or 8% is due to insurance refunds and claims (delays in finalising flood damage claims) \$1.58m and sales (quarry rock) \$207k; offset by favourable grant funding for Wairau River protection works \$608k, gravel extraction \$90k and property rentals \$246k.

The favourable operating expenditure variance of \$3.90m or 41% is due to consultancy \$60k, contracts \$173k, flood damage repairs \$3.32m, insurances \$78k, minor contract works \$588k, projects \$33k and interest \$134k; offset by unfavourable materials \$35k, plants & shrubs \$28k, pest & weed control \$106k, repairs & maintenance \$99k, vandalism \$42k and internal costs & recoveries \$109k.

Capital expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Funded		
Capex	\$3,047	\$5,899	✘	-\$2,852	\$4,094	\$4,773	✘	-\$679

We have achieved 43% of programmed works or 64% of the \$4.77m approved in the annual plan. Favourable ytd variances include pump stations \$312k, rock and gabion protection \$112k, stop banks \$719k and drainage channels (Town Branch drain) \$2.75m.

Major budgeted projects include Lower Wairau stop banks \$900k (actual \$189k), Wairau River (Upper Conders upgrade) \$942k (\$1.1m), Ruakanakana Gibson Creek (Renwick lower terrace flood protection) \$300k (\$33k), Omaka River stop bank & edge protection works \$400k, Boyce St drainage pump station \$360k and Town Branch Drain/Cameron's Drain upgrades \$3.23m (\$779k).

Development work at Pukaka Quarry extension continues with a new haul road to the upper quarry floors being established and benching of the work face has been undertaken. Year to date costs are \$712k.

The first two milestone payments totalling \$101k have been made for the replacement weed cutter boat. Delivery is programmed for October 2024 at a total cost of \$345k.

A contract has been awarded for stop bank realignment works at Upper Conders reach. The contract price is \$643k and works commenced in early April 2024.

A contract has also been awarded for the upgrade of Abattoir & Railway Drains, which is Stage 3B of the Town Branch Drain Project. The scope of the contract includes realignment and enlargement of Abattoir Drain, replacement of 3 bridges, and piping a section of Railway Drain. The contract price is \$1.896m and works are underway and scheduled for completion by late September 2024

16. Wastewater

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	\$241	\$1,358	✘	-\$1,117	\$372	\$1,521	✘	-\$1,149
Revenue	\$11,917	\$12,279	✘	-\$362	\$14,704	\$15,066	✘	-\$362
Expenditure	\$11,676	\$10,921	✘	\$755	\$14,332	\$13,545	✘	\$787

Revenue has an unfavourable variance of \$362k or 3% due to development contributions \$693k and trade waste charges \$21k; offset by favourable miscellaneous contributions \$33k, miscellaneous revenue \$67 and vested assets \$249k.

Operating expenditure has an unfavourable variance of \$755k or 7% due to pump stations (mechanical & power) \$207k, grinder pumps \$29k, treatment \$732k (including Picton STP desludging \$336k and power \$325k) and depreciation \$101k; offset by favourable insurance \$104k, reticulation maintenance \$103k and interest costs \$110k.

Capital Expenditure

(in thousands)	1 July to 30 April			Whole year			
	Actual	Budget		Forecast	Funded		
Capex	\$6,552	\$15,571	✘ -\$9,019	\$8,684	\$16,840	✘	-\$8,156

We have achieved 35% of programmed works or 39% of the \$16.84m approved in the annual plan. Pump stations \$3.28m, pipelines \$2.42m and treatment \$3.63m are all behind programme.

The focus on relining of earthenware wastewater pipes is continuing in Picton. \$3.77m is budgeted in 2023-24, with \$3.82m expended year to date.

Major 2023-24 budgets by scheme include:

<ul style="list-style-type: none"> Blenheim \$13.87m (actual \$1.82m) <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;">Budget</td> </tr> <tr> <td></td> <td style="text-align: right;">(\$000)</td> </tr> <tr> <td>Main Outfall Pump Station</td> <td style="text-align: right;">\$3,000</td> </tr> <tr> <td>Purkiss St Pump Station</td> <td style="text-align: right;">\$2,300</td> </tr> <tr> <td>Treatment –Blenheim STP desludging</td> <td style="text-align: right;">\$2,100</td> </tr> <tr> <td>Pipelines – MOPS to Blenheim STP</td> <td style="text-align: right;">\$1,725</td> </tr> <tr> <td>Pipelines – Purkiss St</td> <td style="text-align: right;">\$750</td> </tr> <tr> <td>Pipeline renewals – earthquake repairs</td> <td style="text-align: right;">\$1,708</td> </tr> </table> Havelock \$6.36m (actual \$234k) <table border="0" style="margin-left: 20px;"> <tr> <td>Pump Station – new terminal pump station</td> <td style="text-align: right;">\$1,399</td> </tr> <tr> <td>Treatment - new treatment plant</td> <td style="text-align: right;">\$2,943</td> </tr> <tr> <td>Pipelines - supply pipeline</td> <td style="text-align: right;">\$1,843</td> </tr> </table> Picton \$4.41m (actual \$3.97m) <table border="0" style="margin-left: 20px;"> <tr> <td>Treatment – new blowers</td> <td style="text-align: right;">\$418</td> </tr> <tr> <td>Pipeline renewals – earthquake repairs</td> <td style="text-align: right;">\$3,766</td> </tr> </table> Seddon \$3.65m (actual \$202k) <table border="0" style="margin-left: 20px;"> <tr> <td>Treatment – irrigate to land</td> <td style="text-align: right;">\$3,550</td> </tr> </table> 		Budget		(\$000)	Main Outfall Pump Station	\$3,000	Purkiss St Pump Station	\$2,300	Treatment –Blenheim STP desludging	\$2,100	Pipelines – MOPS to Blenheim STP	\$1,725	Pipelines – Purkiss St	\$750	Pipeline renewals – earthquake repairs	\$1,708	Pump Station – new terminal pump station	\$1,399	Treatment - new treatment plant	\$2,943	Pipelines - supply pipeline	\$1,843	Treatment – new blowers	\$418	Pipeline renewals – earthquake repairs	\$3,766	Treatment – irrigate to land	\$3,550
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Replacement of the Main Terminal Pump Station (MOPS) in Alabama Road is planned during 2023-25. This station pumps all the sewage from Blenheim, Woodbourne, Renwick and Marlborough Ridge through a 5.1km long pipeline to the Blenheim sewage treatment plant. The station is built in an area that is susceptible to liquefaction and a new station will provide improved seismic and hydraulic performance. \$3.0m is budgeted in 2023-24 (actual \$109k) and a further \$11m in 2024-25.

A new sewage treatment plant is planned for Havelock. The new treatment plant will significantly improve effluent quality. The project is budgeted over 2023-25 for the consenting, design and building of a new treatment plant at a new site and the construction of a new terminal pump station. The budget over this period is \$13.05m, with \$6.87m budgeted in 2024-25 (actual \$110k).

The Seddon sewage treatment plant requires major upgrading. Although the existing treatment plant could be replaced with a modern plant producing a consistently high-quality effluent which is suitable for continuing discharge to Starborough Creek without environmental impact, there is a strong recommendation in the current discharge consent for removal of the discharge to Starborough Creek and instead to irrigate to land. A significant volume of storage and large area of land is required for land treatment.

The preferred option includes storage, high level treatment, irrigation of the golf course and other sites. A total budget of \$14.2m has been allocated for 2023-25, with \$10.65m budgeted in 2024-25 (actual \$110k).

Total capital expenditure includes vested assets of \$349k for stage 9B of the Rose Manor subdivision and two separate developments in David Street.

17. Stormwater

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	\$612	\$1,087	✘	-\$476	\$693	\$1,169	✘	-\$476
Revenue	\$3,105	\$3,591	✘	-\$486	\$3,823	\$4,309	✘	-\$486
Expenditure	\$2,494	\$2,504	✔	-\$10	\$3,131	\$3,141	✔	-\$10

Revenue has an unfavourable variance of \$486k or 14% due to development contributions \$431k and vested assets \$55k.

Operating expenditure is favourable to budget by \$10k or 0% due to insurances \$33k, reticulation maintenance \$33k and interest \$14k; offset by unfavourable monitoring costs \$66k.

Capital expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Funded		
Capex	\$814	\$2,602	✘	-\$1,788	\$1,895	\$2,073	✔	-\$178

We have achieved 30% of programmed works or 39% of the \$2.07m approved in the annual plan.

Year to date expenditure totals \$814k for connections \$112k, pipelines \$571k, other structures (boundary fencing) \$20k and vested assets \$112k.

Major budgets include Murphys Creek pipeline \$2.75m (actual \$372k), replacement of Redwood St stormwater main (Muller Rd to Stephenson St) \$1m, Blenheim pipeline renewals \$1m (\$210k), Goulter Street pipeline upgrade in Seddon (ahead of roading improvements) \$350k and vested assets \$200k (actual \$112k).

A contract has been awarded to Findlater Construction for Aston Street stormwater replacement, which is one of eight work packages within the Springlands Stormwater Option G project. The contract value is \$794k.

18. Waste management

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	\$326	-\$288	✔	\$613	\$473	-\$38	✔	\$511
Revenue	\$15,633	\$14,900	✔	\$733	\$18,763	\$17,979	✔	\$784
Expenditure	\$15,307	\$15,188	✘	\$119	\$18,290	\$18,017	✘	\$273

Revenue has a favourable variance of \$733k or 5% due to dump fees \$499k, waste levy grant \$155k, rentals \$43k and sales (recyclables) \$37k.

Operating expenditure has an unfavourable variance of \$119k or 1% due to contracts \$1,019k, fees & charges \$35k, freight \$24k, minor works \$52k, refuse bags \$47k and internal costs & recoveries \$50k; offset by favourable consultancy & professional fees \$84k, general expenses \$20k, landfill ETS obligation \$529k, levy payments \$126k, projects (recycling) \$377k and interest \$18k.

The Landfill Emissions Trading Scheme (ETS) obligation has been assessed for the 2023 calendar year at \$816k and NZ Units (carbon credits) for this value have been surrendered to meet this annual commitment. A favourable budget variance of \$529k has resulted.

Capital Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Funded		
Capex	\$2,418	\$3,436	✘	-\$1,018	\$3,485	\$3,642	✔	-\$157

We have achieved 59% of programmed works or 66% of the \$3.64m approved in the annual plan.

Regional Landfill stage 9 construction costs were budgeted over 2022-24, with \$3.72m in 2023-24. Actual expenditure to date is \$2.81m.

A budget of \$255k has been provided in 2023-24 to complete the green waste outward weighbridge installation. Actual expenditure to date is \$408k.

Capital costs are offset by disposal of NZ Units to meet Landfill ETS obligations (-\$816k)

19. Water supply

Revenue and Operating Expenditure

(in thousands)	1 July to 30 April				Whole year			
	Actual	Budget			Forecast	Budget		
Surplus/Deficit	\$639	\$748	✘	-\$108	\$1,000	\$1,135	✘	-\$134
Revenue	\$12,534	\$11,895	✔	\$639	\$15,354	\$14,747	✔	\$607
Expenditure	\$11,895	\$11,147	✘	\$748	\$14,353	\$13,612	✘	\$742

Revenue has a favourable variance of \$639k or 5% due to backflow prevention charges \$72k, connection charges \$137k, capital contributions \$30,000, miscellaneous revenue (write-off Flaxbourne irrigation scheme Provincial Growth Fund loan) \$673k and metered water sales \$102k; offset by unfavourable development contributions \$285k, sales \$10k, and vested assets \$81k.

Expenditure has an unfavourable variance of \$748k or 7% due to contracts \$81k, grants for remission \$51k, backflow prevention \$50k, meter reading & maintenance \$57k, pump stations (power) \$496k, reticulation maintenance \$330k and depreciation \$27k; offset by favourable insurances \$78k, general expenses \$38k, treatment \$24k and interest \$229k.

Capital Expenditure

(in thousands)	1 July to 30 April			Whole year		
	Actual	Budget		Forecast	Funded	
Capex	\$10,414	\$19,156	✘ -\$8,743	\$14,099	\$20,884	✘ -\$6,785

We have achieved 45% of programmed works or 50% of the \$20.88m approved in the annual plan.

Expenditure to date has been primarily for water treatment upgrades in Renwick \$5.62m and Wairau Valley \$251k, and also for water pipeline upgrades in Awatere \$322k, Blenheim \$1.8m and Renwick \$562k.

Major 2023-24 budgets by scheme include:

- **Blenheim \$4.79m** (actual \$2.36m) **Budget (\$000)**

Pipelines - capacity upgrade McLauchlan St	\$1,850
Treatment – chlorination	\$1,905
Pipeline renewals	\$520
- **Havelock \$2.29m** (actual \$154k)

Treatment - new treatment plant and supply pipeline	\$2,036
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- **Picton \$1.50m** (actual \$388k)

Pipelines – complete Speeds to Elevation pipeline	\$600
Treatment – improve pH control	\$3,800
- **Renwick \$8.58m** (actual \$6.34m)

Treatment - new water treatment plant and connection to the bores in Conders Bend Road	\$6,280
Pipeline renewals – AC pipe replacement	\$2,100
- **Awatere Rural \$2.23m** (actual \$404k)

Reservoir - Lions Back	\$1,450
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- **Seddon \$1.54m** (actual \$46k)

Treatment – reduce backwash volumes	\$190
Reservoir – second reservoir for high summer demand	\$1,305
- **Riverlands \$8.74m** (actual \$179k)

Pipelines - from new wells to reticulation scheme	\$2,626
Treatment - new wells into service with treatment to meet drinking water standards	\$5,889
- **Wairau Valley \$0** (actual \$527k)
- **Flaxbourne Irrigation Scheme \$1m** (actual \$0)

Pipelines – new irrigation scheme	\$1,000
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Havelock's existing water source is a shallow aquifer near the Kaituna River, and the groundwater has been affected by saltwater intrusion in dry summers. A new well has been drilled further inland at Readers Road, which has shown to produce a good supply of water with less risk of saline intrusion. \$8.14m has been budgeted over 2023-25 for a new water treatment plant with supply pipeline for Havelock. \$6.11m has been budgeted in 2024-25 (actual \$85k).

Riverlands current water supply has a high concentration of manganese, which is difficult to treat to Drinking Water Standards. The preferred option is an alternative source within the same freshwater

management unit that is low in manganese. New wells have been drilled further inland close to Blenheim. Pump testing has shown they are suitable for supplying Riverlands and a filter trial is to be conducted to determine the type of treatment required.

Budget of \$17.03m has been provided in 2023-25 to bring the new wells into operation with treatment meeting the drinking water standards. \$8.52m has been budgeted in 2024-25 (actual \$139k).

20. Forecasts

Forecast values are system generated and require manual intervention to improve accuracy. Much of the required information has been obtained through the 2024-34 Long Term Plan process, which is currently underway.

The year end operating surplus is forecast to increase by \$17.5m to \$41.4m through a combination of reduced revenue of \$14.9m (roading subsidies) and reduced expenditure of \$32.4M (emergency reinstatement works and flood damage).

Forecast capital expenditure is \$93.5m, which is \$5.1m below the 2023-24 Annual Plan budget and includes \$32.2m of capitalised emergency reinstatement renewals (refer below).

A notable change has been made to forecasting for emergency reinstatement expenditure. The total budgeted amount for 2023-24 is \$54.45m of which \$34.45m is for operating expenditure and \$20m for renewal expenditure. The total emergency works expenditure for the current year is now forecast to be \$35.84m. The remaining works will be re-budgeted over the next two years.

Author	David Craig, Management Accountant – Operations
Authoriser	Richard Coningham, Assets and Services Manager and Jamie Lyall, Property and Community Facilities Manager

5. Commercial Events Fund Sub-Committee

(Clr Innes)

E100-002-006-28

1. The Minutes of the Commercial Events Fund Sub-Committee meeting held on 9 May 2024 are **attached** for ratification by the Committee.
-

RECOMMENDATION

That the Minutes of the Commercial Events Fund meeting held on 9 May 2024 be ratified.

**Report & Minutes of Meetings of
COMMERCIAL EVENTS FUND SUB-COMMITTEE
ROUND 2 - 2023/2024**

Thursday 9 May 2024 commencing at 9am

Zoom Meeting

Attendees:

Present (via Zoom):

Clr R Innes (Chair), Clr B Faulls, Clr B Dawson, Tracey Green (Acting GM, Destination Marlborough)

In Attendance:

MDC Regional Events Advisor (REA), Samantha Young

Background:

Council allocates \$130,000 per annum for funding Commercial Events. The funds are allocated under specific criteria to event organisers that run commercial events held within the MDC boundaries. For 2023/2024 only, \$100,000 is available for allocation.

Meeting Report & Minutes:

All applications and associated paperwork were sent via ShareFile to the sub-committee.

Due to availability, sub-committee members provided initial feedback on applications to REA via email. Following this feedback a Zoom meeting was held to confirm final funding decisions.

General Discussions:

REA reiterated importance of this funding in current climate as events, both in Marlborough and nationally, are struggling to meet increased costs of approx. 30% and to secure sponsorship.

Application Discussions:

Marina 2 Marina 2024:

REA noted the following:

- This event last received funding through the Commercial Events Fund in 2021
- Approx. 58% of attendees are from outside of Marlborough
- Organisers are requesting funding to increase promotion in Christchurch and Wellington
- 2023 event saw a record number of attendees - a great achievement in the current climate
- Event is currently being advertised for sale
- Event growth is planned, following a successful feasibility study, for the introduction of a full marathon option in the future

Sub-committee's key discussion points:

- Good to see an event of this scale hosted in Picton - great for the local economy
- Positive to see planned future growth
- Would like to see effort being made for event to be self-sustaining in the future

Clr B Dawson / Clr B Faulls:

That \$14,000 funding for Marina 2 Marina 2024 is approved.

Carried

Savour in the Park 2024:

Clr M Flight declared a conflict of interest in this event and abstained from decision-making.

REA noted the following:

- Event received three year funding approval in Round 1 of the 2021/2022 Commercial Events fund as follows:
 - 2022 Event: \$16,000

- 2023 Event: \$10,000
- 2024 Event: \$5,000
- 2023 and 2024 events were approved in principle subject to sub-committee's approval of the previous event's accountability report
- 2023 funding was increased from \$10,000 to \$16,000 following organiser's request
- Organiser requested 2024 funding is increased from \$5,000 to \$10,000
- This is the final year the event can apply for funding under the current criteria
- Event is still in its infancy - it takes time for events of this size to get established and become successful

Sub-committee's key discussion points:

- Acknowledge difficulties event is experiencing with increased costs and reduced funding and sponsorship opportunities
- Want to encourage this event to succeed and grow
- Would like to see effort being made for event to be self-sustaining in the future

Clr B Dawson / Clr B Faulls:
That \$8,000 funding for Savour in the Park 2024 is approved.
Carried

Summary:

\$22,000 of funding was approved as shown below:

Organisation	Event	\$ Requested	Decision
Marlborough Events Ltd	Marina 2 Marina 2024	\$18,000	Approved - \$14,000
Pure Events Marlborough	Savour in the Park 2024	\$10,000	Approved - \$8,000 (\$5,000 already approved in principle in 2021)

Clr R Innes:
That the information be received.

The meeting closed at 9:30am.

6. Audit & Risk Sub-committee

(The Mayor)

D050-001-A05

1. The Minutes of the Audit & Risk Sub-committee meeting held on 18 April 2024 are **attached** for ratification by the Committee.

RECOMMENDATION

That the Minutes of the Audit & Risk Sub-committee meeting held on 18 April 2024 be ratified.

**Report and Minutes of a Meeting of the
AUDIT & RISK SUB-COMMITTEE
held in the Council Chambers and via Teams, 15 Seymour Street, Blenheim
on THURSDAY 18 APRIL 2024 commencing at 2.00 pm**

Present:

Mr I Marshall (Chairperson to 3.27 pm), Mayor N P Taylor (Chairperson from 3.27 pm), and Cirs S R W Adams and B G Dawson.

In Attendance:

Mr M S Wheeler (Chief Executive), Mr G K Blake (Chief Financial Officer), Mr M F Fletcher (Manager Strategic Finance), Mr J Tan (Audit Director Audit NZ) (for items 1 & 2), Mr T Makanza (Audit Manager Audit NZ) (for items 1 & 2), Mr R Foitzik (General Counsel) (from 2.37 pm), Ms S L Young (Chief Information Officer), Mr H R Versteegh (Environmental Science & Policy Group Manager) (for items 3 & 4), Mr J T Oliver (Harbourmaster) (for items 3 & 4), Mr G W Townsend (Contract & Risk Policy Manager), Ms L Randall (People & Capability Partner) (from 2.15 pm), Ms T A Dever (Financial Accountant) (for items 1 & 2), Ms R Zhao (Systems Accountant) (from 2.50 pm), Ms F Zhang (Assistant Systems Accountant) (from 2.50 pm), and Mr M J Porter (Democratic Services Manager).

In Attendance via Teams:

Mr J Tan (Audit Director Audit NZ), Mr T Makanza (Audit Manager Audit NZ), Mr M O'Connor (Bancorp Treasury Services), and.

Apologies:**Mr Marshall/The Mayor:**

That the apology for absence from Clr J D N Croad, and apologies for non-attendance from Mr D G Heiford (Manager Economic, Community & Support Services) and Ms A Merwood (H&S Advisor) be noted.

Carried

The Chairperson welcomed all to the meeting noting that the order of the agenda would be altered slightly.

1. Previous Minutes**D050-001-A05**

The minutes of the previous meeting held on 13 December 2023 were attached to the Agenda.

Members noted that a review of what firm Council will use for Credit Rating is being undertaken and more detail on this will be reported to a later meeting of the Sub-Committee.

Clr Dawson/The Mayor:

That the minutes of the Audit & Risk Sub-Committee held on 13 December 2023 be received.

Carried**2. Audit Management Report 2023****F230-L24-01**

Members noted that the purpose of the report was to present Audit New Zealand's (AuditNZ) Management Report for the year ended 30 June 2023. Mr Blake provided introductory comments.

Mr Tan spoke to the key points of the report. These included that Audit issued a modified audit report containing a qualified "except for" opinion on the financial statements on 14 December 2023 (the qualification relates to the council and group not being able to adequately demonstrate that the carrying value of their water, wastewater, and stormwater (the three waters) infrastructure assets do not differ materially from their fair value); that Audit also included emphasis of matter paragraphs to draw attention to the disclosures made in the financial statements about the uncertainty over the Government's water services reform programme; that Audit also identified that Section 98(3) of the Local Government Act 2002 requires the annual report to be adopted within four months of balance date, that is, by 31 October 2023 for the 2022/23 annual report, which was disclosed in Council's annual report; that there are two uncorrected material misstatements in the financial reports regarding the depreciation of impaired roading assets in 2023 and the result of system errors in the application of useful lives and calculation of depreciation for certain sealed road; and that Audit

have also made a number of improvement suggestions particularly in regard to asset valuations with management's responses included under the heading Management Comment.

Mr Tan advised that Audit are working through the LTP audit and will have this completed by 31 July 2024 and that they will be able to issue a draft. Mr Tan thanked Council for their assistance during a very difficult audit.

Members noted that Mr Tan advised that Management should bring a progress report on the LTP audit to this Sub-Committee.

Clr Dawson/M Marshall:

That the Audit and Risk Sub-Committee receive the attached Audit New Zealand Management Report for the year ending 30 June 2023.

Carried

3. GBT International – Tory Channel/Kura Te Au Navigation Safety Risk Assessment report update H100-001-01

Members noted that the purpose of the report was to provide an update on the work commenced and completed to date based on the recommendations made in the report commissioned by Council in 2020.

The Harbourmaster spoke to his report. He advised that Council commissioned GBT International to develop and write a navigation safety risk assessment for Tory Channel/Kura Te Au in 2020. The report defines, explains, and evaluates threats to navigation safety in Tory Channel/Kura Te Au, including the effects on connected waterways and recommends actions that could further reduce risk. The geographic scope of the assessment covers Tory Channel/Kura Te Au, with a focus on the critical areas where most navigation safety hazards exist. As of April 2024, from the recommendations made in the report; 18 have been completed, 12 are in progress and 11 are yet to be started.

The Harbourmaster advised at the meeting that the Common Passage Plan would be completed today and will be sent off for review. An education campaign is being arranged.

The Harbourmaster also advised at the meeting that a table-top Mass Rescue exercise is being undertaken in June/July this year. Members asked for an outcomes report to this Sub-Committee.

It was noted that a Pelorus Risk Assessment is being planned for later in the year.

Clr Dawson/The Mayor:

That the Audit and Risk Sub-Committee receive the report.

Carried

4. Harbourmaster's Direction Tory Channel/Kura Te Au H100-001-01

Members noted that the purpose of the report was to provide an overview of the Tory Channel / Kura Te Au Direction issued on the 1st March 2024.

The Harbourmaster reported that after review of various Transport Accident Investigation Commission (TAIC) reports related to incidents in Tory Channel, the GBT International Risk Assessment prepared for MDC, and after consultation with other Harbourmasters. The decision was made to draft and issue a Harbourmaster's Direction for Tory Channel. The Direction is made under the Harbourmasters General Powers section 33F of the Maritime Transport Act 1994. The Direction sets a length limit on Tory Channel of 187m. This is based on the current maximum ferry operating in Tory Channel / Kura Te Au.

A full copy of the direction was appended to the report.

The Mayor/Clr Dawson:

That the Audit and Risk Sub-Committee receive the report.

Carried

5. Policy Reviews

C500-000-01

Members noted that the purpose of the report was to review the Sensitive Interest Policy, the Conflict of Interest Policy, and the Inter Entity Cash Advance Policy.

Mr Blake advised that the Sensitive Expenditure Policy was due for its three yearly review. It is consistent with the Auditor-General's Guidelines so no changes are required; the Conflict of Interest Policy was also due for its three yearly review (in this case a more extensive review has been undertaken to bring the policy more in line with and include more of, the Guidance contained in the Auditor General's publication: Managing Conflicts of Interest: A guide for the public sector"); and the Inter Entity Cash Advance Policy was proposed following its recommendation in 2022 and 2023 Audit Management letters.

There was rigorous discussion at the meeting and various points were explored.

Clr Dawson/The Mayor:

That the Audit & Risk Sub-Committee recommend to Council that it:

- (a) **Reconfirm the Sensitive Expenditure Policy;**
- (b) **Adopt the revised Conflict of Interest Policy;**
- (c) **Adopt the new Inter Entity Cash Advance Policy.**

Carried

6. Insurance Renewal 2024/25

F275-A22-01

Members noted that the purpose of the report was to give an indication of the key issues for the 2024/25 renewal and to seek the Committee's support for the use of various strategies to obtain "best possible" insurance cover balanced against premium cost savings. Mr Townsend introduced the report using a powerpoint presentation (filed in CM: Record No. 24152537).

Mr Townsend reported that the 2024/25 insurance renewal is occurring in a market where natural peril claims nationally and internationally are still a focus for insurers, along with their off-shore reinsurers and this will be reflected in both insurance premium increases and decreased cover capacity. Previous building cost inflation will also have a major impact on rebuild costs. However looking further out, this has now reduced significantly and will play a positive part in subsequent years provided there are no further multiple disaster claims worldwide. While these factors affect claims, they also directly affect the cost of insurance (new and renewed cover).

A further factor which is particularly concerning is insurance capacity – whether or not insurers have sufficient capacity to cover the full value of assets Council wants to have insured. This may lead to cover caps (restricted total cover) being offered or imposed. Insurers may also require other limitations or changes to cover. Caps can be implemented in relation to causation type (peril) e.g. flood/earthquake; for a single council member of the ToTS (Top of the South) group, or across the total asset insurance cover for the ToTS group. However currently, an earthquake cap must be agreed for the TOTS group collectively. In addition, insurance industry nervousness around local government potential liability exposures has continued since last renewal, resulting in further information being requested in relation to turnover, consenting and how climate change is being taken into account for consenting purposes. While the market for this line appeared to have stabilised after the 2022/23 renewal and capacity didn't appear to be a major concern for 2023/24, there are clear signals that it will be a major focus for the next (2024/25) renewal.

Cyber insurance for local government is still difficult (and in many cases impossible) to obtain. More predictable market capacity and pricing increases for other lines such as standing timber (forestry) and marine are seen as more likely for the upcoming renewal. However, due to losses experienced during the Auckland floods and Cyclone Gabrielle, we are likely to see a higher than usual premium increase for motor vehicle cover. Council may be able to lessen the impact of this to some extent by accepting an increased excess, or this may be imposed by insurers with little or no premium discount. Material damage excesses for Council were increased significantly by insurers for the current insurance year – general excess increased from \$10,000 to \$100,000 and flood excess to \$500,000. On that basis staff have removed assets from the insurance schedule which are valued at \$105,000 or below. Council's claim threshold (minimum damage before a claim can be lodged) for river protection and three waters underground reticulation assets was increased from \$3M to \$4M for 2023/24, due to its claim's history. A request to have this reverted for the 2024 renewal has been sent to the LAPP Board.

More detailed information was provided in the agenda report.

Mr Marshall/The Mayor:

1. **That the report be received.**
2. **That the Risk and Audit Sub-Committee notes insurers may reduce their offers for one or more lines of cover compared to previous years.**
3. **That the Audit and Risk Sub-Committee supports:**
 - (a) **Continued efforts to obtain maximum cover for the best price; and**
 - (b) **The use of Top of the South Group and individual council caps and/or other mechanisms to reduce premiums where possible and prudent.**

Carried

Members noted an additional item (RiskPool Calls) at the meeting. Mr Townsend advised that these relate to underfunded claims years; the 2023 call was \$241,128.00 (excl GST); and the current provision in budget is \$100,000.

Mr Marshall/Clr Dawson:

1. **That the report be received.**
2. **That the Audit and Risk Sub-Committee approves payment from the Emergency Events Reserve.**

Carried

7. MDC Interim Performance Reporting

F275-A23-05-02

Members noted that the purpose of the report was to report actual/forecast results for the six months from July to December 2023 against targets set in the 2023-24 Annual Plan.

Mr Blake reported that of Council's 221 targets, 69 can only be evaluated at year end. For the remaining 152 targets measured 84% were achieved (and/or on track to be achieved by June 2024) and a further 11% were at least 80% achieved. A detailed list of not achieved targets was attached to the agenda.

Members noted that was the half-year report and that the year-end report was more representative.

The Mayor/Clr Dawson:

That the Audit and Risk Sub-Committee receive this Interim Performance Measures report for the six months to 31 December 2023.

Carried

8. Health, Safety and Wellbeing Update

-

Members noted that the purpose of the report was to provide the Audit and Risk Sub-Committee with an update that summarises progress towards the Health, Safety and Wellbeing (HSW) key strategic activities and performance for the 4-month period from 1 December 2023 to 31 March 2024.

Ms Randle advised that the report outlined the key activities undertaken period ending December 2023 to March 2024. The report also contained specific detail under headings 'Library Security Review Assessment', 'SafePlus Assessment', 'Pandemic Plan', 'Stress and resilience workshops', and 'HSW newsletter'. Further information on key activities planned for 2024, Health and Safety Committee (HSC) and Representatives, Training, Health Monitoring & Ergonomics, and Event Reporting were also detailed in the agenda report.

Ms Randle undertook to forward turnover data direct to the Sub-Committee. *Postscript – this was emailed on 19 April 2024.*

Cirs Dawson/Adams:

That the Audit and Risk Sub-Committee receive the report.

Carried

9. MDC Cyber Security Update December 2022 to March 2024

C500-011-I01

Ms Young advised that the purpose of the report was to provide a summary of security advisories and scheduled patching actions taken, and to provide an update on the cybersecurity monitoring undertaken by Council's IT Department.

Ms Young reported that Council has systems and physical devices that are used to enhance and manage security. The firewall is a network security system that prevents unauthorised access to Council systems and blocks all traffic unless specifically allowed. Mimecast software is used for email protection against Spam. Crowdstrike software is on all computers and servers and is a detection and response system that uses Artificial Intelligence (AI) technology to determine if there is malicious behaviour on devices. All of these are used to ensure our environment is protected against security incidents. Computer Emergency Response Team New Zealand provides quarterly reports summarising trends in the New Zealand environment for awareness for managers and staff. This allows the IT team to manage and understand the risk environment and highlight any trends that may impact Council. Patching and security vulnerabilities are ever increasing with security patches and upgrades required to ensure any vulnerabilities are patched. One Priority One incident occurred over the past quarter and was dealt with promptly by blocking the address that the traffic was coming from and upgrading our server patches. Due to the inappropriate nature of the site that was requested, it was prudent to investigate further. No security breaches were detected. Cybersecurity monitoring allows us in real-time to understand our attack surface and investigate issues as these arise. Reporting is allowing us to understand the trends and if further investigations are required. Being able to demonstrate how much Council is undertaking in these areas is key to ensure that security is managed at the appropriate levels.

Further detail was included in the agenda report.

The Mayor/Clr Dawson:
That the report be received.

Carried

10. Decision to Conduct Business with the Public Excluded

-

The Mayor/Clr Adams:

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- Post Incident Report
- Verbal Reports

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

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Post Incident Report Verbal Reports	Prevent the disclosure or use of official information for improper gain or improper advantage as provided for under Section 7(2)(j).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under Section 7 of the Local Government Official Information and Meetings Act 1987.

Carried

The meeting closed at 3.33 pm.

7. MDC Holdings Limited – 2024-25 Statement of Intent

(The Chair) (Report prepared by Alison Vile)

S400-004-010-24

Purpose of Report

1. To present MDC Holdings Limited (MDCH) 2024/25 Draft Statement of Intent (SOI).

Executive Summary

2. This report sets out the stated objectives for MDC Holdings Limited and its subsidiaries for 2025 and the two subsequent financial years. The subsidiaries of MDCH are Post Marlborough New Zealand Limited (PMNZ) and Marlborough Airport Limited (MAL).

RECOMMENDATION

That Council approves the Draft 2024-25 Statement of Intent for MDC Holdings Limited.

Background/Context

3. Schedule 8 of the Local Government Act 2002 requires MDCH to deliver to Council a completed SOI by 30 June of each year for the following year (year ending 30 June 2025) and two subsequent years. The first step is the delivery of a draft SOI to Council for its consideration and comment. Any comments are then provided to the Directors of MDCH for their consideration and response before completion of the Final SOI.
4. The main functions of MDCH are to:
 - obtain financing for its subsidiaries and itself at the most attractive commercial rates available. The company currently has Bancorp as its principal debt management advisor;
 - monitor the financial and commercial performance of its subsidiaries against the targets contained in their Statements of Corporate Intent (SCI) and other industry benchmarks;
 - monitor the adequacy of governance arrangements in subsidiaries;
 - provide commercial advice to Council and manage its commercial activities on request.
5. The financing function currently involves borrowing from the Local Government Funding Agency via Council and entering into interest rates swaps. The level of borrowing is driven by the capital projects of the subsidiaries and by any cash surplus they generate and use to repay debt. This debt plus the accounting fair value of the interest rate swaps held is the main contributor to movement in MDCH's Statement of Financial Position.
6. The contractual and forecast interest rates applying to that debt and MDCH's own debt, together with dividends from the subsidiaries, are the main causes of movements in the Company's Income Statement.

Draft Statement of Intent 2024/25

7. The draft SOI (refer **Attachment 1**) includes Group and Subsidiary Performance Targets in accordance with the second function outlined in paragraph 4 of monitoring financial and commercial performance.
8. The 2024/25 draft SOI is consistent with the 2023/24 SOI although PMNZ has removed the Ferry Terminal Redevelopment project from its budget leaving a number of smaller projects including work at Shakespeare Bay, Westshore/Waitohi and Havelock Marina. In 2025 MAL will require debt funding of its major runway resal project and is not expected to provide a dividend due to that expenditure.

9. As in previous years the targets for Port Marlborough NZ Limited (PML) have been based on its 2023-24 SCI. The statutory timing for preparing Port Company SCI's is 31 July for the draft and 30 September for the final document, which is some seven months after MDCH is required to submit a draft SOI to Council. If the PML 2024-25 SCI is significantly different MDCH will present an amended SOI to Council.

Attachments

- Attachment 1** – Draft Statement of Intent for MDCH Page [29]
- Attachment 2** – MDCH Holdings Limited – Budget Page [38]
- Attachment 3** – Legislative compliance schedule based on Schedule 8 Local Government Act 2002 Page [39]

Author	Alison Vile, Interim Corporate Accountant
Authoriser	Geoff Blake, Chief Financial Officer

Summary of decision-making considerations			
Fit with purpose of local government			
The proposal enables democratic local decision-making and action by, and on behalf of communities and relates to significant financial investment.			
Fit with Council policies and strategies			
	<i>Contributes</i>	<i>Detracts</i>	<i>Not applicable</i>
LTP / Annual Plan	✓	<input type="checkbox"/>	<input type="checkbox"/>
Financial Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Infrastructure Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Social well-being	<input type="checkbox"/>	<input type="checkbox"/>	✓
Economic development	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment & RMA Plans	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts & Culture	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters	<input type="checkbox"/>	<input type="checkbox"/>	✓
Land transport	✓	<input type="checkbox"/>	<input type="checkbox"/>
Parks and reserves	<input type="checkbox"/>	<input type="checkbox"/>	✓
This proposal contributes to a host of council policies and strategies in that the companies involved contribute significant funds directly to Council as well as provide substantial economic benefits to the province as a whole.			
Nature of the decision to be made			
The information presented aligns with that presented and approved last year other than the impact of PML removing the ferry terminal redevelopment from this planning period.			
Financial considerations			
No impact on Council rates, budget or net debt. This paper identifies the dividend streams paid to Council and its impact on gross debt levels.			
Significance			
The decision is considered of low significance under Council's Significance and Engagement Policy as the proposal is seeking approval for just one year.			
Engagement			
No engagement is proposed as the individual entities already have or are in the process of engaging stakeholders. Consultation has been undertaken for the Ferry Terminal Development.			
Risks: Legal / Health & Safety etc			
There are no known significant risks or legal implications as each entity manages its own comprehensive safety management systems and engages its own legal advice.			
Climate Change Implications			
The SOI includes sub performance measures that advance the environmental aspirations of both entities. There are no known climate change implications to this decision.			

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**MDC
HOLDINGS LIMITED**

STATEMENT OF INTENT

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2025

AND EACH OF THE IMMEDIATELY FOLLOWING TWO YEARS

1. Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for the Parent, MDC Holdings Limited (MDCH), and its subsidiaries the objectives, the nature and scope of the activities to be undertaken and the performance targets and other measures by which the performance of the Group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its shareholder, the Marlborough District Council (Council).

The SOI is reviewed annually with the Council and covers a three year period.

MDCH is a Council Controlled Trading Organisation which has been established by the Council to act as a holding company for its main trading enterprises. MDCH is 100% owned by Council.

Port Marlborough New Zealand Limited (PML) and Marlborough Airport Limited (MAL) are wholly owned subsidiaries of MDCH. Separate Statement of Corporate Intent (SCI) / SOI are completed by these companies for consideration and approval by MDCH.

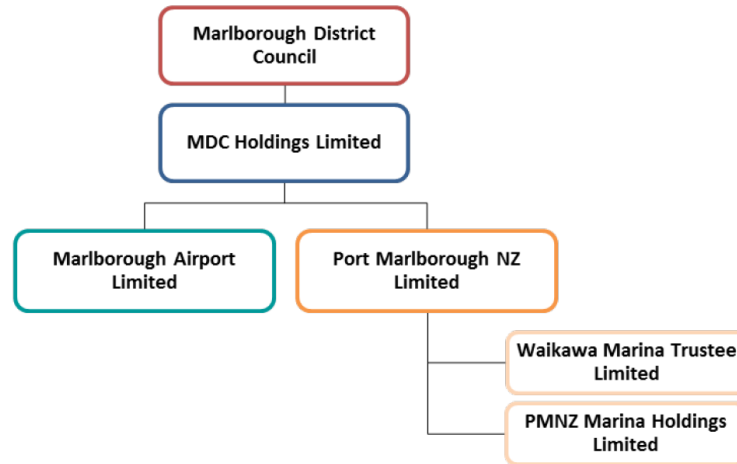
2. MDCH has the following objectives

- (a) to operate as a successful holding company, in both a financial and commercial sense;
- (b) to provide the means for bringing the main trading enterprises of the Council together into one structure;
- (c) to encourage and facilitate subsidiary companies to increase shareholder value;
- (d) to separate the commercial trading activities of the Council from the other functions carried out by the Council;
- (e) to provide cashflow to the Council from its trading enterprises, by means of a regular stream of dividend income;
- (f) to obtain commercial borrowing facilities at the most attractive rates attainable;
- (g) to monitor the performance of each subsidiary company against the objectives and performance measures contained in their SOI/SCI and other benchmarks;
- (h) to provide a forum to Council advising on strategic issues relating to its trading investments including, but not limited to, ownership structures, capital structures, rates of return, joint venture opportunities; and

- (i) to own and oversee the operation of MAL for the dual objectives of promoting sustainable regional and economic development as well as maximizing the return on assets employed. In order to balance these objectives MDCH may accept a lower return or slower return to profitability.

3. Nature and scope of the activities to be undertaken

The MDCH Group structure is summarized below:



MDCH will undertake the following activities:

- Obtain financing for its subsidiaries and itself at the most attractive commercial rates available. MDCH currently has Bancorp as its principal debt management advisor.
- Consider and approve the SOI/SCI of its subsidiaries and negotiate its own SOI with Council.
- Monitor the financial and commercial performance of its subsidiaries against the targets contained in their SOIs and other industry benchmarks.
- Monitor the adequacy of governance arrangements in subsidiaries.
- Encourage open discussion and dialogue with the representatives of its subsidiaries.
- Provide commercial advice to Council and manage its commercial activities on request.
- Recommend and manage the appointment of new directors to the Boards of its subsidiary companies.

4. Performance targets

4.1. Group performance targets

Objective	Activity/KPI	2025 Target	2026 Target	2027 Target
People	LTI ¹ per 100,000 work hrs	≤ 0.8	≤ 0.8	≤ 0.8
Planet	Group Planet / environment objectives	An overall improvement in the sustainability performance of the group		
Prosperity	EBITDAF ²	≥ \$15m	≥ \$20m	≥ \$25m
	Dividend to Council ³	≥ \$4.0m	≥ \$3.8m	≥ \$4.5m
	Group debt	≤ \$110 million	≤ \$140 million	≤ \$170 million
	Group weighted average cost of debt	≤ 4.0%	≤ 3.2%	≤ 2.8%

¹ LTI = Lost Time Injury

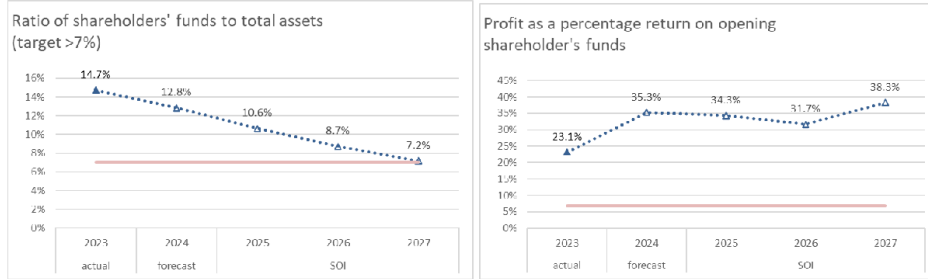
² Earnings before interest, taxation, depreciation, amortisation, and fair value movements

³ To be paid in following year

4.2. MDCH parent performance targets

Activity	Key performance indicators and targets
Funding	(a) Adequate and cost effective debt facilities provided for: <ul style="list-style-type: none"> • PML and its subsidiaries; and • MAL through continued review of their financing needs and awareness of market offerings.
	(b) A good ongoing working relationship with subsidiaries is facilitated and their performance is monitored, including: <ul style="list-style-type: none"> • reports and presentations from the Chair and Chief Executive of PML on current issues, the six-monthly results, Draft SCI and Annual Report; and • a report on the steps taken to ensure shareholder value is being maximized, on a regular basis.
Governance	(c) A letter of shareholder expectations is developed by 31 December, should it have any specific expectations it wants the subsidiary to incorporate into its forthcoming SOI/SCI.
Financial ¹	(d) The ratio of shareholders' funds ³ to total assets ² to be greater than 11% for the 2024/25 year. The long-term ratio of shareholders' funds ³ to total assets is to be greater than 7%.
	(e) Return after tax (excluding fair value movements) on opening shareholders' funds ³ to be greater than 30% for the 2024/25 year. The long-term return is to be greater than 7%.

Explanation of parent financial targets:



¹ The financial ratios will be reviewed annually in light of projected cash flows and the performance of subsidiaries. The long-term ratio of shareholders' funds to total assets and return after tax are measured and reported on the three year average.

² Total assets are defined as the sum of the net book value of current assets, investments, fixed assets and tangible assets as disclosed in MDCH's Statement of Financial Position prepared in accordance with Generally Accepted Accounting Practice (GAAP).

³ Shareholders' funds (or total equity) are defined as the sum of the amount of paid up share capital, retained earnings, accumulated losses, revenues and capital reserves.

4.3. MAL performance targets from the 2024/25 SOI

Objective	Activity/KPI	2025 Target	2026 Target	2027 Target
People				
Be a welcoming gateway for travellers and ensure a safe and healthy environment for staff and airport tenants	Passenger numbers	>327,500 passengers	>337,325 passengers	>339,000 passengers
	Lost time injuries	Nil	Nil	Nil
	Safety management system	Risk Rating <6.5 (maximum of 25)	Risk Rating <6.5 (maximum of 25)	Risk Rating <6.5 (maximum of 25)
Planet				
To work towards sustainability aspirations within MAL's operations and in tandem with key partners	Map and engage key stakeholders to identify shared priorities for sustainability initiatives, including metrics for success.	<ul style="list-style-type: none"> Develop annual baselines for identified sustainability metrics Sustainability embedded in runway reseal procurement Implement quarterly sustainability dashboard to the Board Implement traceability process for GhG Scope 1 and 2 measurements 85% survivability rate for carpark native plants 	Sustainability targets for 2026 implemented and reported on	Sustainability targets for 2027 implemented and reported on

Objective	Activity/KPI	2025 Target	2026 Target	2027 Target
Prosperity				
Manage financial performance to ensure MAL achieves its strategic goals and maintains a financially sustainable business	Achieve profit targets as set out in the budget	EBITDAF² >\$50,000	NPAT¹ >\$400,000 EBITDAF² >\$ 2.20m	NPAT¹ >\$450,000 EBITDAF² >\$ 2.30m
	Maintain a sustainable financial position as set out in the budget	Cash flow from operations > (\$5.0 m) deficit (Runway Reseal) SH funds/Total assets³ >20% Dividend paid >\$450,000	Cash flow from operations >\$1.2m SH funds/Total assets³ >19% Nil dividend (2025 reseal year)	Cash flow from opns >\$2.2m SH funds /Total assets³ >18% Dividend paid >\$0.65m
Partnerships				
Work with key Stakeholders to ensure a sustainable future	Meet with NZDF to re-negotiate the Airfield licence agreement			

¹ NPAT = Net Profit after Tax. The deficit result is not a target but rather the budgeted result for 2022.

² Earnings before interest, taxation, depreciation, amortisation and fair value movements (movements in fair value are not budgeted)

³ Shareholder Funds to total assets; Average equity/Average total assets; this measure is required by the Local Government Act to be included in this SOL.

4.4. PML measures of success from the 2023/24 SCI

Key performance indicator	Target		
	23/24	24/25	25/26
People			
Preventative Action to Incident Ratio	5:1	10:1	20:1
Corrective Action Close Out on Time	80%	90%	100%
LTI ¹ per 100,000 work hrs	<.0.5	<.0.5	<.0.5
Annual health checks and healthcare insurance available for permanent staff	100%	100%	100%
Living Wage Accreditation	Achieved		
Planet			
Fresh water withdrawal (Megalitres)	Nil increase	Nil increase	Nil increase
General waste to landfill (Tonnes)	-5%	-5%	-5%
Recycling (Tonnes)	125	128	130
Recycling as % of general waste to landfill	17%	18%	20%
Greenhouse Gas Net Emissions ²	820	810	800
Greenhouse Gas Storage ³	-718	-348	-348
Prosperity			
Projected NOPAT ⁴ (excluding asset and derivative revaluations)	\$9.62m	\$10.46m	\$13.34m
NOPAT ⁴ / Return on average Shareholder's Funds	5.08%	5.35%	6.56%
EBITDA ⁵ (excluding asset and derivative revaluations)	\$22.18m	\$26.46m	\$30.85m
Equity Ratio	61.29%	52.24%	51.22%
Partnerships			
Invest 1% of EBIT ⁶ (three year rolling average) in community sponsorships and programmes	\$0.15m	\$0.18m	\$0.22m

¹ LTI = Lost Time Injury

² Greenhouse Gas Emissions = Scope 1(63%) +Scope 2(37%) emissions

³ Forestry carbon storage (approach two)

⁴ NOPAT = Net Operating Profit after Tax

⁵ EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

⁶ EBIT= Earnings before Interest and Tax

5. Statement of Accounting Policies

The measurement and reporting of earnings and financial position is in accordance with International Financial Reporting Standards and the policies adopted by the Marlborough District Council Group.

The Accounting Policies adopted are the same as those contained in MDCH's 30 June 2023 Annual Report and available on Council's website.

<https://www.marlborough.govt.nz/your-council/mdc-holdings-limited>

6. Dividend Distribution Policy

Profit retention and the level of dividends to be paid will be recommended from year to year by the Directors in accordance with results and circumstances prevailing, subject to solvency certification at the time.

It is the intention of the Directors to distribute by way of dividend, all available net tax paid profit excluding fair value movements. The budgeted distribution for 2025 is \$4.13 million.

7. Corporate Governance

This statement gives readers an overview of MDCH's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board is responsible for the proper direction and control of MDCH's activities. The Board guides and monitors the business and affairs of MDCH on behalf of the shareholder, the Council, to whom it is accountable, within the framework of the objectives set out in this SOI.

All directors use the New Zealand Institute of Directors' Code of Proper Practice for Directors as a guide to assist them in carrying out their duties.

The Board recommends to Council the appointment of directors to subsidiary companies.

Responsibility to shareholder

Statement of Intent

In accordance with the Local Government Act 2002, MDCH submits a draft SOI for the coming financial year for consideration by MDCH's shareholder, the Council. The SOI sets out the company's overall objectives, intentions and financial and performance targets. Having considered any comments on the SOI by the Council, the company issues its SOI in final form.

Information flows

The Board aims to ensure that the Council is informed of all major developments affecting MDCH and group's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Council through periodic reports to the Council, occasional seminars and through both the Annual Report and the Half-Yearly Report.

Board composition and fees

The Board comprises five or six Directors: the Mayor, one or two Councilors, two external Directors and the Council's Chief Executive. The Mayor and Councilor Directors are required to retire by rotation within three months following the triennial local government elections, but are eligible to be re-appointed. External Directors normally retire after two three year terms, but this may be extended for a further term. Appointments to MDCH are made directly by Council.

Fees for the MDCH Board are reviewed annually and any increases are based on the median movement in Non-Executive Director Fees for the previous year. Where a Director provides professional services over and above the normal role of a Director, he or she is entitled to charge for

those services at commercial rates provided the conditions of the Board's Conflict of Interest policy are met.

Subsidiary

Each subsidiary company submits annually a draft SOI/SCI, which is evaluated initially by MDCH. MDCH reviews the SOI/SCI and suggests any changes that may be considered necessary.

It is established practice for representatives of the subsidiary Board and management to meet with MDCH at this time, and on at least one other occasion each year, to discuss the company's strategic direction and any significant issues that arise. The Board also receives such other reports as are necessary to perform its monitoring function. However, MDCH does not involve itself in the management of the subsidiary companies.

Board appointments

All Directors of subsidiary companies are selected for their commercial expertise and aptitude.

Financial results

Directors receive and review financial updates and other parent company reports at each meeting.

8. Information to be provided to Shareholder

MDCH will provide interim six monthly reports to its shareholder on the results of its trading.

Consolidated financial accounts will only be provided at financial year-end.

MDCH will provide information which meets the requirements of the Companies Act 1993, the Financial Reporting Act 2013, the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand in order to enable the shareholder to make an informed assessment of the Company's performance.

The Company will make the following reports available to its shareholder:

(a) Annual Statement of Intent

A Statement of Intent will be prepared in accordance with the Local Government Act 2002.

(b) Financial Reports

An Annual and Half Yearly Report will be prepared in accordance with the Local Government Act 2002, the reporting requirements prescribed from time to time by the Companies Act 1993, the Financial Reporting Act 2013 and in compliance with generally accepted accounting practices in New Zealand. The reports shall contain the following:

- (i) Income Statement;
- (ii) Statement of Financial Position;
- (iii) Statement of Changes in Equity;
- (iv) Statement of Cash flows; and
- (v) Report on Activities.

9. Procedure for acquisition of shares in any Company or other organisation

All investment proposals for the acquisition of shares in the company or other organisation will be considered in the first instance by the Directors.

If any decision is contemplated to acquire assets to the value of which is more than 10% of the value of the MDCH's assets before the acquisition, the decision will be made only after the Directors have obtained the prior written approval of the Council, as majority shareholder.

10. Procedure for the disposition of shares

MDCH will not dispose of any shares in PML or MAL without the prior written approval of Council as majority shareholder.

11. Activities for which the directorate seeks compensation from the Local Authority

No compensation is sought or intended to be sought for any of MDCH's activities, from the shareholder or any other party.

12. Commercial value of Shareholder's investment

The commercial value of the shareholder's investment will firstly be based on the historical accounts maintained by MDCH in accordance with the accounting policies stated above. The commercial value of shareholder's funds is nominally forecast to be \$12.71 million at 30 June 2024 (\$12.07 million actual at 30 June 2023).

From time to time the Directors or the shareholder may request that an independent valuation of the shareholder's investment be undertaken. The manner and timing of this assessment will be determined by the purpose for which it is undertaken or by the terms of the request by the Directors or Shareholder.

13. Other matters

The shareholder and Directors agree that the above matters are the only ones to be covered in this SOI and that there are no additional matters to be included.

MDC HOLDINGS LIMITED - BUDGET

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2025

AND EACH OF THE IMMEDIATELY FOLLOWING TWO YEARS

MDCH annual budgets and financial performance are based on Subsidiary Company and MDC best estimate. The following assumptions have been used to prepare the June 2025 budget outlined below:

- That PML will have borrowings of \$81.0 million at the end of the budget year.
- That MAL will have borrowings of \$7.8 million at the end of the budget year.
- That MDCH will have total debt (including the above) of \$109.3 million.
- That the proposed Capital Expenditure requiring finance will occur as scheduled.
- MDCH interest rates were calculated using the rates to maturity for Interest Rate Swaps and Fixed Rate Bonds and 4.7% for the remaining floating portion of debt.
- Dividends will be paid by PML and MAL as they have budgeted.

MDC Holdings Limited (parent) Proposed Income Statement

Year to 30 June:

	Actual	Forecast	Budget			
			2023	2024	2025	2026
	\$000s	\$000s	\$000s	\$000s	\$000s	
Income						
Interest income	a	2,724	3,567	3,656	3,788	4,074
Dividend income - PMNZL	b	3,682	4,416	4,233	4,244	4,435
Dividend income - MAL	b	-	455	510	-	650
Finance fee income		3	3	3	3	3
Subvention income	b	257	272	285	301	302
Movement in fair value of derivatives	c	282	-	-	-	-
Total income		6,948	8,713	8,687	8,336	9,464
Expenses						
Administration costs		307	84	89	89	89
Employee benefits expense		78	68	80	-	-
Interest expense	a	3,489	4,304	4,381	4,425	4,756
Total expenses		3,874	4,456	4,550	4,514	4,845
Profit / (Loss) before tax		3,075	4,257	4,137	3,822	4,619
Income tax expense/(credit)						
Profit / (Loss) after income tax		3,075	4,257	4,137	3,822	4,619
MDCH own finance costs	a	(764)	(737)	(725)	(637)	(682)
MDCH other costs		(382)	(149)	(166)	(86)	(86)
Dividend from MAL		-	455	510	-	650
Dividend and subvention from PMNZL		3,939	4,688	4,518	4,545	4,737
Profit excluding fair value gains and losses		2,793	4,257	4,137	3,822	4,619

LEGAL COMPLIANCE

Local Government Act 2002 Schedule 8 Part 2 & 4: - Contents of Statements of Intent

<p>Part 2 Clause (7) Sub-clause (1) The Statement of intent for a council-controlled organisation must include the information described in sub clause (2) -</p> <p>a) For the group comprising the council-controlled organisation and its subsidiaries (if any); and b) In respect of the financial year to which it relates and each of the immediately following 2 financial years</p>		
Part 2 Clause (7), Sub-clause (2)		SOI Section
(a)	The objectives of the group; and	2
(b)	a statement of the Board's approach to governance of the group; and	7
(c)	the nature and scope of the activities to be undertaken by the company; and	3
(d)	the non-financial performance targets and other measures by which the performance of the group may be judged in relation to its objectives; and	4
(e)	any additional information that is required to be included in this statement of intent	13
Part 3 Sub-clause (9) (Additional content of SOI of council-controlled – trading organisations)		
(a)	The major accounting policies of the organisation or group; and	5
(b)	the ratio of consolidated shareholder's funds, and the definitions of those terms and	4.2
(c)	an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholder; and	6
(d)	the Board's estimate of the commercial value of the shareholder's investment in the company and the manner in which, and the times at which, that value is to be reassessed;	12

8. Debtors Overdue Reports as at 31 May 2024

(The Chair) (Report prepared by S Greenhill)

Purpose of Report

1. The purpose of this report is to advise Council on the overdue debtor position as at 31 May 2024.
-

RECOMMENDATION

That the information be received.

Debtors' Overdue Reports

2. The debtors' overdue summary report is attached for the Councillors' information.

This report details the level of debt relating to the following revenue streams:

- Building Consents
- Resource Consents
- Resource Consent Monitoring
- Development Contributions
- Licences
- Tradewaste
- Water and Sewerage Connections
- Other Sundry Invoices

The Debtors Report as at 31 May 2024 is **attached** for Councillors' information.

The annual resource consent administration fees were charged in July 2023 totalling approx. \$1.3M. The balance owing as at the end of 31 May 2024 is \$20,008 (99% have been paid). As the Land Use consents fees were charged for the first time in 2023/2024, it is taking a lot longer to recover these.

The 90 Days balance includes invoices for the annual resource consent administration fees that have not been paid. Invoice copies have been emailed requesting payment.

There is a new section called Work Not Yet Commenced/Completed. These were previously in Negotiating Payment Arrangement. These are usually projects that are on hold and will be paid once the building project is started or near completion. They all have notes on their record that payment is due before inspections.

The Property Leases and Licences Debtors Report as at 30 April 2024 is also **attached** for Councillors' information. Current and Total balances fluctuate monthly depending on individual leases and invoicing periods, e.g., monthly, quarterly, six monthly or annual.

Debtors Report as at 31 May 2024

Aged Analysis Report	Current Month	Comparison for Previous 5 Months				
	May	April	March	February	January	December
Current	2,154,995.86	3,387,745.57	3,319,943.55	2,408,197.38	1,433,670.58	3,632,611.76
30 - 90 Days	645,361.92	877,019.33	209,283.71	426,066.61	891,158.01	607,435.43
90 Days	515,552.30	624,046.77	614,275.81	607,136.04	633,036.94	657,044.25
Outstanding Debtors Closing Balance	3,315,910.08	4,888,811.67	4,143,503.07	3,441,400.03	2,957,865.53	4,897,091.44

Debtors Action Report - Debtors over 90 days with Balance >\$250	May	April	March	February	January	December
With Debt Collection Agency	10,839.04	10,839.04	10,839.04	10,839.04	10,839.04	10,839.04
Paying by Arrangement	68,860.07	61,099.32	62,706.25	64,046.21	40,917.99	25,654.52
Negotiating Payment Arrangement	66,852.91	297,890.52	315,649.32	272,620.29	340,407.46	367,441.38
Work Not Yet Commenced/Completed	176,939.53	-	-	-	-	-
Debts in Dispute	170,789.56	171,290.56	173,198.63	178,952.81	178,952.81	178,952.81
Payments since month end taken off above amounts	5,849.75	67,860.47	28,739.51	52,162.37	30,057.86	34,241.85
Sub-Total	500,130.86	608,979.91	591,132.75	578,620.72	601,175.16	617,129.60
Various Debtors with Balances <\$250	15,421.44	15,066.86	23,143.06	28,515.32	31,861.78	39,914.65
Over 90 days Outstanding Total	515,552.30	624,046.77	614,275.81	607,136.04	633,036.94	657,044.25

Property Leases and Licences Debtors Report as at 30 April 2024

Aged Analysis Report	Current Month	Comparison for Previous 5 Months				
	April	March	February	January	December	November
Current	93,590.95	9,510.47	78,507.70	53,091.86	100,147.28	81,360.15
30 Days	2,233.07	12,758.55	15,431.48	1,723.78	24,227.33	12,578.48
60 Days	1,688.30	13,192.48	3,142.43	16,505.15	7,994.92	976.49
90 Days	(5,215.85)	(8,802.83)	2,821.07	(7,993.73)	(928.48)	(419.09)
Outstanding Debtors Closing Balance	<u>92,296.47</u>	<u>26,658.67</u>	<u>99,902.68</u>	<u>63,327.06</u>	<u>131,441.05</u>	<u>94,496.03</u>

9. Rates Report as at 31 May 2024

(The Chair) (Report prepared by Amy Whalan)

F270-36-23

Purpose of Report

1. The purpose of this report is to advise Council of the rates position as at 31 May 2024.

RECOMMENDATION

That the information be received.

Rate Levies Status and Rate Arrears Aged Balance Reports

2. The fourth instalment of 2023-2024 rates was invoiced on 1 May 2024 with a due date of 11 June 2024.

The value of the penalty run on 14 March 2024 was \$90,844 (1,306 or 4.8% of properties levied), with last year for the same period being \$75,876 (1,302 or 4.9% of properties levied).

Since the Q3 penalty run date on 14 March, 136 (10%) penalties have been reversed. The value of the reversals is \$11k (12% of the total penalty amount). The volumes of penalties reversed is almost identical to Q3 last year (141 penalties reversed which equates to 11% of total penalties incurred).

Of the 44 Notices of Demand sent on 21 March 2024 in relation to arrears as of 30 June 2023, 17 remain unpaid at this time (a reduction of 5 since the March update).

The Rates Team are continuing to follow up with ratepayers and working with them to provide suitable repayment options if required.

Water Billing Debtors Report

3. Attached for information is the Water Billing Debtors Report as at 31 May 2024.

The 90 Days balance includes a number of credit balances and overdue March 2024 invoices. Copies of invoices were emailed requesting prompt payment. There are also a number of Renwick and Havelock water invoices that need to be reassessed by the water team due to large water leaks.

The Current balance includes the 4th quarter Southern Valley Irrigation Scheme. These invoices were able to be processed in May as the irrigation scheme was turned off for the winter.

Author	Amy Whalan, Team Leader Rating
Authoriser	Geoff Blake, Chief Financial Officer

Rate Arrears Aged Balance Report as at 31 May 2024

Year	Total Arrears (01/07/2023)	Rate Arrears Received Year to Date	Total Arrears 31/05/2024	Postponed Rates included in Total Arrears	Actual Arrears (after deducting postponed rates)
2022-23	1,090,266	841,950	248,316	27,511	220,805
2021-22	168,042	69,961	98,081	18,049	80,033
2020-21	41,972	21,197	20,775	15,757	5,018
2019-20	25,960	15,673	10,287	3,843	6,444
2018-19	22,526	13,839	8,687	3,653	5,034
2017-18 (and prior)	56,713	42,490	14,223	12,233	1,990
Total	1,405,478	1,005,109	400,369	81,045	319,324

Rates postponement is offered to ratepayers aged over 65 under Council's Remission and Postponement Policy.

Rate Levies Status Report as at 31 May 2024

Financial Division	Balance B/Forward (01/07/23)	Annual Rate Levy (as at the end of Q3)	Arrears Penalty	Instalment Penalty	Adjustments	Cash Received for Year to Date	Balance (as at 31/05/2024)
Blenheim	(200,591)	49,054,331	32,795	101,217	(132,380)	(41,768,753)	7,086,619
Blenheim Vicinity	26,730	18,841,691	15,953	38,420	(34,496)	(15,409,056)	3,479,242
General Rural	23,963	15,792,829	17,585	50,712	49,098	(13,058,196)	2,875,992
Picton	82,162	10,719,786	17,118	34,279	(105,964)	(8,995,066)	1,752,315
Picton Vicinity	22,128	1,114,195	2,981	4,086	(32,016)	(892,265)	219,110
Sounds Admin Rural	12,683	1,359,005	2,818	6,854	(13,835)	(1,138,461)	229,064
Utilities Network	(747)	45,144	-	-	-	(44,188)	209
Current Year Totals	(33,671)	96,926,981	89,251	235,569	(269,594)	(81,305,984)	15,642,552

Water Billing Debtors Report as at 31 May2024

	Current Month	Comparison for Previous 5 Months				
	May	April	March	February	January	December
Aged Analysis Report						
Current	212,291.59	31,808.22	1,592,106.08	62,384.72	14,309.83	771,070.52
30 - 90 Days	184,645.59	235,796.85	63,844.21	79,024.20	118,217.08	(1,571.57)
90 Days	(25,804.97)	(33,728.70)	14,233.48	(28,342.64)	5,503.70	22,042.26
Outstanding Debtors Closing Balance	371,132.21	233,876.37	1,670,183.77	113,066.28	138,030.61	791,541.21

Debtors Action Report - Debtors over 90 days Balance >\$250						
	May	April	March	February	January	December
Paying by Arrangement	992.54	1,834.19	3,088.36	1,747.93	2,053.69	4,328.25
Negotiating Payment Arrangement	31,112.92	32,217.06	38,409.21	28,946.32	28,382.39	39,575.97
Awaiting Possible Water Remission (New)	8,825.03	23,929.42	24,701.56	13,443.44	24,182.16	37,480.23
Payments since month end taken off above amounts	4,676.08	650.00	2,865.25	13,083.78	26,806.31	4,562.56
Sub-Total	45,606.57	58,630.67	69,064.38	57,221.47	81,424.55	85,947.01
Various Debtors with Balances <\$250 or Credit Balances	(71,411.54)	(92,359.37)	(54,830.90)	(85,564.11)	(75,920.85)	(63,904.75)
90 days Outstanding Total	(25,804.97)	(33,728.70)	14,233.48	(28,342.64)	5,503.70	22,042.26

10. Civil Defence Emergency Management Group (CDEM)

(The Chair)

D050-001-C03

1. The Minutes of the CDEM meeting held on 16 April 2024 are attached for ratification by the Committee.

RECOMMENDATION

That the Minutes of the CDEM meeting held on 16 April 2024 be ratified.

**Report and Minutes of a Meeting of the
CIVIL DEFENCE EMERGENCY MANAGEMENT GROUP
held in the Council Chambers and via Teams, 15 Seymour Street, Blenheim on
TUESDAY, 16 APRIL 2024 commencing at 10.20 am**

Present

Cirs J C Rosene (in the Chair), B G Dawson, S R W Adams, J D N Croad, D A Dalliessi, M R L Flight, Mayor N P Taylor, Ms D McConnell (Iwi representative)

Also Present

Cirs J A Arbuckle, S J Arbuckle, B J Minehan and T P Sowman

In Attendance

Mr Richard Coningham (Manager – Assets & Services Department), Brian Paton (Emergency Services Manager) and Nicole Chauval (Committee Secretary)

Apologies

Cirs Rosene/Dawson

That the apology for absence from C/r R J Innes be noted.

Carried

Mayor Taylor presented Dave Parsons and Gary Spence with a Civil Defence Long Service Medal.

**10. Marlborough Emergency Management Co-ordinating Executive Group (CEG) –
Minutes E210-003-06**

The minutes of the Marlborough Emergency Management Co-ordinating Executive Group (CEG) meetings held on 20 September 2023 and 20 March 2024 were presented for ratification by the Committee.

Cirs Croad/Dawson

That the Minutes of the Marlborough Emergency Management Co-ordinating Executive Group (CEG) meetings held on 20 September 2023 and 20 March 2024 be confirmed as true and correct record.

Carried

ATTENDANCE: Ian Wilson, Regional Emergency Management Advisor, National Emergency Management Agency (NEMA) was present for the following item and Jim Tetlow (Toa Consulting) was present via teams for the following item.

**11. Marlborough Emergency Management Report to Marlborough Group
Committee – Period January – March 2024 E210-003-06**

Jim Tetley provided members with an update on the Marlborough Group Plan review. To highlight the report a powerpoint presentation was shown (presentation filed in CM Record No. 24116775).

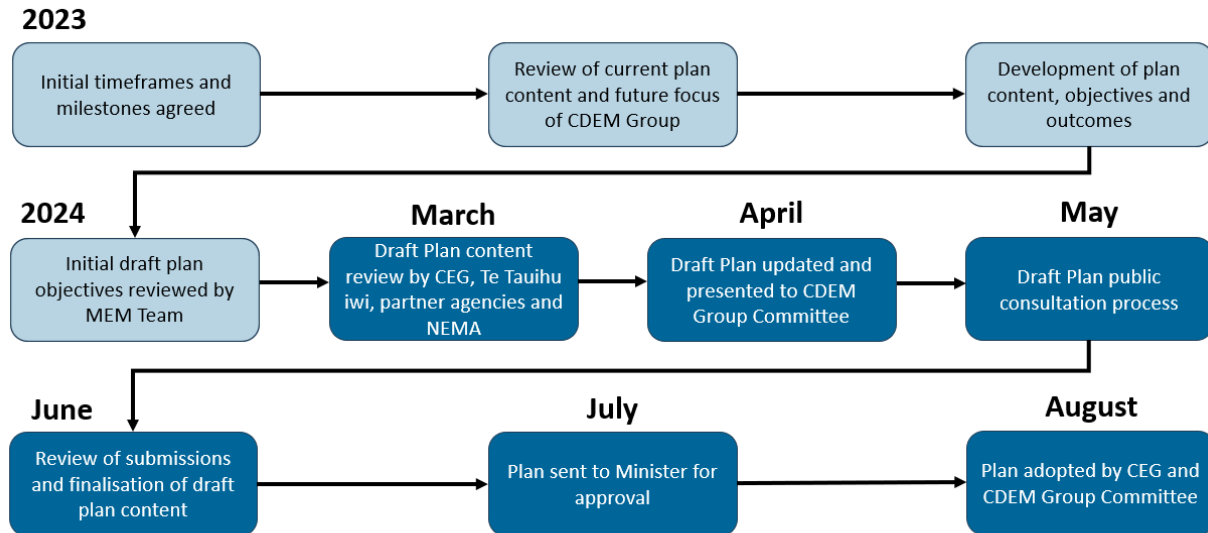
The following work to date was noted:

1. Review of the existing Plan to identify completed objectives, gaps in current work programme and learnings from recent events.
2. Development of CDEM Group objectives and outcomes aligned to National Disaster Resilience Strategy and based on feedback from MEM Team and CEG

3. Alignment of content with Nelson Tasman Group Plan (where possible) to ensure consistency of approach across both regions
4. Development of iwi partnerships content (currently under review by Te Taihū iwi)
5. Reduction of content included from existing plan based on requirements of legislation, Director's guideline and NEMA feedback on Auckland and Bay of Plenty plans
6. Creation of basic design draft plan for review by CEG and CDEM Partner agencies

The following Group Plan Review Process – Timeline was noted:

The Group Plan Review Process - Timeline



Members were advised of the following next steps:

- CEG and CDEM Group Partners review the current draft content and provide comments through the online form <https://forms.office.com/r/rXRdPPrA18T> Any comments back by the end of May if possible.
- From the comments received the plan content will be updated prior to public consultation
- The draft plan will be presented at a Committee meeting for sign off for consultation
- Public consultation process – via Council websites, social media accounts

Mr Paton referred to the Civil Defence Emergency Management Act 2002 [https://www.legislation.govt.nz/act Sections 16-18](https://www.legislation.govt.nz/act/Sections%2016-18), noting it details the functions of this committee and information on the role of this Committee for emergency management.

Mr Paton spoke to the Group Management reports contained in the agenda.

Members were advised that Te Ātiawa o Te Waka-a-Māui had submitted an application to the NEMA administered National Resilience Fund. NEMA have deferred any decision on the application until their budget has been confirmed.

Mr Paton reported on the recent Spring Creek rain event. There will be a community debrief of the event and invitations will be sent to Councillors.

The Mayor/Clr Croad
That the information be received

Carried

Regional Emergency Management Advisor

Ian Wilson, Senior Regional Emergency Management Advisor, National Emergency Management Agency (NEMA) advised that the agenda report provided members with a summary of where the agency is going at a national level, what is currently happening and the actions being undertaken. As part of that report Mr Wilson noted the following:

- *Emergency Management Bill update* – The Government has decided not to proceed with the existing Emergency Management Bill. The Minister intends to introduce a new Bill this term, alongside considering system improvements using existing mechanisms in the Civil Defence Emergency Management Act 2002 and non-legislative levers.
- Government inquiry into the North Island severe weather event has been completed and presented to the Minister. A date for release to be advised.
- Catastrophic Planning (CATPlan) – a draft guideline has been developed for all of government at a national level and is proposed to be released to the regions and local areas. NEMA has begun the external engagement phase with partner agencies. The draft plan will be used during the Rū Whenua exercise which will run on 12 and 26 June and 10 July 2024. Marlborough's CDEM Group has been invited to participate in the main exercise.

The meeting closed at 11.25 am.

11. Information Package

RECOMMENDATION

That the Economic, Finance & Community Information Package dated 25 June 2024 be received and noted.

12. Decision to Conduct Business with the Public Excluded

Decided That the public be excluded from the following parts of the proceedings of this meeting, namely:

- **Confirmation of Sub-Committee Public Excluded Minutes**

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Minutes and Committee Reports	As set out in the Minutes and Reports	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under Section 7 of the Local Government Official Information and Meetings Act 1987.