

REPORT OF THE FINANCE, AUDIT AND RISK COMMITTEE MEETING HELD AT 2.01PM ON MONDAY 18 JULY 2016 AT MEMORIAL HALL SUPPER ROOM, ESPLANADE, KAIKOURA.

PRESENT: Councillor J Howden (Chair), Councillor D Millton.

IN ATTENDANCE: A Oosthuizen (Chief Executive Officer), S Poulsen (Finance Manager), S Syme (Committee Secretary), Councillor J Diver.

APOLOGIES: Mayor W Gray, Councillor G Harmon.
Moved by Councillor Millton, seconded by Councillor Howden and resolved that apologies be accepted.

1. REPORTS

Included in the agenda was the preliminary financial statements for the year ended 30 June 2016 however it was noted there were a number of year-end adjustments to be processed. Revenue was currently less than budget with the main reason being the calculation of Council's share of the Marlborough Regional Forestry joint venture had yet to be entered into the accounts. Cash had increased since May with the receipt of the fourth instalment of rates. Operating expenses were within budget and overall expenses were just over \$1 million less than budgeted.

A discussion was held regarding capital expenditure and the impacts of capital expenditure being deferred and not being spent. The Chief Executive Officer advised the aim of the expanded Capital Expenditure report was to provide a better understanding in terms of capital projects and why projects were deferred or delayed. It was noted there had been some reprioritisation of the roading programme within the roading budget. Some projects were deliberately deferred to accumulate funds as it was more economic to tackle larger projects. A discussion was held regarding the deteriorating state of rural roads, timing of culvert and maintenance works and the effect of the reduction in the subsidy on the Inland Road in terms of funding for other roads in the district. Funding had a number of years prior been 100%.

A discussion was held regarding budgeted expenditure for the swimming pool and the future of the pool. It was requested the Operations Manager prepare a report regarding future plans for the swimming pool and options going forward. It was also requested a debrief be held prior to the end of term to discuss what had been achieved and what could have been achieved by Council.

Moved by Councillor Howden, seconded by Councillor Millton and resolved that the Finance Reports be received.

2. QUARTERLY REPORTS

Investment Quarterly Report

Approximately one quarter of Council's portfolio was in bank deposits which was a lot less than the previous financial year. Council had exceeded its policy minimum requirement of \$250,000 to be held on call. With the Civic

Centre project ongoing it was unlikely there would be surplus funds set aside for longer than 90 days.

A discussion was held regarding the South Bay forest and the various costs associated with the portfolio. It was generally felt a discussion needed to be held regarding milling of the South Bay forest. A valuation was being undertaken as at financial year end.

Liability Management Compliance Report

Interest rate exposure did not meet the Policy requirements. The current loan facility in place would need to be extended to allow for loans to mature beyond 2020. The Chief Executive Officer advised there was potential for Council to save money if it joined the Local Government Funding Agency. This would be further investigated.

Development Contributions Policy

No development contributions had been received during the financial year. A discussion was held regarding how the threshold in the Policy worked and whether there needed to be some incentive included for people undertaking larger developments which were over the 10 lot threshold. It was also noted there were benefits from using infrastructure and land owners should be charged when they received the service. It was noted Council was not relying on money coming from development contributions currently. The Policy could be reviewed as part of the Long Term Plan or Annual Plan process but any changes would need to be consulted on.

Depreciation vs. Capital Expenditure

To meet the roading benchmark Council would need to spend in excess of \$816,000 each year on roads and bridges. This was almost double what Council currently spent. The Finance Manager noted some issues had been raised by the sector in terms of the benchmarking, these included;

- the quantum of depreciation
- maintenance which could potentially be considered capital work
- the need for the benchmarks to cover a larger period as once work was undertaken no further work was generally required for some time.

Airport Quarterly Report

A discussion was held regarding collection of landing fees. It was noted the current system of collection was an honesty system where each operator declared their own landings. It was noted a remote landing fee collection system had been investigated in the past. It was generally felt a landing fee collection system should be reinvestigated.

Moved by Councillor Howden, seconded by Councillor Millton and resolved that the Quarterly Finance Reports be received.

3. FINANCE, AUDIT AND RISK PUBLIC EXCLUDED

Moved by Councillor Howden, seconded by Councillor Millton and resolved that the public be excluded from the following parts of the proceedings of this meeting, namely

a) Debt Recovery Report

There being no further business the meeting closed at 3.51pm.