

**MINUTES OF THE FINANCE AUDIT AND RISK COMMITTEE MEETING HELD AT
1.00PM ON TUESDAY 22 FEBRUARY 2022 AT TOTARA, COUNCIL CHAMBERS, 96
WEST END, KAIKOURA**

PRESENT: Deputy Mayor J Howden (Chair), Councillor N Pablecheque, Mayor C Mackle (by MS Teams), D Brandish (Independent Member - by MS Teams)

IN ATTENDANCE: W Doughty (Chief Executive Officer), M Dickson (Senior Manager Corporate Services), S Poulsen (Finance Manager), C Kaa (Management Accountant), Cr V Gulleford, Gayle McMillan, B Makin (Minutes)

1. KARAKIA

2. APOLOGIES

Apologies for lateness were received from Mayor C Mackle.

3. DECLARATIONS OF INTEREST: Nil

4. CONFIRMATION OF MINUTES

RESOLUTION

THAT the Committee:

- a) *Confirms as a true and correct record, the circulated minutes of a meeting of the Committee held on 26 October 2021, subject to the following amendment on page 3 whereby "The net surplus of \$1.397 million is up on the budgeted net surplus of \$1.413 million" is replaced with "There was a net surplus of \$1.397 million, which is \$1.413 million higher than the budgeted net deficit."*

Moved: Deputy Mayor J Howden

Seconded: Cr N Pablecheque

RESCINDED
(see page 5 of this minute)

5. MATTERS ARISING AND ACTIONS

The Matters Arising and Action list was reviewed by the Committee. The following updates were noted:

- Natural Hazards – The natural hazard project figures were circulated by Council staff. These included confidential settlement details. It was agreed that no further action is required.

Mayor C Mackle joined the meeting at 1.08pm.

- Resource Consents – Further information regarding costs for processing internally and externally was requested. Council staff to provide a worked example of costs of a resource consent being processed internally vs externally.

6. MATTERS OF IMPORTANCE TO BE RAISED AS URGENT BUSINESS Nil

7. FINANCE REPORT TO 31 JANUARY 2022

The Finance Report was presented by C Kaa. There were no significant issues to raise.

Narratives for capital projects carried forward and not progressing were noted as on page 11 of the Agenda. It was noted that delays to four main projects will have an impact on expenditure v budget. It was also noted that not progressing in some cases meant the work was not required or there were anticipated cost savings.

The Finance Team reported that Audit NZ have started the audit process which will be undertaken remotely, which will mean the process could be difficult and more time consuming.

It was noted that the key changes to the legislation for Māori land meant the land was non-rateable, and Councils were able to write off the current balances. This resulted in some substantial write-offs this financial year.

The Variance Reports for the Year to Date were reviewed and the narratives included on Page 9 of the Agenda were highlighted.

Staff advised that they would include a section in the Finance Report relating to any material changes in borrowing arrangements when appropriate.

The Scout Hall was overbudget by \$16k due to some unforeseen project issues, such as issues with the foundation.

RESOLUTION

That the Committee recommends that the Council receives the Finance Report to 31 January 2022.

Moved: Deputy Mayor J Howden

Seconded: Cr N Pablecheque

CARRIED UNANIMOUSLY

8. QUARTERLY REPORTS TO 31 DECEMBER 2021

Liability Management Policy Compliance Report

Council staff confirmed that they have a plan in place to comply with the fixed rate hedging bands (in particular the years 2-4):

- They will be working towards compliance as the Council borrows more and is able to “spread” the loan
- They will likely next borrow at floating rates and enter into interest rate swap agreements – effectively fixing the rate and will look at the policy as to the use and definition of “fixed” rates. Council confirmed that is what Bancorp recommends.

Investment report

No interest has been accrued for term deposits, hence the table show returns on investment does not include the term deposit return yet.

Depreciation vs Capex Expenditure Report

As previously discussed by the Committee, capital expenditure and depreciation is distorted due to earthquake funding. D Brandish and M Dickson confirmed they had discussed possible ways of making the reports more “forward looking”, which would provide a better feel to what the expenditure versus depreciation is planned to be. The Committee noted that might assist future discussions regarding rating for depreciation.

Airport Report & Harbour Report

Council staff are working towards having the Airport and Harbour revenues as more user pays than rates subsidised over time. The Team Leader Community Facilities & Regulation has advised airport tenants that the intention is that airport fees will be going up over time.

Debtors Report

It was noted that the rates debtor graphs included Māori Land but will not include this going forward.

It was agreed for Council staff to prepare a public excluded report for the next meeting on the recovery of aged debt and the actions the Finance Team are intending to take. It was also agreed for Council staff to prepare a public excluded report on aged sundry debtors and the action that is intended to be taken.

RESOLUTION

That the Committee recommends that Council receives the cover report and the listed attachments outlined in section 3 Summary of the cover report.

Moved: Deputy Mayor J Howden

Seconded: Cr N Pablecheque

CARRIED UNANIMOUSLY

9. RESERVES AND SPECIAL FUNDS AS AT 31 DECEMBER 2021

Council staff advised that the report had brought to their attention there are three special funds where expenditure hasn't been coded correctly to enable the analysis, which will be updated:

- Economic Development Fund
- Environmental Planning Fund
- Financial Sustainability Project Fund.

The following was noted from the reserves and special funds table:

- Tourism Strategy Fund – the deficit is a timing issue as it comes out of commercial rates, which are quarterly. It was noted that the full cost of the commercial rate was applied, however this should only be half according to the Policy and will be corrected
- Civic Centre Reserve – there has been a slow recovery over the year as rates revenue catches up with recent expenditure. Council staff have achieved code of compliance for the building
- Forestry Fund – expenditure is below budget as the Marlborough Regional Forestry has not had cost as high as anticipated

- Responsible Camping Fund – there is some funding remaining from prior year which may be difficult to spend due to the delay/effects of Covid.

RESOLUTION

That the Committee recommends that Council receives this report.

Moved: Deputy Mayor J Howden

Seconded: D Brandish

CARRIED UNANIMOUSLY

10. RISK MANAGEMENT REPORT

The Risk Register is reviewed on a monthly basis by the Management Team. The main changes were highlighted on page 48 of the Agenda.

The CEO advised that the Future of Local Government Panel is meeting with the Council and Management Team on 30 March 2022. He advised that no internal or Council workshops have been held with regard to post reforms structure as local authorities are still waiting on clarity from Central Government. This will become a focus over the next six months.

A risk has been identified with delays in projects and BAU due to a lack of progress with the Runanga. Council staff have suggested to Waka Kotahi that they need certainty on the continued funding for the Waiau Toa (Clarence Bridge) and extending the sunset clause. The Council have written to the Runanga advising they will be moving forward with the project on an 'agree to disagree' basis.

It was agreed for Council staff to provide a report on the terms of insurance cover i.e. risk exposure from existing or proposed policies, before the next renewals are due.

RESOLUTION

That the Committee recommends that Council:

- a) Receives the Risk Management report*
- b) Notes the contents of the Risk Management Report (including Risk Register)*
- c) Provides any feedback for staff consideration.*

Moved: Deputy Mayor J Howden

Seconded: Cr N Pablecheque

CARRIED UNANIMOUSLY

11. ANNUAL PLAN TIMETABLE

Council staff still do not anticipate any material or significant changes to Year 2 of the LTP. It was noted that Council staff would provide progress reports throughout the Annual Plan process to the Committee.

RESOLUTION

That the Council receives this report for information.

Moved: Cr N Pablecheque
Seconded: Mayor C Mackle

CARRIED UNANIMOUSLY

12. KAIKOURA ENCHANCEMENT TRUST HALF-YEARLY REPORT TO 31 DECEMBER 2021

RESOLUTION

It is recommended that:

- a) *the Council receives this (cover) report*
- b) *the Council receives the Kaikōura Enhancement Trust Half-Yearly Report to 31 December 2021*

Moved: Deputy Mayor J Howden
Seconded: Cr N Pablecheque

CARRIED UNANIMOUSLY

The meeting then moved back to Item 4. Confirmation of Minutes.

4. CONFIRMATION OF MINUTES

It was noted that Deputy Mayor J Howden had moved the resolution, however she was not present at the meeting.

The previous resolution was rescinded, and the following was passed:

RESOLUTION

THAT the Committee:

- b) *Confirms as a true and correct record, the circulated minutes of a meeting of the Committee held on 26 October 2021, subject to the following amendment on page 3 whereby "The net surplus of \$1.397 million is up on the budgeted net surplus of \$1.413 million" is replaced with "There was a net surplus of \$1.397 million, which is \$1.413 million higher than the budgeted net deficit."*

Moved: Cr N Pablecheque
Seconded: D Brandish

CARRIED UNANIMOUSLY

There being no further business, the meeting closed at 2.47pm.

CONFIRMED _____ Chairperson

_____ Date

**FINANCE AUDIT AND RISK
ACTION LIST AS AT 3 MARCH 2022**

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
1	Resource Consents - Cost Comparison vs employee costs (and savings)	M Dickson	26 Apr 22	Council staff to provide a worked example of a resource consent being processed internally vs externally for next FARC meeting.
2	Public excluded report - recovery of aged debt and the actions the Finance Team are intending to take	M Dickson / S Poulsen	26 Apr 22	
3	Public excluded report - on sundry debtors and the action that has been taken.	M Dickson / S Poulsen	26 Apr 22	
4	Provide a report on insurance cover before the next renewals outlining any exposure risk from existing or proposed policies.	S Poulsen	30 Aug 22	Next major renewals are November – paper to be provided in August

CLOSED ITEMS

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
	Natural Hazard Project Figures Fully depleted. Summary to be provided.	M Dickson / S Poulsen	24 Aug 21	The natural hazard project figures were circulated by Council staff. These included confidential settlement details. No further action is required