

**MINUTES OF THE FINANCE AUDIT AND RISK COMMITTEE MEETING HELD AT
1.00PM ON TUESDAY 31 AUGUST 2021
BY MICROSOFT TEAMS**

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

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

1. KARAKIA

2. APOLOGIES AND WELCOME

The Committee welcomed D Brandish as an Independent Member.

A late apology was received for Mayor C Mackle.

Moved: Cr N Pablecheque
Seconded: Deputy Mayor J Howden

CARRIED UNANIMOUSLY

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 29 June 2021.*

Moved: Deputy Mayor J Howden
Seconded: Cr N Pablecheque

CARRIED UNANIMOUSLY

5. MATTERS ARISING AND ACTIONS

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

Mayor C Mackle joined the meeting at 1.08 pm.

- Harbour User Invoice: This action has been re-assigned to the CEO and is a priority for the next three months. An update meeting will be scheduled with KDC management first and then the harbour users.
- Shared Pathway – Sealing: No progress from Waka Kotahi (NZTA)

- Mayoral Fund and Mayoral Earthquake Fund: A paper has been drafted, however this has been put on hold post Covid-19 Level 3. It was agreed for the action item to be moved from the Completed Items back to the Outstanding Items.

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

7. FINANCE REPORT TO 30 JUNE 2021

The Finance Report (interim financial statements) to 30 June 2021 was presented by C Kaa. It was highlighted that these are interim results and will change before being finalised. A summary of changes will be included when final reports are presented as per the Long Term Plan 2021-2031.

The net surplus of \$5.501 million is lower than the budgeted net surplus of \$10.629 million primarily due to capex revenue being lower than budgeted.

Other expenses and main variances were highlighted on page 7 of the Agenda. It was noted that personnel expense year-end accruals for sick leave, wages and salaries were being calculated and will be included in the updated versions and final financial statements.

It was noted that the LGFA loan of \$3 million had been moved to current debt from non-current debt. The LGFA loan matures in April 2022 and it is intended that the loan will be renewed in advance, along with swap arrangements.

Council staff explained that a provision was made in the Long Term Plan 2021-2031 for freedom camping enforcement in year 1. It is unlikely that the quarry at South Bay, recommended as an additional freedom camping site, would meet the maintenance criteria set by the Department of Internal Affairs. It was noted that there is some left-over Tourism Infrastructure Funding (TIF) available due to Covid-19 lockdown.

The PGF Governance Group are currently providing regular progress reports to the Council on the Wakatu Quay project. Financial reports will be provided to the Committee as the project moves into detailed design and then the construction stage.

Audit New Zealand's statutory reporting timeframes have been extended to 31 December 2021. The Auditors are expected to review the Council's year-end results in December, afterwards the final financial statements will be presented to the Committee with a summary of differences. Council staff will provide updates to the Committee with any changes between now and December.

The capex report shows 85% actual delivery against baseline delivery for BAU projects. The Chair congratulated the team for the work gone into delivering the capex report.

RESOLUTION

That the Committee recommends that Council receives the Finance Report to 30 June 2021.

Moved: Deputy Mayor J Howden

Seconded: D Brandish

CARRIED UNANIMOUSLY

8. QUARTERLY REPORTS TO 30 JUNE 2021

8.1 Liability Management Policy Compliance Report

It was noted that the Council is compliant and the symbols in the 'Compliant' columns should be ticks.

8.2 Investment Report

Council staff highlighted that the value of the Leased Property has increased, and that the figures for Marlborough Forestry does not include the year-end adjustments.

Rent has been received for the Airport Terminal Hangar since works were completed. An enquiry around a potential lease for a new hangar has not progressed any further.

Rent relief for commercial leases was provided by the Council in March 2020 due to the length of the Covid-19 lockdown and Level 3 restrictions. Some commercial leases have provisions if the premises cannot be used. Council staff would seek the appetite for the Council's support in early September for those leases without provisions, depending on the Covid-19 levels.

8.3 Depreciation vs Capital Expenditure Report

Council staff advised that funding for depreciation was raised through the LTP and is something to consider in the future but not prudent now given uncertainties with three waters reform.

A discussion was held around pensioner housing and rents reflecting the supplements received by pensioners in the Kaikōura District. D Brandish advised that the Council could potentially increase the return on the pensioner housing by moving the ownership to a trust. Similar to Christchurch City Council.

8.4 Airport Report

Landing fees are down compared to the same period last year and operating expenditure is in line with the budgeted expenditure.

8.5 Harbour Report

Slipway fee revenue and boat parking revenue are in line with last year's figures.

8.6 Debtors Report

The Finance team have been making progress on debtors. It was noted that interest does not get charged on the debt at present. May be worth considering for the longer standing debts.

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: Cr N Pablecheque

Seconded: Mayor C Mackle

CARRIED UNANIMOUSLY

9. RISK MANAGEMENT REPORT

M Dickson highlighted the changes in the cover report and risk management spreadsheet. The following was noted:

- The uncertainty around the Three Waters Reform is one of the Council's highest risks
- Council staff are looking at a joint resource with ECAN for a consent monitoring and enforcement officer for 1 day a week. Management will develop a prioritisation strategy for resource consent compliance monitoring
- The Communications Officer is working with website providers and the IT team to replace the current website software
- The LIMS Officer will be able to access the office files in Level 3, however it is likely some timeframes may not be achieved for LIMS due to Covid-19 restrictions
- Resource consents continue to be outsourced whilst trying to fill the Planning Officer role. The risk identified is that local knowledge is lost during the consenting process.

The Committee asked if Wakatu Quay should be included in the risk register as it is a major Council project with complexities. Officers to include in next update.

RESOLUTION

That the Committee recommends that Council receives the Risk Management report and note the contents of the risk register and provide any feedback.

Moved: Mayor C Mackle

Seconded: Cr N Pablecheque

CARRIED UNANIMOUSLY

10. INTERNAL POLICIES REVIEWED

S Poulsen advised that the policies will be provided to Audit New Zealand as part of their review in December. The following changes were highlighted:

Risk Management Policy

Changes to Section 10.2 Impact table updated.

Network Security Management Policy

Updated to include Section 10. Mobile Device Management which enforces control over personal devices used by staff and elected members, such as a screen lock control.

Cash Handling Policy

Updates included to segregate duties and ensure safety of staff.

Those policies required to be endorsed by the Council under the Delegations will be tabled to next month's Council meeting.

RESOLUTION

- 1) That the Committee receives the report; and
- 2) That the Committee endorses the Sensitive Expenditure Policy, Risk Management Policy, Network Security Management Policy, and the Cash Handling Policy as presented.

Moved: Cr N Pablecheque
Seconded: D Brandish

CARRIED UNANIMOUSLY

The CEO has no current concerns with staff in relation to Covid-19 and commented that staff have adapted well to working from home.

There being no further business, the meeting closed at 2.20 pm.

CONFIRMED _____ Chairperson

_____ Date

**FINANCE AUDIT AND RISK
ACTION LIST AS AT 9 SEPTEMBER 2021**

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
1	Natural Hazard Project Figures Fully depleted. Summary to be provided.	M Dickon / S Poulsen	24 Aug 21	Staff are working on an analysis of the costings.
2	Harbour user invoice To be raised	W Doughty	27 Apr 21	Meeting to be held with KDC management and then Harbour User.
3	Mayoral Fund and Mayoral Earthquake Fund	M Dickson/ S Poulsen	28 Sep 21 / 26 Oct 21	Paper drafted. On hold pending post-Covid level 3
4	Shared Pathway – Sealing	W Doughty	24 Aug 21	No progress with Waka Kotahi (NZTA)
5	Wakatu Quay project to be included in risk register and financial reporting	M Dickson	October 21	