

**MINUTES OF THE FINANCE AUDIT AND RISK COMMITTEE MEETING HELD AT
1.04PM ON TUESDAY 23 APRIL 2024 AT TOTARA, COUNCIL CHAMBERS,
96 WEST END, KAIKOURA**

PRESENT: Deputy Mayor J Howden (Chair), Mayor C Mackle, Councillor V Gulleford, Councillor J Diver, D Brandish (Independent Member).

IN ATTENDANCE: W Doughty (Chief Executive Officer), P Kearney (Senior Manager Corporate Services), D Clibbery (Senior Manager Operations), S Poulsen (Finance Manager), B Makin (Executive Officer - minutes).

1. OPENING WITH A KARAKIA

2. APOLOGIES

A late apology was received for Mayor C Mackle.

Moved: Deputy Mayor J Howden

Seconded: Councillor V Gulleford

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 the Committee held on 24 October 2023.*

Moved: Councillor V Gulleford

Seconded: Councillor J Diver

CARRIED UNANIMOUSLY

5. REVIEW OF ACTION LIST

The comments in the action list were noted.

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

7. TRANSFER STATION AND LANDFILL CLOSURE CONSTRUCTION COSTS

D Clibbery highlighted that the transfer station construction will be substantially over what was originally estimated, however the landfill closure is anticipated to be substantially under. Overall, the costs will not be far off what was indicated in the 2021-31 LTP despite changes in scope. The report includes details of the total expenditure to date and estimates for closing the remaining previous landfill area on pages 11-13 of the Agenda.

There is a risk the cost could be higher depending on ECan's response to the Landfill Closure Plan. ECan are currently indicating a need to create an impervious layer under the green waste collection area and

discharge any wastewater into the sewer system. If they persist with this requirement, the works for this could cost the Council anywhere from \$200-400k. Council officers will continue to work through with ECan staff.

A query was raised on the process to repeal a decision made by ECan. Council staff commented that ECan would have an escalation pathway, but initially the Council would seek consultant advice and look to maintain relationships with ECan.

Mayor C Mackle joined the meeting at 1.16pm.

RESOLUTION

THAT the Committee receives this report for information.

Moved: Deputy Mayor J Howden

Seconded: Councillor J Diver

CARRIED UNANIMOUSLY

8. FINANCE REPORT TO 31 MARCH 2024

S Poulsen advised that the year-to-date financial reports have been reconfigured to split out grants & subsidies from total operating revenue, indirect operating expenses and direct operating expenses have been split into 15 categories.

Council staff understood the action to provide further explanations on the variances under 'Other Expenses' was to provide more clarity on what those other expenses were, and these have been provided in the report. P Kearney advised that they could include the main drivers on the variance breakdowns if this would be of use, noting big projects such as Wakatu Quay and Clarence Bridge/Waiiau Toa would have a significant impact on the variances as they are lower than budgeted due to timeframes. Wakatu Quay was delayed as the contractor pulled out, however the project team are on track for delivering revised milestones for detailed design by end of May.

Further funding is expected to be received for the Wakatu Quay project of \$1.4m, possibly after the year-end. The Link Pathway funding is higher than forecast for this financial year as it was behind on budget last year due to timeframes, noting this is a multi-year project. The Council received approval of \$1.9m funding for the Link Pathway project and has drawn down \$1.4m of that funding to date.

Regarding the Better Off Fund, approval of \$1.55m was received and \$155k has been received to date. A further claim is being submitted. This will include the toilet upgrades being proposed to Council at tomorrow's meeting. Should this be approved, the team will draw down funding and lock in contracts. Councils are being asked to review their Better Off Funding and see if any amounts can be directed to water infrastructure/activities. An information paper will be tabled at the May Council meeting to summarise this review and the Better Off Fund activities.

It was clarified that the variance on personnel predominantly relates to the delays in recruitment of building control positions and staff being on ACC.

An update was provided on the Clarence Bridge/Waiiau Toa bridge location noting that it remains high risk as the funding could be revoked by NZTA. The old location of the bridge is being revisited as the Runanga have indicated their approval for this site and Council staff are in discussion with the landowner.

RESOLUTION

THAT the Committee receives this report for information.

Moved: D Brandish
Seconded: Mayor C Mackle

CARRIED UNANIMOUSLY

9. QUARTERLY REPORTS TO 31 MARCH 2024

Liability Management Policy Compliance Report

PWC are seeing interest rates starting to reduce for loans. The current weighted average of our loan interest rates is 3.94%, with rates ranging from 3.29% to 5.83%

Investment Quarterly Report

It was clarified that the intention is for Wakatu Quay to generate a commercial return and will remain as an actual property investment.

S Poulsen would provide an update on the outstanding balance of the airport terminal hanger loan and length of loan, if any **(ACTION)**.

Airport Report

A discussion was held around the airport AIMM system on page 36 of the Agenda. It was raised whether the Council should charge tenants and the zipline operator for using the airport car park, however no decision was reached.

Harbour Report

The harbour safety fee from KDC to ECan for harbour safety/harbour master is increasing from 1 July 2024 from \$6k to \$12k and this has been reflected in the Council's increase to cruise ships. Harbour revenue from the Cruise ships for the Summer 23/24 was over \$24k compared to prior year of \$15k.

Debtors Report

There is a risk that rate debtor numbers will increase as an effect of the rates rises, particularly with lower income earning households. Rates rebates are given by the DIA to assist those eligible (around \$700 a year). Council staff continue to encourage regular direct debits with current debtors.

RESOLUTION

That the cover report and listed attachments be received for information.

Moved: Councillor V Gulleford
Seconded: D Brandish

CARRIED UNANIMOUSLY

10. RESERVES AND SPECIAL FUNDS TO 31 DECEMBER 2023

It was recommended that KDC consider paying a mid-range rate on internal borrowing to themselves. Council staff would seek advice from PWC to understand the pros and cons before making a recommendation to Council in May/June **(ACTION)**.

Councillor J Diver requested a graph showing the reserves on one page (**ACTION**). It was also requested that the next report is written in layman terms (non-accountant terminology).

RESOLUTION

THAT the Committee receives this report.

Moved: Mayor C Mackle

Seconded: D Brandish

CARRIED UNANIMOUSLY

11. RISK MANAGEMENT REPORT

It was noted that the risk register was fully reviewed in February. Any changes/ updates to those risks have been included on the risk register in today's agenda. The report details those changes.

Highlights are that the Council is deemed low risk by IANZ for two years in terms of accreditation and we have recruited a BCM starting 1st July 2024.

The Chief Executive provided an update on Local Water Done Well. Councils are waiting on new legislation to be introduced in Q3/Q4 2024 and will be given a 12-month period to submit a water plan to the Government for approval. This can be based on any delivery arrangements, but needs to demonstrate financial sustainability for water services going forward.

It was clarified that there would be no financial implications to KDC becoming a living wage organisation. There are currently 1-2 junior roles that are on minimum wage. Issues are more around relativity of roles.

RESOLUTION

That the Committee:

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

Moved: Councillor J Diver

Seconded: D Brandish

CARRIED UNANIMOUSLY

12. INSURANCE VERBAL UPDATE

S Poulsen provided a verbal update to the Committee on the three major renewal portfolios on Public Liability, LAPP and Material Damage. It was noted that insurance premiums have increase to \$725k this financial year. Council staff suggested that the Council undertakes an insurance review and creates a strategy. Material Damage was previously reviewed by the Committee and outcomes from that was to reduce excesses, remove some harbour assets and Wakatu Quay from the schedule - However this gave little savings. It was agreed that the Council staff undertake a strategic review of insurance (**ACTION**).

It was noted that LAPP have now signalled an 80% increase in their asset premiums to be phased in over two years. Year 1 is approximately \$81k. The LTP included an estimate of 5% increases to premiums for asset values. Any difference will need to be considered as part of the overall changes to the draft LTP.

Councillor J Diver left the meeting at 2.45pm.

13. PUBLIC EXCLUDED SESSION

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a) Public Excluded Minutes dated 24 October 2023
- b) Harbour Financial Matters – verbal update

The general subject 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), 6 and 7 of the Local Government Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each to be considered	Reason for excluding the public	Grounds of the Act under which this resolution is made
Public Excluded Minutes dated 24 October 2023	Includes commercially sensitive information on harbour financial matters, insurance premiums and personal information.	Section (7)(2)(b)(ii) would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information Section (7)(2)(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities Section (7)(2)(i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) Section 7(2)(a) protect the privacy of natural persons, including that of deceased natural persons
Harbour Financial Matters – Verbal Update	Verbal update on subject previously brought to Council around negotiations which are commercially sensitive.	Section (7)(2)(b)(ii) would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information Section (7)(2)(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities Section (7)(2)(i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

*This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

We do not want to reveal the details of those negotiations. Information will be made publicly available in due course.

Moved: Deputy Mayor J Howden
Seconded: Councillor V Gulleford

CARRIED UNANIMOUSLY

The meeting moved into the Public Excluded session at 2.47pm.

14. RE-OPENING OF MEETING

The meeting moved out of Public Excluded at 2.58pm.

15. CLOSE MEETING

There being no further business, the meeting was declared closed at 2.58pm.

CONFIRMED _____ Chairperson
Date

Unconfirmed Minutes

**FINANCE AUDIT AND RISK
ACTION LIST AS AT 29 APRIL 2024**

OPEN ITEMS

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
1	Provide further explanations on the variances under 'Other Expenses'	P Kearney/ S Poulsen	27 August	Include main drivers on variance breakdowns
2	Provide an update on the outstanding balance of the airport terminal hanger loan and length of loan, if any	S Poulsen	27 August	
3	Reserves: Seek advice from PWC on mid-range rate on internal borrowing	P Kearney/ S Poulsen	27 August	To understand pros and cons before recommending to Council in May/June
4	Provide a graph showing the reserves on one page	S Poulsen	27 August	
5	Undertake a strategic review of insurance	P Kearney/ S Poulsen	27 August	