

HURUNUI DISTRICT COUNCIL

MINUTES



Meeting Finance, Audit and Risk Committee
Time and Date 1.00pm, 17 August 2017
Venue Council Chambers, 66 Carters Road, Amberley

Members Present Cr Dick Davison (Chairperson), Mayor Winton Dalley, Councillors Marie Black, Vince Daly and Geoff Shier.

In Attendance Councillors Nicky Anderson, Jason Fletcher and Fiona Harris.
Hamish Dobbie (Chief Executive Officer), Jason Beck (Manager Support Services) Joanne Laphorne (Team Leader Finance) and Graham Sutherland (Council Secretary).

Apologies Nil.

Conflict of Interest Declarations Nil.

Health and Safety The Chairperson advised of the exits and assembly point to be used in the event of an emergency.

Recording Device A recording device was used for the purpose of accuracy of the minutes.

Urgent Business Nil.

1. Minutes THAT THE MINUTES OF THE FINANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 20 JULY 2017 ARE CONFIRMED, SUBJECT TO THE FOLLOWING AMENDMENTS:

- Page 3, bottom paragraph, final sentence – add the words “or lesser” after the words “...may be greater...”.
- Page 6, item 4.3, second paragraph – amend the wording to reflect that the margin paid for the caps also needs to be accounted for over and above the interest rate. Therefore add the following words to the 4th sentence “...guarantees that the Bank Bill Benchmark (BKBM) base interest rate on \$3M will be no more than 2.95%.” and add the following words to the 5th sentence “...guarantees that the BKBM base interest rate will be no more than 3.10%.”.

Davison/Shier

CARRIED

Matters arising

- Cr Black noted the discussion on page 10 about office security and asked how councillors access would be managed. The Chief Executive Officer said councillors would obtain a security pass from reception and if they need to talk to staff, they can be taken through and have a meeting in one of the meeting rooms, as it was not ideal to have meetings at staff desks in the open plan

environment. Cr Fletcher suggested that the sign-in system operated at the Hanmer Springs Thermal Pools may be worth looking at as an option.

- Cr Daly noted the discussion on page 9 about the review of insurance and the concern he raised about the Cheviot medical centre. The Manager Support Services said all Council land and buildings would be revalued and any insurance implications would be addressed. Cr Davison suggested this was about standardising health centres and having a policy that replaces with a functioning health centre, not necessarily based on site size calculations. The Manager Support Services agreed that this would be a functional replacement, not straight replacement, so it needed some further work.

THAT THE MINUTES OF THE EXTRAORDINARY FINANCE, AUDIT AND RISK COMMITTEE MEETING HELD ON 27 JULY 2017 ARE CONFIRMED.

Davison/Shier

CARRIED

2. Action Sheet

The Action Sheet was provided for the information of the Committee.

- With respect to the Treasury Policy, it was noted that Cr Shier presented an issues paper to the last meeting and the next stage will be a meeting between Cr Shier, the Manager Support Services and the Council's Treasury Advisor to discuss the matters raised. It was agreed to leave this action item on the list at this stage and noted that the policy would need to be reviewed as part of the upcoming Long Term Plan process.

THAT THE INFORMATION BE RECEIVED.

Shier/Black

CARRIED

3. Forward Programme

The Forward Programme was provided for the information of the Committee.

THAT THE INFORMATION BE RECEIVED.

Shier/Black

CARRIED

4. FINANCE ITEMS

4.1 Financial Report as at the end of July 2017

The Manager Support Services provided the Financial Report for the end of July 2017 and noted that this had been circulated separately to members. The Manager Support Services said the main qualification was that it was only one month into the new financial year and therefore it was hard to identify trends. He said work was being done to calendarise the budget for the year and so the financial information does not strictly reflect the budget position for July.

The Manager Support Services said there was a deficit of \$42,000 against a budgeted surplus of \$220,000 and the Council was down on income and New Zealand Transport Agency (NZTA) subsidies, slightly down on operational expenditure and down on capital expenditure, but capital expenditure would need seasonalising given it was the first month.

With respect to Sewer, the Manager Support Services said operational expenditure was down due to various repair works and the desludging of the Cheviot ponds not being done yet. The capital programme for Amberley included deferred projects from last year, while the Hanmer Springs disposal and Waikari desludging projects

were deferred, but included in the budget and officers still needed to schedule when that work would occur.

Under Emergency services, the Manager Support Services said there would be further costs regarding the Hanmer Springs fire, but some would be accounted back to the previous year. The Manager Support Services said that some of this cost would be on-charged to the company that caused fire, but it was in receivership, so he was not sure how the insurance matter will be resolved. He said he understood that a request could go to the national rural fire fighting fund and officers were working through this.

With respect to Waste minimisation, refuse bag sales for the month were lower than anticipated, but the Council had adjusted annual plan budgets already and this was mostly a timing variance in the accounts.

In terms of earthquake recovery, the Council was over budget by \$293,000 for the month, the bulk of which is in roading, for which the Council had not yet received the subsidy from NZTA. The Council received other income of \$3.6M, largely relating to insurance on 3Waters assets, but the total cost of water and sewer work was unlikely to be that much. The Manager Support Services said this number was based on an assessment of potential costs of damage to water assets, but work was still to be done and the Council would only receive insurance based on actual costs.

Cr Davison commented that as the Council gets closer to knowing what work was required, it will understand better the shortfalls and the net costs of the earthquake. The Chief Executive Officer advised that he had discussions with the Local Authority Protection Programme (LAPP) and the Department of the Prime Minister and Cabinet (DPMC), who is now dealing with the government's contribution. He said the DPMC will settle in arrears as the Council does the work, however the Council's preference is to know the contribution beforehand so it can plan for future resilience of the network. He said the LAPP was happy to cash settle and it was hoped this would be prior to Christmas, however the timing of the government contribution was unclear. Cr Davison said the Committee would be looking for the figure regarding the net increase in debt required to cover the impact of the earthquake and it would like this information as soon as possible.

THAT THE INFORMATION BE RECEIVED.

Davison/Daly

CARRIED

**4.2 Rates
Arrears as at
the end of July
2017**

The Manager Support Services provided a report scheduling how the collection of rates has occurred over time. The amount of rates owed as at 31 July 2017 was \$5,676,818.02. At the same point last year, the amount owing was \$5,376,918.24. The Manager Support Services said there was an increase in rates overall so it was hard to judge where the Council was sitting regarding arrears, but he will know more as the first rates instalment was due soon. The Chief Executive Officer commented that the rates arrears difference on the year is 5.6%, which would seem entirely in line, as there was a 6% rates increase.

With respect to the Earthquake Rates Remission Policy, the Council was working through properties with section 124 notices. For properties with a single dwelling, it was relatively easy to assess and the Council had done about 40 automatic remissions at just over \$25,000, which does not include GST or ECan rates. ECan would remit its rates amount accordingly. The Manager Support Services said there

were still 20 applications to assess, which had more than one dwelling on the property. He said there are assessments from the building department about which buildings are affected and officers were dealing with QV to assess this. He said these were not quite as simple to work out, but officers have contacted those owners to explain the process and had given a delay on rates. He said the total amount of remissions may approach the \$50,000 mark when all agreed remissions and discretionary ones are accounted for.

THAT THE INFORMATION BE RECEIVED.

Shier/Daly

CARRIED

**4.3 Treasury
Position as at
the end of July
2017**

The Manager Support Services provided the Treasury Worksheet, which is updated on a monthly basis and forms part of the full Treasury Report provided to him prior to the monthly meeting with the Council's Treasury Advisor, Brett Johanson from PriceWaterhouseCoopers.

The report showed the compliance with the Treasury Risk Management Policy. With the purchase of the options in June, which took effect from 14 July 2017, the Council is now compliant with having between 55% and 90% of its forecast debt hedged. The Council is also compliant with all other limits in its current policy. The 12 month forecast of core debt has been set at \$35 million and the Annual Plan forecast is that the Council shall be in debt by \$35.8 million. The report depicted the drawn and available debt as at 31 July 2017, which was currently sitting at \$27 million of debt with \$25 million of the debt currently held with the Local Government Funding Agency (LGFA). The Council also has the \$9 million facility with Westpac, of which \$2 million has been pulled down to assist cash flow. The interest cost for the Westpac Debt is a weighted average of 1.09% on top of the 90 day bank bill rate, while for the LGFA debt, the weighted average interest cost is now 0.7285% on top of the 90 day bank bill rate.

The report also set out the level of interest rate swaps that the Council holds. The Council has entered into these swaps to create a level of fixed interest rates as all of the bank funding is set on floating rates. The current weighted average interest rate is 4.44%, which is the underlying interest rate and to get the real effect the margins need to be added, as suggested by Cr Shier earlier in the meeting. With the tranche of LGFA debt taken on in July, the purpose was to pre-fund the portion of LGFA debt that matures on 15 December 2017. The amount of \$2 million was pulled down with a maturity of 15 April 2025 at a current rate of 2.658%, placed on term deposit maturing on 14 December 2017 at a rate of 3.27%.

Cr Shier said it was important for the Committee to note that the base rates for caps and swaps needed margins applied to show the full cost, so it was made clear and transparent. The Manager Support Services agreed and said it was appropriate that Cr Shier come to meeting being organised with the Council's Treasury Advisor to begin the policy review process. Cr Shier provided an explanation of the way the new caps contribute to the Council's forward cover and he said the securing of the recent caps was a good result for the Council.

THAT THE INFORMATION BE RECEIVED.

Shier/Davison

CARRIED

**4.4
Remuneration
Authority
Correspondence
– July 2017**

The Manager Support Services advised that the Remuneration Authority (RA) sought feedback on a discussion document to which the Council provided its feedback on the short term issues. The RA provided some discussion about the changes made as well as providing the latest determination for Elected Members' Remuneration.

The Manager Support Services advised that the RA allowed for a 1.7% increase in the remuneration for the 2017/2018 year. The new rates will be allowed for (including a back pay adjustment) in the Councillor payroll run on 15 September. The Manager Support Services summarised the other decisions of the RA as below:

- The RA has agreed that Councillors involved on the hearings panel for the District Plan will be treated in the same way as for Resource Consent hearings. The rates are up to \$100 per hour for a chair and \$80 per hour for a member. The payments are no longer required to be included as part of the Additional Responsibilities Remuneration Pool.
- Clarification that an elected member who has been appointed acting Mayor as a result of a resignation or a period of leave where the Mayor is no longer being paid, is entitled to receive the Mayor's remuneration for that period.
- The RA has removed the '30km Rule' which required that distance to be deducted from the mileage claim to and from the Council office. The mileage rate has been set at 73 cents per km. The limit of kilometres paid at this rate is 10,000km, up from the current 5,000km. Any mileage in excess of 10,000 km per annum will be paid at 37 cents per km. There has been no change to the travel time allowance.
- The communications allowances have changed and is split between the provision of equipment and services. Generally equipment will be provided by the Council, however if the member is supplying their own computer, then an annual allowance of \$200 can be paid. If the member is supplying his or her own printer and consumables, then an annual allowance of \$40 can be paid. If the member is supplying the use of his or her own mobile phone, then an annual allowance of \$150 can be paid. With respect to services, internet allowance of \$400 per annum (currently \$250) is allowed and a mobile phone allowance of \$400 per annum (same as current rate).

The Manager Support Services noted that the mileage matter was significant for this Council and was something that it had advocated for over a long period. He said that all mileage for attending Council meetings is now claimable and he would adjust the claim forms to make it easier to manage.

In response to a question from Cr Shier, the Manager Support Services said that the Council previously paid an additional allowance for the Hanmer Springs Thermal Pools and Spa Management Committee representatives but it no longer did and this was still showing in the determination. He said the wording was incorrect, but the correct position was being applied. He also noted that the references to the Chairperson of the Infrastructure Committee and Zone Committee should be deleted and the reference to councillors with additional earthquake duties should be plural in the determination. He said the wording needs adjustment to reflect those changes, but the effect is correct and he would suggest to the Remuneration Authority that it correct this detail for the next determination.

THAT THE INFORMATION BE RECEIVED.

Davison/Black

CARRIED

5. AUDIT ITEMS

5.1 Audit New Zealand Management Report – Action Points – July 2017

The Manager Support Services provided the Action Point Report that was developed to provide a recording system to ensure that the recommendations made by Audit New Zealand as part of the Management Report are systematically dealt with. A further review of the points is carried out with the management team to ensure that there is clear direction to dealing with the issues raised. A number of the issue raised are dealing with fixed assets and capacity issues within the Finance Team, both of which are being actively dealt with through the use of an external consultant. Any changes to the schedule were shown in red and if an action point had been closed off, it is struck through and then would be removed from the schedule completely in the following month.

Cr Davison said the two top issues of greatest concern were the roading revaluation and the Finance Team resourcing. With respect to the roading matter, the Manager Support Services said he met with the auditors and discussed the money that NZTA spent on the Inland Road, which can be accounted for as repairs and maintenance. Cr Davison said the Council had a road in reasonable condition that was then badly damaged by earthquake and repaired by someone else, so how to value that was a challenge. The Chief Executive Officer said there were several valuing approaches, but the Council would need to know things like the volume of material put on the road for example, to calculate how much was maintenance and how much was capital expenditure. He said that if the Council did not get that information from NZTA, it can note this in the Annual Report.

The Manager Support Services said the auditors indicated that they would take a pragmatic approach, as there were still unknowns in earthquake repair work on the water network and roading. He said there would likely be a qualification on the audit report, which he would rather avoid, but there have been examples of this in other post-earthquake environments, as it was hard to get accurate figures while work was ongoing.

Cr Davison said the Finance Team matter needs to be resolved and the Manager Support Services said the recommendation from the consultant engaged to look at this, was for a Financial Accountant to be employed to allow the Management Accountant to take on some of the work of the Manager Support Services, which is a standard approach for sizeable organisations like the Council. He said it was now a matter of developing a job description and getting the position filled, which may take 2-3 months. He said this would not help with the Annual Report process, but would be in time to help with the upcoming Long Term Plan. Cr Davison said he was pleased to be able to show the auditors that the Council was taking action and the Finance Team resourcing would be addressed.

The Committee discussed Council credit card expenditure and the Mayor's expenditure. There was no mayoral credit card but expenditure on behalf of the Mayor does sometimes go on the Council credit card, which needs to be checked through a one-up scrutiny process. Mayor Dalley noted that some of this spending is also pre-approved by the Council through resolution, for example conference attendance. It was agreed to have an appropriate level of sign-off for the Mayor to sign-off Chief Executive Officer expenditure, the Chairperson of the Finance, Audit and Risk Committee to sign-off for the Mayor and the Chief Executive Officer to sign off any expenditure from the Chairperson of the Finance, Audit and Risk Committee. Cr Davison said it may be helpful to clarify the process for Council approval to

attend conferences, with mayoral expenditure signed off by the Deputy Mayor, even if it was originally approved by Council resolution, as it makes it clearer.

Cr Anderson noted the matter of the regular review of aged debtors and the Manager Support Services said this was a process that requires dedicated time to the task, but is an important process and he acknowledged the need to keep on top of it.

THAT THE INFORMATION BE RECEIVED.

Black/Davison

CARRIED

5.2 Annual Report – Key Valuation Issues – August 2017

The Manager Support Services provided a report to set out some key valuation issues that will be disclosed as part of the 2016/2017 Annual Report. At this stage, the Finance Team has received the Assessment of the Fair Value of Derivatives; the Valuation of Carbon; Landfill Closure Provision; and the Value of Civic Financial Services Shares.

The key Fixed Asset Valuation process that the Council is undertaking this year is for land and buildings, which was expected in draft from the valuers in late August. The Manager Support Services said the Council goes through a major revaluation of different services each year and does a full revaluation every three years. It was intended to do the roading revaluation next year as officers think all earthquake repair work would be done by then.

Cr Davison noted a correction in the final two paragraphs on page 45 under derivatives, that as the liability was now reduced, it would be a gain in value. This was noted by officers.

THAT THE INFORMATION BE RECEIVED.

Davison/Black

CARRIED

6. RISK ITEMS

6.1 Health and Safety

The Team Leader Human Resources presented the monthly report to the Committee, which is to heighten the importance of health and safety in the workplace. He noted that during the month, two injuries occurred to the end of July 2017, with no working days being lost. No workplace incidents required notification to the Ministry of Business, Innovation and Employment.

The Team Leader Human Resources discussed the two injuries and investigations into the causes and ways to avoid a recurrence in future. He said that good practice also requires that as well as the immediate cause and prevention considerations, the Health and Safety Committee looks at these matters and considers if there are wider considerations like preventative maintenance for example, which would see some work not needing to be done later in isolation, thereby reducing risk.

The Team Leader Human Resources reported on the Thermal Pools Health and Safety results and said there were no staff incidents and customer outcomes show improvement over the period.

The Team Leader Human Resources spoke to the critical safety risks identified in the appendix to the report. He said this was about drawing attention to the seven identified risks and showing the Committee that the identified risks needed

constant attention to ensure against complacency. Cr Davison said the reasons for the critical risks is that they may be infrequent, but were very serious. He said it was important to review the information about ongoing day-to-day risks and injuries, but the deadly risks need careful attention, as the implications of getting these wrong can be tragic.

THAT THE INFORMATION BE RECEIVED.

Davison/Shier

CARRIED

**6.2
Performance
Report as at the
end of July 2017**

The Manager Public Services provided the monthly report for the 2017-18 financial year to identify progress toward the Council's performance measures in the 2015-25 Long Term Plan. The performance report provides an opportunity for scrutiny and attention, as well as an opportunity to identify any issues on a monthly basis. The appended report provided a written account, rather than financial detail, of the status of performance measures at the end of July 2017.

THAT THE INFORMATION BE RECEIVED.

Davison/Shier

CARRIED

**6.3 Adoption of
Leasing of
Property and
Sale of Property
Policies**

The Senior Planner reported that the Council has two existing policies in relation to the sale and leasing of Council property. The Land Sales and Leases Policy was last reviewed in 2002 and the Disposal of Land Policy was last reviewed in 1995. As such it is timely that these policies be reviewed. The Senior Planner said the two previous policies were quite brief and dated and had been reviewed in consultation with the Team Leader Property. New policies were recommended and were more detailed and process driven.

The proposed Sale of Property Policy was attached as Appendix 3 to the report. The purpose of the policy is to provide a clear framework for the sale of property that is deemed to be surplus to Council requirements. The policy applies to any Council owned property (including land, buildings and structures) which is identified for sale. The policy sets out principles, responsibilities and policies.

The proposed Leasing of Property Policy was attached as Appendix 4. The purpose of this policy is to provide a consistent and equitable framework for leasing and licencing of Council-owned property and/or facilities, which achieves an appropriate balance between community needs and commercial requirements. The policy sets out principles, objectives, guidelines and policies.

Cr Davison asked if the performance measuring criteria was measuring the value got from the property or if it had some other purpose. The Chief Executive Officer said what the process would be trying to understand is what the value of the property is to the community it serves. He said this was hard to know, but if the Council has records of how well used it is and what value it has to the community, then officers can go through the assets and apply the policy.

Cr Daly asked how the Council would value something like a shingle reserve which may not be valuable now, but the Council may require the shingle in future. The Chief Executive Officer said reserves were difficult to sell as the Council has to revoke the reserve status first, but generally with gravel pits, they are assessed by the roading team as to whether valuable material was remaining or not and if assessed to have no value, then officers would be happy to recommend disposal.

Cr Davison noted clause 3(c) under policies on page 85 where part of a site is attractive to an interested party or through an encroachment and said it may be that some sites had been used for years and a landowner may find out they do not own it, despite thinking they did through no fault of their own, which can make life difficult. Mayor Dalley said it was hard to have a policy that deals with every conceivable bit of land, but it was important to have a clear process that will explore the value of land and a recommendation would then come through to the Council for councillors to apply a local lens and future vision lens, then assess the value on the market. He said sometimes there was no option but to go to the adjacent landowner as there was no effective market for the land.

Cr Black noted in the old policy that the local ward councillor was involved in the process and this is absent in the new policy. She said that being able to use that local knowledge or understanding of the value of an asset to the local community was important. Cr Daly suggested that the local community board or ward committee should be asked for its views on this before a decision be made to sell. Cr Black acknowledged it would always come to the Council for a decision, so the Council could decide whether or not to go to the local board or committee for feedback. The Chief Executive Officer said that for district-wide assets in a particular ward, the local ward committee would not have any more say than ratepayers district-wide, so it was important to leave flexibility in the process. Cr Davison agreed and said the Council still has the ultimate decision, so can decide what happens regarding any consultation needed. The Senior Planner advised that any sale of Council property must be publicly notified.

Cr Davison said the Council may not need clause 5 about selling on a depressed market. The Chief Executive Officer said this is a policy for the guidance of officers and the Council can override it at any time. The Committee agreed to the following amendments:

- Page 84, clause 2 under Principles, 2nd bullet point - Change “reinvented” to “repurposed”.
- Delete clause 5 on page 85
- Page 85, clause 4, 2nd sentence - Change the word “may” to “will”.

THAT THE COMMITTEE ADOPTS THE SALE OF PROPERTY POLICY, SUBJECT TO THE MINOR AMENDMENTS AGREED IN THE MEETING.

THAT THE COMMITTEE ADOPTS THE LEASING OF PROPERTY POLICY.

Shier/Black

CARRIED

6.4 Review of the Regulatory Service Remissions, Refunds and Waivers Policy

The Policy Planner reported that the Remissions, Refunds and Waivers Policy relates to the resource and building consent functions of the Regulatory Services team. The policy sets out when a partial or full refund of fees can be considered. The policy is overdue for a review and refresh. It is not in the current policy format and contains outdated service references. On review, officers considered that the content of the policy is mostly still relevant, but could be presented in a more readable and less repetitive format. The current policy was attached as Appendix 1 and the reviewed policy as Appendix 2. The Committee was asked to discuss the draft reviewed policy and agree to the review as presented or consider further amendments.

Cr Shier noted the costs under financial considerations of \$7,500 annually and asked if this amount was inflation adjusted over time and whether it had been enough in previous years. The Manager Support Services said that it would be inflation

adjusted as part of the Long Term Plan and the Policy Planner said there were not many requests for a full waiver, it was usually a partial waiver and it appeared to be an appropriate amount.

THAT THE COMMITTEE RECOMMENDS TO THE COUNCIL TO APPROVE THE REVIEWED REMISSIONS, REFUNDS AND WAIVERS POLICY, AS ATTACHED TO THE AGENDA REPORT.

Shier/Daly

CARRIED

**URGENT
BUSINESS**

Nil

Public Excluded

PUBLIC EXCLUDED SESSION

THE GENERAL SUBJECT OF THE MATTERS TO BE CONSIDERED WHILE THE PUBLIC IS EXCLUDED, THE REASON FOR PASSING THIS RESOLUTION IN RELATION TO THE MATTERS 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	Grounds under section 48 (1) for the passing of this resolution
Item 7.1 Discretionary Rate Remissions for Earthquake Damage	The report contains information which if released would affect the privacy of natural persons.	Section 48(1)(a)(i) and 7(2)(a).

Davison/Black

CARRIED

THAT THE MEETING RESUME IN OPEN SESSION AND THAT THE MATTERS DISCUSSED IN PUBLIC EXCLUDED SESSION REMAIN CONFIDENTIAL, EXCEPT FOR THOSE MATTERS APPROVED FOR RELEASE.

Davison/Black

CARRIED

Meeting Ended

The meeting ended at 4.00pm.

Next Meeting

The next meeting is scheduled for 14 September 2017.
