Waimakariri District Council

Minutes for the Meeting of the Audit and Risk Committee held in the Waimakariri District Council Chambers, 215 High Street, Rangiora on Tuesday 18 September 2018 commencing at 3.30pm.

Present

Deputy Mayor Felstead (Chairperson), Mayor D Ayers, Councillors A Blackie, K Barnett and P Williams

In attendance

Councillors D Gordon, J Meyer, W Doody
Messrs J Palmer (Chief Executive), J Millward (Manager Finance and Business Support), G Meadows (Policy Manager), H Street (Corporate Planner), P Christensen (Finance Manager) and Mrs A Smith (Committee Advisor)

Appointment of Committee Chairperson for this meeting

In the absence of the Committee Chairperson Councillor N Atkinson, Mr Millward opened the meeting and called for nominations for a Chairperson for this meeting.

Moved Councillor Blackie seconded Councillor Williams

That Deputy Mayor Felstead be appointed as Chairperson of the Committee for the duration of this meeting.

CARRIED

Deputy Mayor Felstead assumed the role of Chairperson at this time.

1 APOLOGIES

Moved Deputy Mayor Felstead seconded Councillor Blackie

That an apology for absence be received and sustained from Councillor Atkinson

CARRIED

2 CONFLICTS OF INTEREST

There were no conflicts of interest recorded.

3 CONFIRMATION OF MINUTES

3.1 Minutes of a meeting of the Audit and Risk Committee held on Tuesday 24 July 2018

Moved Councillor Williams seconded Councillor Barnett

That the Audit Committee

(a) Confirms the circulated minutes of a meeting of the Audit and Risk Committee, held on the 24 July 2018, as a true and accurate record.

CARRIED
4 MATTTERS ARISING

There were no matters arising.

5 PRESENTATION/DEPUTATION

There were no presentations or deputations.

6 REPORTS

6.1 Non-Financial Performance Measures 4th Quarter Results as at 30 June 2018 – Helene Street (Corporate Planner)

G Meadows introduced recently appointed Corporate Planner Helene Street to the Committee, and the report was presented.

It was highlighted by Councillor Barnett that some of the areas reported on are not meeting the measures set. Mr Palmer suggested that as a follow up, there could be a report to relevant committees in relation to the measures that have not been met – specifically community protection performance reporting against the measures, and the Enterprise North Canterbury measure is below the measure and not within 5%. There was also a question on the performance measures not met for water services, drinking water and property management which are below target and to ask for these to be reported to the relevant committee.

Moved Councillor Barnett seconded Councillor Williams

THAT the Audit and Risk Committee

(a) Receives report no. EXC-08-03/ TRIM No. 180905101560 Non-Financial Performance Measures for the year ended 30 June 2018.

(b) Notes 71% of performance measures for the 2017/18 financial year end were achieved, 28% were nearly achieved and 1% were not achieved.

(c) Requests a report to the relevant committees on community protection, water supply and property that have not met the relevant non-financial performance measure.

CARRIED

Councillor Barnett said these reporting measures are important and gives an excellent snapshot to the Audit and Risk Committee and provides an overview of Council activities. It is timely for these measures to be reviewed and to look at are the standards in place realistic and measurable.

6.2 Capital Projects Report for the period ended 30 June 2018 – Paul Christensen (Finance Manager)

Mr Christensen presented this report covering the capital expenditure for the year ending 30 June 2018. For that year 56% of projects were complete on or time in this financial year (151 of 271 projects). This is lower than previous years, noting that the Council had an ambitious programme and there has been a lot of work done. The two biggest areas of expenditure are Roading $25.5million and Sewer $24.4 million.
Councillor Williams questioned the figure under Roading on Urban Cycleway Programme – specifically the Rangiora to Kaiapoi cycleway/walkway and the Rangiora to Woodend cycleway/walkway. It was confirmed that there was further investigation required for this figure and would be reported back to the committee. Mr Palmer noted that previously advised to Council is the total cost on the walkways, $1.72m for Kaiapoi to Rangiora, and Rangiora to Woodend is $995,000, total budget of $2.715 million for both projects.

Following a question from Councillor Barnett, it was agreed that the recommendation should include the relevant figure for the capital expenditure spent to date on projects, which is 69.3% for the 2017/18 year. This compares favourably with figures from the previous five years.

Councillor Barnett questioned the amount of carry over funding each year. Mr Palmer provided an explanation – there is an Asset Management Steering Group, who monitor each of these projects and look closely at implementation of capital programme delivery – this needs to be delivered on and to not expand on the capital programme. Mr Millward added that there are a number of actions that the Council are now taking to make sure any matters relating to capital projects are monitored, including procuring properly, to keep track of progress. Progress is also tracked on any projects that could qualify for subsidies. Any reports coming to Council on additional capital projects, will provide additional information on what the Asset Management Steering Group has undertaken to try to mitigate any extra expenditure. The threshold being used at the moment is $250,000, but there is consideration of the Asset Management Steering Group of this being reduced to $100,000 for any new capital works.

Councillor Barnett noted the two areas that stand out with projects which are late are Drainage and Recreation and asked if there is any additional work being undertaken looking at these groups. Mr Palmer acknowledged that in terms of completion rates, Drainage has been a challenge because of flood events and being redirected to other programmes of work. It is proposed to hold a workshop following the next Utilities and Roading committee meeting. This is to look at resourcing of the Three Waters area, particularly the Drainage team. In the Recreation area, the programme of work that has not been completed includes replacing of some public toilets, Oxford Cemetery improvements and other projects. Mr Palmer also provided an explanation of budget provision for neighbourhood reserves in new subdivisions, noting that this area will always generate large variances. This is a matter for debate and discussion during LTP time.

Councillor Barnett requested a change in the phrasing of the recommendation to show the actual percentage of capital spent in relation to the full Budget.

Councillor Gordon noted the Standard and Poors rating that the Council currently has and questioned is the Council in a good place to retain this rating and have the right information at the next review. Mr Palmer suggested there will be further reporting at the next two Audit and Risk Committee meetings on the capital project programme to provide more in-depth information. The next review by Standard and Poors will be undertaken in March 2019. Mr Christenson also noted that the next budget round in January is another opportunity to consider the capital expenditure programme and that the figure should be relative to the LTP and shouldn’t be getting bigger.

Mayor Ayers noted that on the charts there is reference to “Wards” and this should read “Communities”. Mayor Ayers also suggested there could be a
separate indication in the chart to show any projects that are not complete because of delays relating to developer matters. It could be worthwhile to be able to show this in the chart and it was agreed that this would be possible.

Following a question from Councillor Barnet on the implication on rating of the unspent portion of the capital funds in the current year, Mr Palmer confirmed that there is no impact as the rating is this is always done in arrears the following year, if the capital hasn’t been spent, it goes forward as a carry forward. There hasn’t been any over rating in this current year.

Moved Councillor Barnett seconded Councillor Blackie

THAT the Audit and Risk Committee

(a) Receives report No. 180906101922.
(b) Circulates the report to the Boards
(c) Notes that progress of the capital projects with 151 (56%) of the 271 projects on time or completed
(d) Notes that the expenditure on capital projects is 69.3% for the 2017/18 year.

CARRIED

Councillor Barnett appreciated this discussion being held and look forward to progress on managing capital expenditure going forward. Councillor Barnett supports the suggestion of Mayor Ayers of identifying the development related capital projects which has always been a significant issue at Annual Plan and Long Term Plan

Councillor Gordon supported Councillor Barnett’s comments and noted that the addition of any large capital projects in the future will need to be given careful consideration by the Council.

Following comment from Councillor Williams, Mr Palmer said a memo would be circulated confirming the budget that was agreed for the cycleway projects, and what was actually spent.

6.3 Preliminary Financial Report for the period ended 30 June 2018 – Paul Christensen (Finance Manager)

Mr Christensen presented this report which provides a preliminary financial report for the period ended 30 June 2018. The figures highlighted from the report looked at the significant variances from the budget, and it was noted that a lot of these figures are accounting adjustment items, including vested assets, gain on revaluation of forestry, depreciation, loss on disposing of assets and loss of revaluation of interest. A lot of these significant variance figures are not related to operating costs. Two other large items which were originally budgeted as capital costs but now classed as expenses, were ocean outfall repairs and the Kaiapoi wharf plan costs.

At the end of the year there was a total debt of $130 million and there was a total of $148 million budgeted in the Annual Plan. In August the Council raised another $15 million of debt, so the total debt is now $145 million.

Mayor Ayers asked if there was a budget for emergency roading work?, P Christensen advised that there is a budget for emergency work but the work required following the rain events in July 2017 was bigger than any
emergency funding. Negotiations were undertaken with NZTA to grant the Council extra subsidies to cover this. Mr Palmer added that there is a snow and rain event emergency budget but it didn’t extend to what was spent last year.

Councillor Williams noted the external debt figure of $130m, suggesting that there should be an internal debt figure included as well. Mr Millward agreed that this can be included in the report in future.

Mr Millward also noted that the roading deprecation increase figure is challenging. This is an accepted formula and it tries to calculate the valuation for future of the total network replacements.

Councillor Williams questioned the figure noted of disposal of water assets. Mr Millward provided explanation of this figure, with a “disposed of” figure refers to a book value that is still sitting in the Council’s books, which may have been replaced by new assets, before the expected term of life of this asset. These figures have to be written off as an expense.

Councillor Williams suggested that when an asset needs to be replaced, funds should come from the depreciation budget for this. If any replacement is higher than the depreciation fund, it has to come from the capital funds.

Moved Deputy Mayor Felstead seconded Councillor Blackie

THAT the Audit and Risk Committee

(a) Receives report No. 180905101284.

(b) Notes that the preliminary surplus is $20.8 million, which is 4.9% better than budget for the financial year. The final audited accounts will be presented for adoption on 16th October.

CARRIED

6.4 PAYE and WHT Compliance Evaluation – Jeff Millward (Manager Finance and Business Support)

Mr Millward presented this report which presents the results of a review of the Council’s PAYE and Withholding Tax that was undertaken under the Tax Risk Governance Framework that was adopted by Council in March 2018.

Overall the review, which was undertaken by PWC tax team, found that the council had a “high level of PAYE compliance”. There were three areas that was suggested required immediate action, and these are notional drivers deductions, engagement of contractors and identification of WHT obligations and payments made to non-residents.

Moved Councillor Barnett seconded Councillor Williams

THAT the Audit and Risk Committee

(a) Receives report No. 180904100814;

(b) Notes the findings, recommendations made by PWC and the Council responses, noting that all the recommendations have been accepted and are being actioned;
Notes that the Council will be making a voluntary disclosure to pay additional PAYE tax and Kiwisaver contributions.

CARRIED

6.5 Update of Register of Key Risks – September 2018 – Jeff Millward (Manager Finance and Business Support)

Mr Millward presented this report which indicates that there is substantially the same view on the key risks as was assessed in March 2018 review. There are still nine major risks, some which the Council has no control over. It has been suggested by Councillor Stewart, that water supplies need to be included also to acknowledge the risk of nitrate levels and contaminates.

Mr Millward mentioned that there is the risk of cyber attacks on Council information or infecting viruses which could stop the Council’s system working altogether. There is work being undertaken currently looking at insurance cover for such risks, both by this Council and with ALGIM.

Councillor Barnett questioned why Health and Safety is such a high rating. Mr Palmer suggested the degree is not as high as stated in the report. The Health and Safety work that the Council staff have been focused on, is that which has the most severe consequence, being death or severe injury. Mr Palmer said there has been a lot of work done on this in the last six months. One area of concern has been driver safety and Council vehicles are kept as safe as they can be and staff undertake driving instructions.

It was agreed that the risk of nitrate contamination should be added into the chart under the Public Health and Safety section. There was mention made of individual water supplies from individual wells which may need to be considered in the future. There was discussion on the level of risk that this should be set at and noted that this was a difficult level to assess.

Mayor Ayers asked in the development of a risk register such as this, to what extent do Council look out decades. Mr Palmer said with matters such as climate change or an alpine fault, these are high risk and currently the Council has insurance cover for earthquake damage. The Council will need to be including climate change in its Annual Plan within the next two years. Should the Council be looking at areas where people live and the issue of retreat will need to be considered and will be challenging for all communities to deal with.

Councillor Barnett questioned is the Council looking at the financial risk with any issues with controlling nitrate levels in our water supplies and to make the supplies compliant. Mr Palmer said when a regulatory framework is introduced, with a limit, the question will be has the Council got a solution which is likely to meet these regulations. This will translate into a financial risk to the Council.

Councillor Williams spoke on the risk of climate change, noting issues already experienced in Dunedin with pipework lifting out the ground. Councillor Williams asked is the Council mitigating the risk now for new work that is being undertaken. Mr Palmer said the Council is thinking about this in terms of rainfall events with modelling that is being undertaken. The coastal communities are the most vulnerable, both the liquefaction risk and pump risk. Some new sewer systems are now pressure systems as opposed to gravity systems in parts of Pegasus and Beach Grove. The Council is starting to consider where any new developments would be located in relation to the projected sea water rise.
Councillor Gordon asked if tenant negligence should be included as a measure in the Risk Register. Mr Millward said this could be included as a general risk.

At 5.05pm the meeting adjourned and a briefing was held to consider an issue with tenants in Council properties. The meeting resumed at 5.20pm.

Moved Mayor Ayers seconded Councillor Williams

**THAT** the Audit and Risk Committee

(a) **Receives** report No 180906102540.

(b) **Receives** the Register of Key Risks;

(c) **Notes** there have been no significant changes in risk ratings;

(d) **Notes** there are nine risks that remain rated as high risk, even after applying actions to mitigate the effects. These primarily relate to the risk of natural disasters and growth.

**CARRIED**

Mayor Ayers suggested that there needs to be serious consideration given to the issue of Climate Change.

7 **PORTFOLIO UPDATES**

7.1 **Audit, Risk, Long Term Plan and Excellence Programme – Deputy Mayor Kevin Felstead**

The LTP document made it to the final ten of the SOLGM competition, but didn’t make it to the top five. Throughout this process there were some favourable comments received.

7.2 **Communications – Councillor Neville Atkinson**

Councillor Atkinson was absent.

8 **QUESTIONS**

There were no questions.

9 **URGENT GENERAL BUSINESS**

There was no urgent general business.

10 **MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED**

*Section 48, Local Government Official Information and Meetings Act 1987*

Moved Deputy Mayor Felstead seconded Councillor Barnett

**THAT** the public be excluded from the following parts of the proceedings of this meeting.
The general subject of each 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) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Minutes/Report of:</th>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1</td>
<td>Minutes of the Public Excluded Portion of the Audit and Risk Committee meeting of 24 July 2018</td>
<td>Confirmation of Minutes</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
<tr>
<td>10.2</td>
<td>Report of Jolanda Simon (Chief Information Officer)</td>
<td>Multi-year Technology One licensing contract</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
<tr>
<td>10.3</td>
<td>Report of Jeff Millward, (Manager Finance and Business Support)</td>
<td>Procurement maturity assessment and contract management assessment</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
<tr>
<td>10.4</td>
<td>Report of Jeff Millward (Manager Finance and Business Support)</td>
<td>Tranche 10 Electricity Tender</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
<tr>
<td>10.5</td>
<td>Report of Jeff Millward (Manager Finance and Business Support)</td>
<td>Te Kōhaka o Tūhaitara Trustee Appointment</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
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</tbody>
</table>

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 relevant part of the proceedings of the meeting in public are as follows:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Reason for protection of interests</th>
<th>Ref NZS 9202:2003 Appendix A</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1 – 10.5</td>
<td>Protection of privacy of natural persons</td>
<td>A2(a)</td>
</tr>
<tr>
<td>10.1 – 10.5</td>
<td>To carry out commercial activities without prejudice</td>
<td>A2(b)ii</td>
</tr>
</tbody>
</table>

CARRIED

CLOSED MEETING

Resolution to resume in Open Meeting

Moved Deputy Mayor Felstead seconded Councillor A Blackie

THAT open meeting resumes and the business discussed with the public excluded remains public excluded.

CARRIED
OPEN MEETING

There being no further business, the meeting closed at 6.15pm.

CONFIRMED

____________________________
Chairperson

____________________________
Date