
Finance, Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Finance, Audit & Risk Committee held in the Council Chambers, Horowhenua District Council, Levin, on Wednesday 27 May 2020 at 4.00 pm.

PRESENT

Chairperson	Mr P Jones
Deputy Chairperson	Mrs C B Mitchell
Members	Mr D A Allan
	Mr W E R Bishop
	Mr R J Brannigan
	Mr T N Isaacs
	Mr B J Jackson
	Mr S J R Jennings
	Mrs V M Kaye-Simmons
	Mr R R Ketu
	Mrs J F G Mason
	Ms P Tukapua
	HWTM B P Wanden

IN ATTENDANCE

Reporting Officer	Mr D Law	(Chief Financial Officer)
	Mr D M Clapperton	(Chief Executive)
	Mr D McCorkindale	(Group Manager – Customer & Strategy)
	Mr B Maguire	(Group Manager – Infrastructure Development)
	Mrs L Slade	(Group Manager – People & Culture)
	Mr J Paulin	(Finance Manager)
	Ms C Marheine	(EA – Infrastructure Development Group)
	Mrs K J Corkill	(Meeting Secretary)

ALSO IN ATTENDANCE

	Mrs D Perera	(Audit Director, Audit New Zealand)
	Mr S Lucy	(Audit Director, Audit New Zealand)
	Ms T Whiti	(Secretary, Cr Ketu)

1 Apologies

There were no apologies.

2 Public Participation

None requested.

3 Late Items

There were no late items.

4 Declarations of Interest

There were no declarations of interest.

5 Confirmation of Minutes

MOVED by Cr Allan, seconded Cr Isaacs:

THAT the minutes of the meeting of the Finance, Audit & Risk Committee held on Wednesday, 29 April 2020, be confirmed as a true and correct record.

CARRIED

6 Announcements

There were no announcements.

7 Reports

7.1 Projects Update

Purpose

To provide the Finance, Audit and Risk (FAR) Committee with an update on the projects being undertaken by the Infrastructure Group.

A. Tokomaru Water Supply

Agreement had been reached with the Regional Council with the consent able to be progressed without going to a hearing. The consent is for 18 years, expiring 1 July 2038.

B. Tokomaru Wastewater Discharge

Following the short term consent revised draft conditions being circulated to submitters, two submitters were still in discussions and one was opposed. The Regional Council had therefore determined that the short term consent needed to progress to a hearing, which would likely be held before the end of July. To keep costs down, a one-day hearing with a single commissioner, on Council premises, would be proposed.

Responding to a budget query, Mr Clapperton clarified that there were two projects - one was for the short term (five year) consent for the existing wastewater disposal to water, with the other being disposal to land which was a separate budget.

C. Foxton Beach Stormwater Consent

In terms identifying where the contamination was coming from, Mr Maguire said it was his understanding that it was a combination of speaking with locals and well as using consultants.

Site visits were suggested/requested for newer Councillors.

MOVED by Cr Brannigan, seconded Mayor Wanden:

THAT Report 20/68 Projects Update be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

7.2 Ten Month Report 1 July 2019 - 30 April 2020

Purpose

To present to the Finance, Audit & Risk (FAR) Committee the financial report for the ten months ended 30 April 2020.

Mr Law spoke to the report explaining the effect C19 had had on Council's recent financial operation, with the cost of funds having dropped to 3% during April and to 2.97 % for May. With interest rates still dropping, Mr Law said it gave him confidence in the 3% interest rate assumption for the next financial year.

With a query raised in relation to the unfavourable variance on swaps, Mr Jones suggested that there be a presentation on this topic at the next FAR meeting to explain what swaps were and how they were treated in Council's books.

Also raised was if there would be a discount for Council in terms of the recycling collection that did not occur during lockdown, with Mr Clapperton saying that discussions were being undertaken with Low Cost Bins in terms of the volume that had been collected when the service was able to be reinstated.

MOVED by Cr Tukapua, seconded Mr Jackson:

THAT Report 20/177 Ten Month Report 1 July 2019 - 30 April 2020 be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

7.3 LGFA Special General Meeting

Purpose

For the Financial, Audit & Risk Committee to provide a recommendation for Council to vote in favour of a resolution at the Local Government Funding Agency's (LGFA) Special General Meeting (SGM).

LGFA were seeking shareholder approval at an SGM on 30 June to increase the Net Debt / Total Revenue covenant for rated Councils from the current 250% to a new limit of 300% for the 2020/21 and 2021/22 financial years and then for it to decrease by 5% for each subsequent year until it reached the new limit of 280% in the financial year to June 2026. This was to assist Councils in responding to the COVID-19 crisis.

Responding to a query in relation to the risks for Council, Mr Law said the risk was that although it gave the ability to increase the covenant, it was only for a set period of time and would have to go down again within four years. Having this available did provide some larger/city councils with the head room to do some work, but he did not think it was appropriate for HDC; however, it did provide some confidence should Council need to use it in an emergency.

Explaining the rationale for having this on the Agenda, Mr Law said as a shareholder Council was able to have a representative at the meeting and Council's direction was sought in terms of attendance and voting.

MOVED by Cr Bishop, seconded Cr Jennings:

THAT Report 20/179 LGFA Special General Meeting be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

THAT the Finance, Audit & Risk Committee recommends that the Horowhenua District Council, as a shareholder of the Local Government Funding Agency, votes in favour of amending the Net Debt / Total Revenue covenant as proposed, at the LGFA Special General Meeting to be held on 30 June 2020.

CARRIED

7.4 Audit New Zealand - Final Management Report for the year ended 30 June 2019

Purpose

To present to the Finance, Audit & Risk Committee the Audit New Zealand Management Report for the year ended 30 June 2019.

The in-coming Audit Director, Stephen Lucy, and his out-going counterpart, Debbie Perera, were welcomed to the table.

Mr Law noted that the Audit New Zealand Report was received annually, a little later this year than normally, with Audit New Zealand representatives invited to talk to the report and to respond to any queries.

Noting the list of recommendations in the report, Mr Jones queried if Council should be concerned, particularly as some of the recommendations appeared to be repeats, such as the one-up approval provisions.

Whilst the one-up approval issue had been raised a number of times previously, Mrs Perera said she was pleased to note that the financial management system now had that embedded as from 1 July. Mr Lucy and the Audit Team, when doing the interim review for the 2020 audit, would look at that and other recommendations, and there would be a number of issues that would be cleared.

Also raised was the number of previous recommendations that remained open, with one marked as urgent. Mrs Perera directed Elected Members to page 55 of what was a comprehensive (74 pages) Audit Report saying that from the responses received back from management, there was nothing there that caused her any concerns and a number of the issues would be resolved as the recommendations were worked through. One area where Council could see a major benefit was in relation to revaluation, covered in Section 6 of the Report, with Mrs Perera outlining the things the Council could do to address that issue. She reiterated her comment that she had been happy with the responses received from Council.

The Chair stressed the importance of the recommendations in the report being addressed and requested that these be collated into a Monitoring Report that would be included in FAR Agendas – perhaps two monthly - going forward.

With regard to the one-up authorisation, with the audit date being 30 June 2019 and the implementation date being 1 July 2019, Mr Clapperton noted that that recommendation had been completed.

Responding to a query in relation to the Internal Audit that was in progress, Mr Jones said that was basically a separate audit and whilst it would normally have been reported by now, it had been slowed down because of COVID-19. He was scheduling a Zoom meeting with the Internal Auditor to progress the matter.

With this being Mrs Perera's last Audit for Council (under the Audit engagement process there was a requirement for the Audit Director to be changed every six years) the Chair acknowledged the sterling work done by Mrs Perera and he wished her all the best for the future.

MOVED by Cr Jennings, seconded Cr Tukapua:

THAT Report 20/183 Audit New Zealand - Final Management Report for the year ended 30 June 2019 be received.

THAT this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.

CARRIED

7.5 Draft Rates Postponement Policy

Purpose

To present to the Finance, Audit & Risk Committee a draft Rates Postponement Policy for consideration prior to it going out for public consultation as required by the Local Government Act 2002 (LGA), subsequent to its adoption by the Horowhenua District Council.

Following Mr Law outlining the pros and cons for implementing such a policy and responding to queries, Mr Jones sought direction from Elected Members individually as to whether or not they thought such a policy was something that Council should have in its 'tool-kit' in addition to the current Rates Remission Policy to respond to such events as COVID-19.

With the majority of Elected Members supporting having a Rates Postponement Policy, discussion delved into the criteria provided for consideration.

To bring the discussion back into focus, Mr Clapperton noted that Council was not going out to consult on whether or not a Rates Postponement Policy was needed for COVID-19; the consultation was whether or not Council should have a policy to cover any unforeseen event. If Council did adopt such a policy it would be event specific and its utilisation would go to Council for adoption, together with event specific criteria. What was proposed today was putting a framework in place. The criteria could be changed depending on what type of event occurred and where targeted relief was needed. Providing for COVID-19 relief was another step in the process.

Responding to a query from the Chair as to whether strict financial hardship criteria was required to be considered for the recommendations before today's meeting, Mr Clapperton said his advice was that it was not needed at the moment. Criteria would be set to respond to specific events; an earthquake could have different criteria than that required for COVID-19, and it did not need to be spelt out in the policy.

The Chair said he had sought legal advice and that indicated support for a policy where the criteria was set by way of Council resolution. The reason given was that there were other rates postponement policies which had very broad criteria and which provided Council officers with flexibility to determine what was financial hardship. This would not be his preferred option.

Noting the significant amount of resource that went into the regional recovery process by a considerable number of agencies, of which Council was a part, Cr Brannigan spoke in support of having a policy which had criteria which could be tailored depending on a specific event and which could be implemented if required.

With the Chair recommending removing the financial hardship criteria as outlined on pages 170 and 171, and with the criteria for an event to be included within the resolution that was moved by Council, it was:

MOVED by Mr Jones, seconded Mayor Wanden:

THAT Report 20/185 Draft Rates Postponement Policy be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

THAT the Finance, Audit and Risk Committee recommends that the Horowhenua District Council adopts a Rates Postponement Policy for Public Consultation removing the paragraph limiting the number of rating units that a ratepayer can own and also removing the financial hardship criteria as outlined on pages 170 and 171, with the criteria then to be included within the resolution declaring an event, including evidence based criteria.

CARRIED

In terms of timing, Mr Clapperton noted that this recommendation would need to go to a Council meeting, which would involve considerable work over the next few weeks. His suggestion was that if it went to a meeting in July, it could be adopted, consulted on and it would then be available, if it went through, for the first rates instalment for the new financial year. He suggestion was that an amended draft be circulated and feedback sought before it was presented to Council and prior to going out for consultation.

5.55 pm

There being no further business, the Chairperson declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD
AT A MEETING OF THE FINANCE, AUDIT & RISK
COMMITTEE HELD ON

DATE:.....

CHAIRPERSON:.....