

WAIMAKARIRI DISTRICT COUNCIL

MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE COUNCIL CHAMBERS, CIVIC BUILDINGS, HIGH STREET, RANGIORA ON TUESDAY, 20 SEPTEMBER 2022, AT 10AM.

PRESENT

Councillors J Ward (Chairperson), N Atkinson, K Barnett, S Stewart, P Williams and Mayor D Gordon.

IN ATTENDANCE

Councillor P Redmond.

J Millward (Acting Chief Executive), G Cleary (Manager Utilities and Roading), C Brown (Manager Community and Recreation), P Christensen (Finance Manager), H Street (Corporate Planner), D Young (Senior Engineering Advisor), and E Stubbs (Governance Support Officer).

1 **APOLOGIES**

There were no apologies.

2 **CONFLICTS OF INTEREST**

No conflicts of interest were recorded.

3 **CONFIRMATION OF MINUTES**

3.1 **Minutes of a meeting of the Audit and Risk Committee held on Tuesday, 19 July 2022**

Moved: Councillor Atkinson

Seconded: Councillor Williams

THAT the Audit and Risk Committee:

- (a) **Confirms** the circulated Minutes of a meeting of the Audit and Risk Committee, held on 19 July 2022, as a true and accurate record.

CARRIED

3.2 **Matters Arising**

There were no matters arising.

4 **PRESENTATION/DEPUTATION**

4.1 **Kaiapoi Promotions Association Presentation of Annual Report – Martin Pinkham**

Due to a previous commitment, the representative of the Kaiapoi Promotions Association, M Pinkham, could not attend, and the presentation was postponed to the following meeting.

5 REPORTS

5.1 Cyber Security – Status Report – A Keiller, Chief Information Officer and O Payne, Cyber Security Administrator)

J Millward spoke briefly to the report noting that staff continued to do a good job, with all measures well above local government benchmarks.

Moved: Councillor Atkinson

Seconded: Councillor Williams

THAT the Audit and Risk Committee:

- (a) **Receives** Report No. 220908155687.
- (b) **Notes** the overall improvements to cyber security and protection of Council systems.

CARRIED

Councillor Atkinson noted the drop in Respond score from 92% to 90%, however, as the other benchmarks were 3-4% above, he had confidence that they were heading in the right direction.

5.2 Financial Report for the period ended 30 June 2022– P Christensen (Finance Manager)

P Christensen explained that the Council's provisional operating surplus for the period ended 30 June 2022 was \$43.1 million against a budget of \$31.8 million. However, the final surplus in the Annual Report may change due to the audit. A large portion of this was due to the interest rate swaps, accounting valuation adjustments and vested assets. In contrast, development contributions were \$5.5 million under budget, however, the development contributions had still increased compared to last year. Finally, he noted that the Council's external debt was \$170 million as of 30 June 2022.

P Christensen advised that the audit had been delayed from September 2022 as Audit New Zealand was experiencing resourcing shortages. The audited accounts were, therefore, only likely to be provided to the Council in February 2023 for adoption.

Councillor Williams sought clarity on the internal loan. J Millward explained that the loan was approximately \$58 million making the total debt \pm \$228 million. Councillor Williams further asked about the availability of the internal loan in the case of a major event and the need to repair infrastructure. J Millward advised that any new debt would be additional. A risk assessment had been done, and the internal debt would also be transferred if 3 Waters was transferred to another entity.

Councillor Barnett noted that Operating Costs had increased 8.3% and enquired if that had been forecast to the end-of-year balance for 2023. P Christensen commented that the increase in Operating Costs was due to accounting adjustments, and the full impact of inflation was not yet known. One of those adjustments was a decrease in the value of the MUBA land to account for the revaluation due to revised remediation costs and the 50% Crown share. The only other significant item in the budget was Roothing due to the major flooding events, including adjustment for impairment of the asset.

Councillor Barnett questioned if the Development Contributions, which was \$5.5 million under budget, was a seasonal or overall trend. J Millward believed it was more of a timing difference, as the budget for Development Contributions had been quite ambitious.

Moved: Councillor Atkinson

Seconded: Councillor Williams

THAT the Audit and Risk Committee:

- (a) **Receives** Report No. 220902152513.
- (b) **Notes** the provisional surplus for the year ended 30 June 2022 was \$43.1 million. This was \$11.2 million over budget.
- (c) **Notes** The surplus primarily consisted of gains from revaluations in the value of interest rate swaps, budgeted development contributions and the value of assets vested to Council from development.
- (d) **Notes** that the completion of the audit of the Annual Report would be delayed due to Audit New Zealand resourcing shortages. The Annual Report was likely to be adopted in February 2023.

CARRIED

Councillor Atkinson requested that the commentary on the variations to the budget be provided to the community in an easily understandable manner. He noted that it was a comprehensive report.

Councillor Ward commented that the Council was in a sound position and thanked the Finance Team for their work.

5.3 **Non-Financial Performance Measures for the year ended 30 June 2022–
H Street (Corporate Planner)**

H Street provided an update, noting that the Auditors had changed the measure regarding reducing the number of fatal and serious injury crashes on the local road network, which meant there were now 68 measures.

Councillor Barnett noted that many targets seemed to have not been met and asked how the apparent downward trend in the report was being communicated to the public. J Millward commented that several factors, such as lack of staffing resources and Covid, had impacted the Council's ability to meet the targets. In terms of communication with the public, there had been a few social media posts regarding staff shortages at the Council, however, he acknowledged that the Council could improve in that area. The issues would be covered more fully in the Annual Report.

Moved: Councillor Barnett

Seconded: Councillor Atkinson

THAT the Audit and Risk Committee:

- (a) **Receives** Report No. 220906154218.
- (b) **Notes** 62% of performance measures for the 2021/22 financial year were achieved, and 37% were not achieved.
- (c) **Notes** nine of the 41 measures that did not meet target were within 5% of being achieved.
- (d) **Notes** one measure is not due for completion until 2024.

- (e) **Notes** that a number of operational environment circumstances cited in the commentary within the attached report have been summarised within section four of this report.
- (f) **Notes** all measures have been reviewed and incorporated in the 2021-2031 Long Term Plan.

CARRIED

Councillor Barnett noted that her questioning did not indicate dissatisfaction with staff performance under challenging circumstances. Rather the Council's need to be mindful of advising the public if there may be a reduction in service levels. The Council needed to manage the message that there had been a tough time, however, they were moving forward to ensure that good levels of service would be met.

Mayor Gordon commented that he was grateful and pleased with staff performance under an immense workload. He concurred with Councillor Barnett's comments about the management of community expectations. However, he highlighted that he was grateful and pleased with staff performance under an immense workload.

Councillor Barnett noted her comments were not meant to disrespect the incredible work of staff had done. However, the public did not see that – they only saw the result. She would like to see improved communications in this area and if there was a complaint, to take the opportunity to provide correct information and timeframes.

5.4 **2021/22 Capital Works Annual Report – D Young (Senior Engineering Advisor), G Cleary (Manager Utilities and Roading) and C Brown (Manager, Community and Recreation)**

D Young, C Brown and G Cleary were present to speak to the report. D Young commented that staff had endeavoured to make performance predictions more realistic. He noted that the spending on some programs was down, including solid waste, where much work had been placed on hold while staff sought to finalise the overall plan at Southbrook. However, the Stimulus and Shovel Ready Projects were well underway. The first management-level meeting was upcoming, where there would be an opportunity to measure performance against the August 2022 financial financials. Steps had been taken to reduce this year's program to make it more attainable, and in addition, resourcing had been increased. However, he highlighted that there were still several ongoing risks this year and that he could provide a better indication in a month.

G Cleary noted some factors that had influenced performance last year, including no tenders being received for certain projects, a number of senior engineers resigning and supply chain challenges. However, these were not excuses or unique to the district or civil construction industry. He highlighted the challenges for the coming year, including an exceptionally wet start resulting in reduced staff capacity and legitimate extensions to contracts. Additionally, being the first year in the cycle for funding from Waka Kotahi meant the Council started the year without funding certainty. Nevertheless, despite the challenges, the staff were determined to produce a better performance outcome this year.

C Brown explained that the Recreation area was significantly underspent due to a delay in land purchases for the Pegasus and Ravenswood Community Centres. However, currently, good progress was being made on those projects, and he would be able to provide an update in a few months.

Councillor Williams expressed disappointment in receiving only a few tenders for projects and enquired if the Council needed to widen the net to encourage more contractors. D Young advised that the Council would be hosting a contractors briefing and it was hoped that a significant number of local contractors across the board would attend. C Cleary commented that the Procurement Project Control Group (PPCG) constantly assessed processes to ensure the Council had contractors fit for work, with a very public process and trying to use all available procurement tools.

Councillor Stewart asked if the budget presented to the incoming Council would reflect the extraordinary demands to be faced over the next 12 months. She noted that the assurance was given to Council previously that business as usual (BAU) would not be impacted by the delivery of Shovel Ready Projects. J Millward explained that there were two options, the Council could push an increase onto ratepayers or decrease its level of service. Both options would need to be explained carefully to ratepayers. The Council had done a tremendous job of keeping rates down without reducing service levels, especially in the last six years. He noted that there would be some significant challenges for the incoming Council. New property valuation figures would be out soon, and there were likely to be substantial changes affecting rates. This also needed to be communicated to residents.

D Young commented that in terms of delivering the Capital Works Program, there had been a shift in the staff's philosophy regarding setting realistic targets, and management was committed to that focus.

Councillor Atkinson questioned if staff were considering alternative tendering strategies for procurement, such as Open Book. D Young noted that was one of the tools available, which was used for the McIntosh Drain Pump Station with a good outcome. However, procurement processes would be dependent on risk and it was necessary not to overcomplicate small jobs.

Councillor Atkinson also asked if Open Book could be used more often, especially with the current tender process not working well for Council. C Brown commented that some good tenders were coming through more recently, indicating some market tightening. There were other options also, such as public/private partnerships.

Councillor Redmond enquired how the Council's performance compared to other territorial authorities. J Millward explained that other territorial authorities were facing the same challenges, with capital projects delivery around 30 to 75%. He was on a Procurement Group for Canterbury and the issues were consistent.

Moved: Councillor Atkinson

Seconded: Councillor Williams

THAT the Audit and Risk Committee:

- (a) **Receives** Report No. 220907154625.
- (b) **Notes** the actual achievement across all tracked capital expenditure.
- (c) **Notes** that of the \$75.54 million total capital spend, \$45.17 million (60%) was completed.

- (d) **Notes** that the major reasons for such a low delivery were internal resourcing issues, supply chain issues, additional complexity of many projects, and tendering and pricing issues.
- (e) **Notes** that several steps were taken to improve delivery of the 2022/23 Capital Works Programme (including additional recruitment, a review of budgets at Annual Plan adoption, and the deferment of several projects to make a more realistic work programme) but that a number of significant risks remain (including flooding response demands and Three Waters transition requirements).
- (f) **Notes** that progress towards achieving the 22/23 Capital Works Programme would be reported in the quarterly reporting ending September 2022 and presented to the November 2022 meeting.

CARRIED

Councillor Atkinson commented that in this environment, it was important that the level of reporting was honest and consistent and that staff should continue to do the best they could.

Mayor Gordon thanked staff for an honest reflection on performance, noting that the Acting Chief Executive was correct in highlighting the challenges ahead for Council. It was a question of prioritisation for the incoming Council. He was encouraged that staff were looking at different options for tendering as it was essential to demonstrate value for money. Regarding communications, the staff worked hard to get the message out.

Councillor Stewart emphasised that Covid had not ended, and supply chain challenges would continue. She advocated for a conservative approach to budgeting and a tailored delivery to current conditions because of the myriad of issues outside the Council's control. She congratulated staff on the change of approach and welcomed the reassessment of budgets earlier as she believed challenges would be BAU for the next three to five years.

Councillor Barnett noted that staff worked hard to deliver projects under trying circumstances. This report highlighted the challenges clearly and transparently. She did not want to see scrimping in the future to offset rate rises to the detriment of facilities and services to the community.

Councillor Ward was proud and appreciative of the staff under challenging times. She noted changes in the economy with inflation and supply chain issues. The report showed the reality of the situation.

Councillor Atkinson questioned, what was business as usual? In his time at Council, they had faced a Global Financial Crisis, earthquakes and Covid. Between 2010 and 2020 the Council had been working at unbelievable speed and now there was a forced slowdown. He suggested stepping away from BAU and looking at an annual approach, as things were rapidly changing.

5.5 Reporting on LGOIMA Requests for the period 1 July to 31 August 2022– **T Kunkel, Governance Team Leader)**

T Kunkel took the report as read and invited questions.

Councillor Redmond asked about the information provided to the Taxpayers Union, which seemed to have been incorrect, as the Council had been branded as having the third highest urban rate in New Zealand.

Subsequent to a Point of Order raised by Councillor Atkinson being upheld, it was agreed that the information provided to the Taxpayers Union could not be discussed, as the Committee did not have access to the information.

Councillor Williams asked if there was a process where Councillors would be able to receive more information about the information provided as part of Official Information Requests. J Millward suggested that a workshop could be held with the incoming Council to explain the process in more detail.

Moved: Mayor Gordon

Seconded: Councillor Williams

THAT the Audit and Risk Committee:

- (a) **Receives** Report No. 220908155961 for information.
- (b) **Notes** that the Council responded to 16 official requests of information from 1 July to 31 August 2022, which was much less, than the 27 official requests responded to in the same period in 2021.

CARRIED

Mayor Gordon noted that the report was for information. Responding to Official Information Requests could result in a massive amount of work for the staff responsible for collating the data. He expressed concern that the person requesting the information was not even required to provide their name. However, it was a matter he would request further guidance from the Ombudsman. He did not have an issue with transparency, however, he was concerned about the considerable staff time being spent on questions and the potentially superficial questions.

Councillor Barnett commented that Councillors had asked for the report to have some idea of the questions being asked and highlight areas where the public wanted more information. It was up to the staff to finalise answers to the questions.

6 PORTFOLIO UPDATES

6.1 Audit, Risk, Long Term Plan and Excellence Programme – Councillor Joan Ward

- The audit of the Annual Report had begun and was unlikely to be completed before December 2022, due to Audit New Zealand staffing issues. It was anticipated that the audited Annual Reports would be available in February 2023.
- Staff were looking to complete budgets prior to Christmas.

6.2 Customer Service – Councillor Kirstyn Barnett

- Thanked the Council's Customer Services Manager, M Harris, and her exemplary team for the work being done.

6.3 Communications – Councillor Neville Atkinson

No discussion emanated for this point.

7 QUESTIONS

Nil.

8 URGENT GENERAL BUSINESS

Nil.

9 MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

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

Moved: Councillor Barnett Seconded: Mayor Gordon

THAT the public be excluded from the following parts of the proceedings of this meeting.

CARRIED

The general subject of the matter to be considered while the public was excluded, the reason for passing this resolution in relation to the 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, was as follows:

Item No	Minutes/Report of	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
9.1	Minutes of public excluded portion of Audit and Risk Committee meeting of 19 July 2022.	Confirmation of minutes	Good reason to withhold exists under Section 7	Section 48(1)(a)

This resolution was 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:

Item N°	Reason for protection of interests	LGOIMA Part 1, Section 7
9.1	Protection of privacy of natural persons; To carry out commercial activities without prejudice; Maintain legal professional privilege; Enable Council to continue with (commercial) negotiation without prejudice or disadvantage Prevent the disclose of information for improper gain or advantage	Section 7 2(a) Section 7 2(b)ii Section 7 (g) Section 7 2(i) Section 7 (j)

CLOSED MEETING

The public excluded portion of the meeting commenced at 11.25am and concluded at 11.27am.

OPEN MEETING

Resolution to resume in open meeting

Moved: Mayor Gordon

Seconded: Councillor Atkinson

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

CARRIED

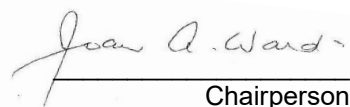
NEXT MEETING

This was the final meeting of the Audit and Risk Committee for the 2019-22 electoral term.

The new Council would be sworn into office late October 2022, with Council and Committee meetings resuming from mid-November 2022. Further information would be advertised and listed on the Council's website

THERE BEING NO FURTHER BUSINESS THE MEETING CONCLUDED AT 11.29am.

CONFIRMED


Chairperson


Acting Chief Executive

1 November 2022

Date