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# Finance, Audit & Risk Subcommittee

## OPEN MINUTES

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Minutes of a meeting of the Finance, Audit & Risk Subcommittee held in the Council Chambers, Horowhenua District Council, Levin, on Wednesday 28 August 2019 at 4.00 pm.

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### PRESENT

<b>Chairperson</b>	Mr P Jones
<b>Members</b>	Deputy Mayor W E R Bishop
	Cr R J Brannigan (from 4.30 pm)
	Cr R H Campbell
	Mayor M Feyen
	Cr N G Gimblett
	Cr V M Kaye-Simmons
	Cr J F G Mason
	Cr C B Mitchell
	Cr P Tukapua
	Cr B P Wanden

### IN ATTENDANCE

<b>Reporting Officer</b>	Mr D Law	(Chief Financial Officer)
	Mr D M Clapperton	(Chief Executive)
	Mr M J Lester	(Group Manager – Corporate Services)
	Mr D McCorkindale	(Group Manager – Strategy & Development)
	Mr I McLachlan	(Group Manager – Customer & Regulatory Services)
	Mr K Peel	(Acting Group Manager – Infrastructure Services)
	Mr J Paulin	(Finance Manager)
	Mr A Chamberlain	(Financial Accountant)
	Mr P Gaydon	(Special Projects Engineer – Infrastructure Services)
	Mr D O’Regan	(Executive Assistant)
	Ms S Hori Te Pa	(Governance & Executive Team Leader)
	Ms A Parker	(Executive Assistant to the Mayor)
	Mrs K J Corkill	(Meeting Secretary)

### ALSO IN ATTENDANCE

Mr P Landmark (Stantec NZ)

### MEDIA IN ATTENDANCE

Ms A Loo (“Manawatū Standard”)

### PUBLIC IN ATTENDANCE

There were thirteen members of the public in attendance at the commencement of the meeting.

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Having received the sad news of the passing of an esteemed Council colleague, Mr Clapperton requested Cr Tukapua to open the meeting with a prayer.

## 1 Apologies

Apologies were recorded for Cr Judd and for lateness from Cr Brannigan.

MOVED by Cr Bishop, seconded Cr Wanden:

*THAT the apologies from Cr Judd and for lateness from Cr Brannigan be accepted.*

**CARRIED**

## 2 Public Participation

### 7.1 Projects Update

Speaking in relation the Levin Wastewater Treatment Plant and the Levin Stormwater Consent reports, Mr Philip Taueki said he thought the risks had been underestimated and some of the assumptions made were also not correct, providing in detail his reasons for that viewpoint which included the fact that there had been no provision for the possibility that the consents might not be granted. He stressed the importance of Lake Horowhenua to himself and his ancestors and the need for it to be treated with sensitivity. He said the Lake needed investment to restore and protect it, noting that there was no provision in the LTP for another cemetery or landfill site if the consents applied for were denied.

A point of order was raised, which was upheld by the Chair, when a question to Mr Taueki was not relevant to the reports being addressed.

Ms Vivienne Taueki raised issues in relation to the POT and the urban stormwater consent application, which included her awaiting formal confirmation with regard to the preparation of a cultural impact report, and issues for the Hokio A block which she said had about 30 acres under water.

Saying she was also addressing the risk side of things, Mrs Vivienne Bold commented on a number of matters in a way that suggested that Council had been less than successful in progressing many of the projects, particularly in relation to water, stormwater and wastewater management.

Joined at the table by Messrs Robert Ketu, Lindsay Poutama and Quinton McGregor, Mr Heemi Te Peeti introduced himself as the Chairman of the Ngati Whakatere Trust Board and also the Chairman of the Governance Board for matters relating to Matararapa Island. Initially he said he wanted to advise, as Chair of Ngati Whakatere, that they did not agree to anything that was happening on Matararapa in terms of the sewerage system; the reason being that some of the sites were of significance to Ngati Whakatere and had been recorded not only in written but also in oral history. He commented on the site visit that had been held at Matararapa Island yesterday which had included a group of people who represented families who had actually lived on the island. The visit was part of a process to find a way forward and find solutions not only at a Council level but also at an iwi level as initially sites of significance to Ngati Whakatere had not been discussed with them. This was an issue as Maori had a different perspective when it came to boundaries. He thanked CE, David Clapperton and those who had taken the opportunity to meet with them yesterday to try and bridge the gap between both sides.

Mr Clapperton supported Mr Te Peeti's comments saying that the journey in relation to the discharge on Matararapa Island was at its early stages and there was a long way to go to discuss, address/resolve some of the outstanding issues. It was important to

hear the issues directly and to promote understanding and a willingness to work together. The model that has been developed in Foxton for Matararapa Island would hopefully provide a way forward and it was an opportunity for Council staff, contractors and subcontractors to hear and understand some of the challenges to achieve a positive outcome going forward.

Responding to a query, Mr Te Peeti confirmed that Ngati Whakatere had not signed the Matararapa Agreement. It had been signed in relationship to the whole of Raukawa; hence the reason Ngati Whakatere was still saying they were not happy. In terms of finding a way through the issues, whilst Ngati Whakatere had a strong stance, the meeting yesterday had helped build some bridges in terms of the gaps in the relationship at iwi level and also with landowners.

Mrs Christina Paton queried if Elected Members were satisfied that all the reported consultation was going to be matched and compared with Horizons Regional Council up-to-date data, referring Members to an item that appeared on Stuff in November 2018 "Critical shortage of good data on use of precious water resource". Contained in that document were reports on several Regional Councils, with the comment for Horizons reading: "The Horizons region, which stretches from Ruapehu to Horowhenua and west to Whanganui, only supplied recorded annual volumes for half its metered consents. Based on the data provided, pasture irrigators are the biggest water users, followed by town supplies and meat processing. About half its water comes from aquifers." With there being no timelines provided in that article, Mrs Paton said there was no way of knowing whether the reporting was current or out of date and she also queried its relevance to the information contained in the Project reports and whether Council was paying out for consultants to do the work that Horizons was legally required to do.

In relation to "Communication and Key Stakeholders" in the Levin Stormwater Consent report, Mr Charles Rudd queried who decided who was a key stakeholder when it related to Māori. He gave an outline of his ancestry, his interest in this area, and his historical involvement in environmental matters. He said as an individual he knew "from the mountains to the sea" and having been involved in a number of committees over a long period of time, he queried why an individual with his knowledge was left out in terms of consultation.

### 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 Campbell, seconded Mayor Feyen:

*THAT the minutes of the meeting of the Finance, Audit & Risk Subcommittee held on Wednesday, 31 July 2019, be confirmed as a true and correct record.*

**CARRIED**

### 6 Announcements

It was with regret that Cr Wanden acknowledged the passing of Roger Halliwell. Roger had been a Councillor for a term and had made a huge contribution to the district over many years, becoming better known when he had started RJ's Licorice. He had made a huge contribution to other parts of the district as well and would be known as someone who

contributed behind the scenes. His memory would live on in the naming of the Halliwell Turf at Donnelly Park.

Mr Clapperton advised that after the Agenda had been prepared and distributed confirmation had been received from Standard and Poors Global that Council had retained its A+ credit rating, reading out the supporting information from S&P Global which he would circulate to Elected Members. He acknowledged the work that Council had undertaken in preparing the 20 year Long Term Plan and all the supporting information which had enabled Standard and Poors to reconfirm Council's credit rating.

On the basis of risk, Mr Clapperton announced that he had been approached today by the media asking him to confirm whether or not the Council building was earthquake-prone because of a video that had been posted on Facebook. Mr Clapperton confirmed publicly that this building was not an earthquake-prone building citing, if it was deemed earthquake-prone, the many actions he would have to undertake in terms of deploying staff, processes, and ensuring public availability and legislative compliance if the building had to be vacated. To dismiss the talk that had arisen from the Facebook post, he reiterated that the Council building was not earthquake-prone: there was no risk to this building.

Mayor Feyen acknowledged that the post had been on his Facebook page and said that the CE would not have to do anything if there was no Civil Defence or emergency services in the building.

Cr Brannigan raised a point of order, saying it was irresponsible to say that and the Mayor needed to get his head around that particular part of the Earthquake-prone Building legislation. The Chair concurred that the Mayor's comment was not appropriate.

As it was the last Finance, Audit & Risk meeting he would be attending as Chair as he would not be in the country for the next meeting, Mr Jones expressed his thanks to the current Elected Members for their indulgence to him as the Mayor's Chair; for those who were retiring, he said to have well deserved rest, for those who were seeking re-election, he wished them all the best. He also thanked the public for their participation and patience .

Mayor Feyen thanked Mr Jones for his contribution saying that as Chair he had made some positive changes and had highlighted a number of things that could be done better, which was always good in a financial team.

## 7. Reports

### 7.1 Projects Update

#### Purpose

To provide the Finance, Audit and Risk Subcommittee with an update of the projects being undertaken by the Infrastructure Projects Team.

Speaking to the report, Mr Clapperton responded to some of the queries raised by those who had spoken during public participation.

Focusing on the data issue raised by Mrs Paton, Mr Clapperton said in terms of the data required when applying for consents there could be gaps in the information available and these needed to be filled to have the consent applications considered. Most of these were around stormwater and Regional Council was cognisant of that. As a tla, Council was happy to work with HRC on an on-going basis to provide data that Council had to support Horizons' data.

He thanked Mayor Feyen for his observations which had corrected some of the comments made by Mrs Bold.

Responding to the query raised by Mr Rudd about consultation, Mr Clapperton said the decision on consultation was based on the information provided by the consenting regulatory authority. It may not always be 100% correct. The decision did need to be with Council officers because the process was an operational matter; it was robust and identified not only affected parties but iwi, individuals and groups.

Raising the comments made by the CE on his Facebook page about the Council building and the fact that Council was not supposed to make comments on candidates, Mayor Feyen queried of Mr Clapperton if that was, in effect, out of order.

Mr Clapperton responded that in view of the publicly identified risk of an earthquake-prone building, he had to respond in a risk context.

The Projects Report was then worked through, page by page, with Mr Clapperton responding to questions from Elected Members.

MOVED by Cr Kaye-Simmons, seconded Cr Campbell:

*THAT Report 19/313 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**

At the Chair's suggestion, the next two reports were considered concurrently.

Mr Law spoke to the report, particularly drawing attention to:

- the increase in the landfill aftercare provision (\$2.703m) which had impacted on the deficit (being a variance from the budgeted surplus), further information on which would be provided by Mr Phil Landmark of Stantec NZ.
- the special dividend from Civic Financial Services on the sale of its Wellington building which required further consideration as to how it would be dealt with in Council's books.
- the Statement of Loans and Interest by Activity (Agenda page 55) and the inclusion of an additional LTP budget column (as requested by the Chair) which showed the variance between actual and budgeted loans.

Commenting on the significant movement in the landfill provision, Mr Jones said it was important for both Elected Members and the public to understand that this was non-cash. Council did not have to incur the cost, but due to a change in circumstances there was an unbudgeted cost of \$2.7m that needed to be recognised in the financial statements.

Mr Phil Landmark from Stantec NZ joined the table. He explained that his brief had been to estimate, if the landfill should close at 30 June of this year, what Council's liabilities would be going forward and how those liabilities related to its obligations to meet the Resource Consent environmental monitoring requirements and other obligations that there may be, such as operational, to ensure that the landfill was environmentally sound. Stantec had produced such a report for the landfill for the past 12 or so years. Last year Audit NZ chose to change the methodology slightly (he was not aware of what prompted the change) and that new methodology was what was adopted for this year's report. The 2018 report was then compared directly with the 2019 report, with Mr Landmark explaining how the difference in the figures had been arrived at, where the main costs lay, and the potential future costs.

Following Mr Landmark responding to questions from Elected Members, the meeting returned to considering the financial statements, with the Chair noting the 2.3 recommendation in the Twelve Month Report regarding the loan funding of the growth projects that had been referenced in both the Agenda and the Annual Report.

Mr Law was requested to clarify Council's position in terms of its debt and loan funding to address some misunderstanding in the public arena about Council's financial position. He confirmed that Council's gross borrowing was \$96m, (not over \$100m) with cash reserves of \$8.48m bringing Council's net debt to below \$90m. He noted that net debt was what Council was judged on by agencies such as Standard and Poors, LGFA, etc. Whilst this information was provided regularly in the FARS Agenda, to enable the public to better understand the position it was requested that an easy to understand version be published in the newspaper or "Community Connection".

Mr Clapperton noted that as CE he did have a responsibility to provide information to

the community via Pre-election Reports and one of the issues coming up was around debt.

Raised in discussion:

- rates debtors for Manakau (Agenda page 41), showing as 20% was corrected to 7%.
- loss on derivatives, how this was calculated and how they were repaid was explained.
- the increased level of rates debt: some, but not all, of this was because the six year rates debt on Māori land had not been written off. Rates debt was being monitored by staff.

In his closing comments, Mr Jones noted:

- the non-current assets Council held for sale (Annual Report page 14) to the tune of \$6m which it was intended to sell and realise within the next six months.
- the Reserve Funds (page 20) saying that Council needed to have a plan on how these were spent. They needed to be spent within a certain time frame, otherwise they need to be refunded.
- the various benchmarks in the Annual Report, particularly the Balanced Budget, Debt Control and Operations Control, and the reasons why these benchmarks had not been met.
- the Annual Report was not finalised. The FAR Subcommittee would see the finalised report on 26 September before it going to Council on 2 October for adoption.

With it noted in the two reports that Audit New Zealand was currently undertaking the audit for the year ended 30 June 2019, Mr Law confirmed that the Auditors had indicated that they were satisfied they had got everything they needed to complete the audit and had not brought to his attention the need to do any additional work other than what was required for a normal Council audit across the country.

## 7.2 Twelve Month Report 1 July 2018 - 30 June 2019

### Purpose

To present to the Finance, Audit & Risk Subcommittee the financial report for the twelve months to 30 June 2019.

MOVED by Cr Wanden, seconded Cr Mason:

*THAT Report 19/314 Twelve Month Report 1 July 2018 - 30 June 2019 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 Subcommittee recommends to the Horowhenua District Council the ratification of the loan funding of sustainable growth and recycling activities.*

**CARRIED**

**6.3 Annual Report for the year ended 30 June 2019**

**Purpose**

The Chair clarified that Council was not recommending the adoption of the Annual Report and with the inclusion of the word "Draft" in the recommendation to receive the report, it was:

MOVED by Cr Campbell, seconded Deputy Mayor Bishop:

*THAT Report 19/315 Draft Annual Report for the year ended 30 June 2019 is received.*

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

**CARRIED**

6.31 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  
SUBCOMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....