



chatham islands council

ORDINARY MEETING
of the
PERFORMANCE, AUDIT & RISK
PORTFOLIO COMMITTEE

MEMBERS

Mr Philip Jones (Independent Chair)

Her Worship Monique Croon

Cr Greg Horler

Cr Oscar Nilsson

AGENDA | 2021

Members of the Chatham Islands Council Performance, Audit & Risk Committee.

Notice is hereby given that a meeting of the Chatham Islands Council Performance, Audit & Risk Committee is to be held in Council Chambers, Tuku Road, Waitangi on **Monday 8 November 2021 commencing at 9.00am (8.15am NZ Time).**

Owen Pickles
Chief Executive Officer



PERFORMANCE, AUDIT & RISK COMMITTEE

AGENDA

Meeting Held Monday 8 November 2021 at 9.00am

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|----|---|-------------|
| 1. | Minutes of the PARC Meeting 11 October 2021 | P 1-4 |
| 2. | Financial Report | P 5-8 |
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Performance, Audit and Risk

1. Minutes of Meeting 11 October 2021

Date of meeting	8 November 2021
Agenda item number	1.0
Author/s	Jo Guise, Executive Assistant

Purpose

To approve the minutes from the Performance, Audit & Risk meeting held on 8 October 2021

Recommendations

THAT the minutes of the Performance, Audit & Risk meeting held on 8 October 2021 be a true and accurate record.

CHATHAM ISLANDS COUNCIL

Minutes of the Chatham Islands Council Performance, Audit & Risk Committee,
held in the Council Chambers, Tuku Road, Waitangi,
on Monday 11 October 2021, commencing at 10.10am

Present: Independent Chair, Mr Philip Jones (via teleconference)
Her Worship the Mayor, M Croon
Deputy Mayor, G Horler

Management & Officers: Chief Executive, Mr Owen Pickles
Operations Manager, Colette Peni
Executive Assistant, Jo Guise (Minutes)

Apologies: Cr O Nilsson

RESOLVED:
THAT the apologies be accepted.
P JONES / G HORLER / CARRIED

1. Minutes of Meeting 13 September 2021

Mayor Croon noted the proposal to add new members to the PARC to ensure a quorum and asked for this to be progressed.

RESOLVED:
THAT the Minutes of the Performance, Audit & Risk meeting held on 13 September 2021 be a true and accurate record.
P JONES / M CROON / CARRIED

ACTION: New members to the PARC in the next agenda.
ACTION: Total payments to AuditNZ of last 3 years & percentage of general rates – to P Jones

2. Statute Barred Report

The amounts listed against each property were what could be statute barred. The two Maori Land properties Council could not get judgement on.

RESOLVED:
THAT the Performance, Audit and Risk Committee:
1. Receives the report;
2. Recommends actions to be taken.
M CROON / G HORLER / CARRIED

3. Maori Land

A total of \$186,884.98 was the total amount potentially subjected to the new changes to Maori Land legislation; which related to 121 properties. Ms Peni would confirm these figures, as the new legislation does not relate to all Maori Land, only land not being used for any purpose.

RESOLVED:
THAT the Performance, Audit and Risk Committee:
1. Receives the report;
2. Recommends actions to be taken.
P JONES / G HORLER / CARRIED

At 10.29am the meeting moved in to Public Excluded.

RESOLVED:
THAT the meeting move in to Public Excluded.
P JONES / M CROON / CARRIED

Meeting Closure

After consideration of the public excluded agenda, and there being no further business, the meeting was declared closed at 10.38am.

Confirmed this 11th day of October 2021.

Chair

Actions from PARC meetings

Meeting Date	Meeting Item #	Task	Owner	Status	Date Updated	Comments
28 July 2021	2	Mr Jones to discuss with the Assistant Auditor General for Local Government if there was a modified approach to audit fees for CIC.	PJ	Active		In process
28 July 2021	2	Debt Recovery – OM to discuss with Murray regarding setup in Authority system to automate Debt recovery	OM	Active		Email sent to Murray 29/7/2021 – in process
11 October 2021	1	Extra member to the PARC. Council Agenda item.	CE	Active		Included in agenda for 21 October 2021
11 October 2021	1	Payments to AuditNZ over the last 3 years to P Jones	CE / OM	Active		
11 October 2021	1	Percentage of general rates to P Jones	CE	Active		
11 October 2021	3	<ul style="list-style-type: none"> Maori Land – Need to separate which land is sitting dormant Set a process for which aren't being used Identify private maori reserves New policy setting rates including new legislation 	OM	Active		

Performance, Audit & Risk Committee

2.0 Financial Report

Date of meeting	8 November 2021
Agenda item number	2.0.
Author/s	Tanya Clifford, ECan

Purpose

To present to the Performance, Audit & Risk Committee the financial report.

Recommendations

That the Chatham Islands Council PAR Committee receives the report.

Summary of revenue transactions, compared to budget

Revenue items	September Budget YTD	September Actual YTD	Variance	Explanation	Annual Budget
Grants	4,483,584	4,545,413	61,829	1	4,483,584
Waka Kotahi Subsidy	1,219,401	900,704	(318,697)	2	4,877,604
Rates Income	631,692	695,087	63,395	3	631,692
Miscellaneous Recoveries	28,401	419,145	390,744	4	113,604
Miscellaneous Income	91,347	283,996	192,649	5	365,388
Council Dues	66,249	67,453	1,204		264,996
Regional Alliance & Predator Free 2050	12,807	26,051	13,244		51,228
<i>Other revenue items</i>	45,765	54,647	(17,263)		183,060
	6,579,246	6,992,496	413,250		10,971,156

Negative variance items are where actual revenue is less than budget. Positive items are where actual revenue is more than budget.

Last year, Council received a number of grants during the year, some of these were not fully spent and therefore have been transferred to this financial year. This includes grant funding from the Ministry of Health for water and wastewater projects (previously earmarked for **1** the sludge lagoon project).

Roading subsidy based on 88% of actual expenditure (operational and capital). Historically, roading projects are slow to start in the colder **2** July/August months. However, the budget assumes an equal spread across the year.

Rates are based on the Council approved rates strike. The variance relates to Council completing a review on all properties to identify **3** whether qualifying criteria for targeted rates applied to each property.

Similar to the commentary in **1**, Council recognised financial support of \$2 million for the museum component of the new council offices, **4** the amount recognised is the unspent funds related to this sponsorship.

Similar to the commentary in **1**, Council received a windfall of unbudgeted support payments last year, some of which was not fully spent **5** in 2020/21, the excess has been transferred to this financial year.

No other significant differences.

Summary of expenditure transactions, compared to budget

Expenditure items	September Budget YTD	September Actual YTD	Variance	Explanation	Annual Budget
Contract Payments	402,201	405,739	(3,538)	1	1,608,804
ECan Support Expenditure	352,239	343,762	8,477	1	1,408,956
Honorarium and salaries	286,983	331,433	(67,904)	2	1,147,932
Miscellaneous Exp	28,860	246,157	(217,297)	3	115,440
Consultant Fees	198,177	205,042	(6,865)		792,708
Insurance Premiums	15,975	98,885	(82,910)	4	63,900
Travelling Expenses	12,816	45,543	(32,727)	4	51,264
Computer Expenses	26,046	36,295	(10,249)		104,184
Legal Expenditure	8,553	23,613	(15,060)		34,212
Power, Heating, Lighting	20,784	21,243	(459)		83,136
Rates Exp	18,456	20,873	(2,417)		73,824
<i>Other expenditure items</i>	<i>900,339</i>	<i>35,317</i>	<i>865,022</i>	<i>5</i>	<i>3,601,356</i>
	2,271,429	1,813,902	434,072		9,085,716
Capital Projects Additions	973,750	696,808	276,942	6	3,895,000
	3,245,179	2,510,710	711,014		12,980,716

Positive items are where actual expenditure is less than budget. Negative variance items are where actual expenditure is more than budget.

- Contract & consultancy payment items primarily relate to the ECan Regional Council contract and the Stantec/Fulton Hogan roading, water, wastewater contracts. No significant areas of variance to date, with contract for services operating within agreed deliverables.
- Remuneration expenditure is higher than budget, with exit payments made to some staff where a contract for service was awarded to another entity, rather than having the service performed in-house.
- Expenditure recognised here primarily relates to the ongoing construction costs of the museum element of the CI Community Complex.
- Expenditure on the museum building remains within grant support funding.
- The difference in these codes primarily relates to timing, with insurance fees recognised and paid in July, whereas the budget recognises the allocation across the year. Travelling expenditure is higher than usual with expenditure incurred on the Kiwi Can Do programme (funded by the Mayors Taskforce for jobs). This allows funding for travel from the Chatham Islands with the purpose of enabling drivers to gain access to Waka Kotahi driver licence testing.
- Actual depreciation expense not run, waiting year end audit process and for the prior financial year to be closed.
- Capital works relates to roading fees in year; as mentioned previously, roading works traditionally are slow to commence in the July/August period.

No other areas of significant variance.

'Cash' surplus	4,048,310	4,481,786	416,479		
Surplus for the period	4,307,817	5,178,594	870,777	a	1,885,440

Note, Council currently recognises a surplus. However, it is worth noting that a significant portion of this relates to the DIA annual appropriation received annually in July to cover operating requirements. This surplus will therefore deteriorate as the year progresses. Therefore, a prudent approach to expenditure is encouraged as the 2021/22 financial year progresses.

Review of reporting ratios:

To be agreed

Ratio or measure of sustainability	Achieved?	Target	Actual	Comment
<i>Cash management:</i>				
Bank overdraft	Yes	> -\$300k	3,307,810	1
Working capital ratio (ability to pay our bills)	Yes	> 1	47.26	1
<i>Operating cash performance:</i>				
Net cash movement for period (2020/21)	Yes	> \$0	3,572,498	1
Operating performance (cash flow) ratio	Yes	> 5%	51.1%	1
Adjusted balanced budget (cash) ratio	Yes	> 100%	389%	1
<i>Asset replacement:</i>				
Asset sustainability ratio	Yes	> 90%	98%	1

Reporting ratios, including targets to be agreed. Indicative suggestions only.

A significant portion of Council's grant funding is received annually in July, which can initially have a misleading impact on financial ratios. Historically, Council had a concerning cash balance, due to funding limitations and Council self-funding capital works. Council received additional funding in the 2020/21 and current financial year, which is expected to improve the Council's cash balance and the potential level of service Council can offer the community. Whilst this increased expenditure is beneficial, such expenditure is unsustainable without further ongoing support. Therefore, whilst the cash position and ratios have improved in this financial year, Council will need to continue to manage its cash prudently to fund standard operating areas going forward.

Aged debtor trial balance (as at 30 September 2021):

Category	90+ days	60+ days	30 days	Current	Total
Administrative Services	40	42	-	20	102
Building Consents	17,732	-	4,333	-	22,065
Cemeteries Debtors	5,719	-	-	-	5,719
Council Dues	64	-	8,171	-	8,235
Housing	1,413	-	598	729	2,740
Moorings	7,317	1,377	-	486	9,180
Recoveries	-	36,150	64,430	-	100,580
Resource Consents	5,890	723	8,125	134	14,872
Sundry Debtor	57,925	8,480	-	-	66,405
Debtors Control	-	-	-	417,931	417,931
Total	59,951	74,454	19,900	363,359	517,663

Balances estimated, as 2020/21 audit not finalised and balances not transferred. No significant areas of concern.

Performance, Audit & Risk Committee

3. Financial Reporting Templates

Date of meeting	8 November 2021
Agenda item number	3
Author/s	Tanya Clifford / Colette Peni

Purpose

1. To seek guidance regarding the financial reporting.

Recommendations

THAT the Chatham Islands Council:

1. approve the Report and provide feedback

Key points

To ascertain whether the Financial Reports in their current form are fit for purpose.

Background

The PARC reports contain:

- o A detailed comparison of actual year-to-date revenue & expenditure compared with budget by **cost** type and explanation for significant differences.
- o An analysis of key reporting ratios against a target
- o Detailed review of aged debtor trial balances by category.

Please provide feedback regarding the following:

- What in these reports is regularly looked at?
- Is there anything included in these reports that is not looked at or considered unnecessary?
- Is there any information not included that you would like to see included?
- Do Councillors feel any questions about performance (what Council is 'doing' as opposed to what Council is 'spending'), risk, finances (<http://www.orgwise.ca/sites/osi.ocasi.org.stage/files/resources/Questions-to-Ask-About-Financial-Statements.pdf>) are appropriately addressed in these reports, if not, how can they be improved?
- Does the Council have high level 'goals' (stated vision or high level areas of focus) that should be incorporated into the financial reports
<https://www.growthforce.com/blog/10-questions-that-are-paramount-to-your->

[businesss-financial-success](#) - if not, I'd recommend this might be something the Council might like to look at formulating after the next elections.

- Is the information provided sufficient for Council to make appropriate and informed financial decisions?
- Are there any other changes Council wants in terms of presentation etc?

PARC Public Excluded Agenda

8 November 2021

Chair to Move

I move that the public be excluded from the following part of the proceedings of the 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:

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
1	Chief Executive Officer	Minutes of PARC Public Excluded Meeting 11 October 2021	Good reason to withhold exists under Section 7	Section 48(1)(a)

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 holding the whole or relevant part of the proceedings of the meeting in public, are as follows:

Item Nos	
1.	<p>Would be likely to prejudice the commercial position of the person or persons who are the subject of the information. 7(2)(b)(ii)</p> <p>To maintain legal professional privilege. 7(2)(h)</p> <p>To enable the Council holding the information to carry out, without prejudice or disadvantage, commercial activities. 7(2)(i)</p>