



chatham islands council

Performance Audit & Risk Committee

MEETING PACK

for

PARC Meeting

Monday, 16 September 2024

9:00 am (+1245)

Held at:

Chatham Islands Council

13 Tuku Road, Chatham Islands

INDEX

Cover Page

Index

Agenda

Attached Documents:

1.3 a	Action List.....	5
2.1 a	2.1 Minutes of PARC Meeting 29 July 2024.pdf.....	6
3.1 a	3.1 Financial Report.pdf.....	10
4.1 a	PE Cover Page 16 September 2024.pdf.....	15
5.1 a	PE 1. PE Minutes29 July 2024.pdf.....	16
5.2 a	PE 2. Rates Submission.pdf.....	19

AGENDA

PARC MEETING



Name:	Performance Audit & Risk Committee
Date:	Monday, 16 September 2024
Time:	9:00 am to 11:00 am (+1245)
Location:	Chatham Islands Council, 13 Tuku Road, Chatham Islands
Committee Members:	Mr Philip Jones (Committee Chair), Mayor Monique Croon, Cr Keri Day, Cr Greg Horler, Cr Steve Joyce
Attendees:	Ms Jo Guise, Ms Colette Peni, Paul Eagle

1. Opening Meeting

1.1 Apologies

1.2 Interests Register

1.3 Action List

Supporting Documents:

1.3.a	Action List	5
-------	-------------	---

2. Confirm Minutes

2.1 Confirm Minutes 29 July 2024

To confirm the minutes from the previous meeting.

Supporting Documents:

2.1.a	2.1 Minutes of PARC Meeting 29 July 2024.pdf	6
-------	--	---

3. Financial Report

3.1 Financial Report

For the PARC to receive the financial report for August 2024.

Supporting Documents:

3.1.a	3.1 Financial Report.pdf	10
-------	--------------------------	----

4. Move to Public Excluded

4.1 Public Excluded Agenda

Supporting Documents:

4.1.a	PE Cover Page 16 September 2024.pdf	15
-------	-------------------------------------	----

5. Confirm PE Minutes

5.1 PE Minutes 29 July 2024

For the PARC to receive and approve the minutes from the public excluded part of the previous meeting.

Supporting Documents:

5.1.a	PE 1. PE Minutes29 July 2024.pdf	16
-------	----------------------------------	----

5.2 Rates Submission

Ms Colette Peni

For Council to consider the “Offer of Payment” proposal from the Maipito Hough Whanau Trust for properties they administer.

Supporting Documents:

5.2.a	PE 2. Rates Submission.pdf	19
-------	----------------------------	----

6. Close Meeting

6.1 Close the meeting

Next meeting: PARC Meeting - 7 Oct 2024, 9:00 am

Action List

Performance Audit & Risk Committee



As of: 13 Sept 2024

Cost reduction programme

In Progress

A draft cost reduction programme would be presented to the Chair by 21 August 2024

Due Date: 21 Aug 2024

Owner: Paul Eagle

Meeting: 29 Jul 2024 PARC Meeting, 3.1 Financial Report



Performance, Audit and Risk

2.1 Minutes of Meeting 29 July 2024

Date of meeting	16 September 2024
Agenda item number	2.1
Author/s	Jo Guise, Executive Assistant

Purpose

To approve the minutes from the Performance, Audit & Risk meeting held on 29 July 2024.

Recommendations

THAT the minutes of the Performance, Audit & Risk meeting held on 29 July 2024 be a true and accurate record.

MINUTES (in Review)

PARC MEETING



Name:	Performance Audit & Risk Committee
Date:	Monday, 29 July 2024
Time:	9:00 am to 9:35 am (+1245)
Location:	Chatham Islands Council, 13 Tuku Road, Chatham Islands
Committee Members:	Cr Steve Joyce, Mr Philip Jones (Committee Chair), Mayor Monique Croon, Cr Keri Day
Attendees:	Ms Jo Guise, Paul Eagle, Ms Tanya Clifford, Ms Colette Peni, Ms Mereraina Hemara
Apologies:	Cr Greg Horler

1. Opening Meeting

1.1 Apologies



Apologies

THAT the apologies be received.

Decision Date: 29 Jul 2024
Mover: Mayor Monique Croon
Second: Cr Keri Day
Outcome: Approved

1.2 Interests Register

1.3 Action List

2. Confirm Minutes

2.1 Confirm Minutes 24 June 2024



Confirmation of Minutes

THAT the minutes from the PARC meeting held on 24 June be a true and accurate record.

Decision Date: 29 Jul 2024
Mover: Cr Keri Day
Second: Mr Philip Jones
Outcome: Approved

3. Financial Report

3.1 Financial Report

Ms Tanya Clifford gave an update to the report.

Tanya advised that the cash position was worse than expected for the opening cash position on 1 July 2024. She highlighted that Council should look for more grant or revenue income if possible, or look to reduce expenditure. She encouraged Council to have discussions with their key suppliers e.g. Stantec, ECan, Fulton Hogan about what work could be paused until further funding, or re-scoped. She also recommended having discussions with staff about reducing hours.

Paul Eagle noted Audit had suggested prioritising a cost reduction programme and looking at the scope of works being undertaken by contractors. They could also look at cutting funding for local organisations e.g. Museum, NKMR, CCFT.

Colette Peni noted based on the bank balance as at 29 July 2024, there was only approximately \$260,000 per month available, however she was unsure of what income was due.

New income would also be coming in via DOC and CIET for sub-lease of council accommodation. This would help reduce overheads.

It was agreed that a draft cost reduction programme would be presented to the Chair by 21 August 2024.



Financial Report

THAT PARC:

1. receives the report.

Decision Date: 29 Jul 2024
Mover: Mayor Monique Croon
Seconders: Cr Steve Joyce
Outcome: Approved



Draft cost reduction programme

THAT a draft cost reduction programme be presented to the Chair for discussion by Wednesday 21 August 2024.

Decision Date: 29 Jul 2024
Mover: Mayor Monique Croon
Seconders: Cr Steve Joyce
Outcome: Approved



Cost reduction programme

A draft cost reduction programme would be presented to the Chair by 21 August 2024

Due Date: 21 Aug 2024
Owner: Paul Eagle

3.2 Annual Report – asset revaluation requirement

Council usually re-value their assets every three years unless there is significant movement in the values of the assets that would require re-valuation. There had been indications that some of the indices had been increased significantly.

Any revaluation of property, plant and equipment would incur a notable cost to Council, with the last revaluation in 2022 costing approximately \$35,000.

As any revaluation would primarily only impact on the balance sheet (changing the value of the assets and the equity balance, there would also be a minor impact on depreciation next year), it is considered there would be only minor additional benefit from having more accurate valuation information.

Furthermore, if Council committed to completing a revaluation for 2024, there might be further future revaluations required given the current uncertain economic environment. Council's current revaluation cycle/policy is to normally revalue every five years.

It was recommended that regardless of the final fair value assessment, there should be no revaluation.



Annual Report - asset revaluation requirement

That the Performance, Audit & Risk Committee:

- a. Receives the initial fair value assessment; and
- b. That the Council not undertake a revaluation of its plant, property and equipment for the 2023/24 financial year, but looks at other methods to ensure compliance with accounting standards.

Decision Date:	29 Jul 2024
Mover:	Mr Philip Jones
Seconders:	Cr Keri Day
Outcome:	Approved

4. Move to Public Excluded

4.1 Public Excluded Agenda



Move to Public Excluded

THAT the meeting move to public excluded.

Decision Date:	29 Jul 2024
Mover:	Mayor Monique Croon
Seconders:	Cr Steve Joyce
Outcome:	Approved

6. Close Meeting

6.1 Close the meeting

Next meeting: PARC Meeting - 16 Sept 2024, 9:00 am

Signature: _____

Date: _____



Performance, Audit & Risk Committee

3.1 Financial Report

Date of meeting	16 September 2024
Agenda item number	3.1
Author/s	Tanya Clifford, ECan

Purpose

To present to the Performance, Audit & Risk Committee the financial report for August 2024.

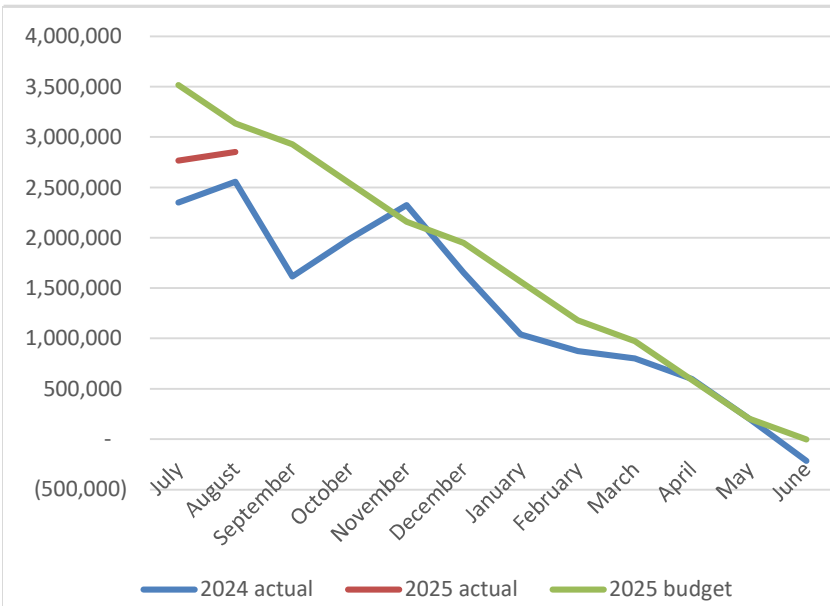
Recommendations

That the Performance, Audit & Risk Committee receives the report.

Graphical Financial Information

as at 31 August 2024

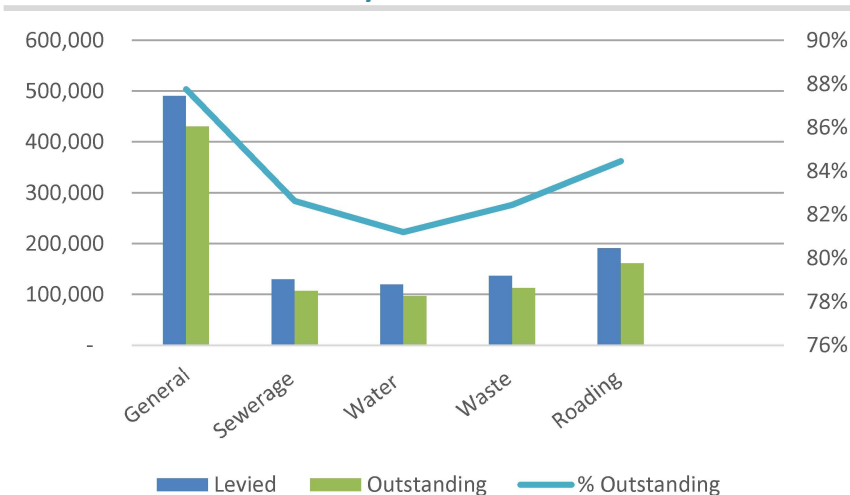
Cash



To provide greater visibility of Council's cash movements, a cash balance summary has been added. This includes cash balance trends for 2025 (actuals) - red line, 2024 (actuals) - blue line and expected movement based on the 2025 budget - green line.

The 2025 initial cash balance is below the expected balance. The August balance shows an improvement, related to the return of the ECan reserve. Currently, the cash balance remains below expectation. Therefore, Council will need to investigate options to further reduce expenditure or increase revenue or alternatively approve a more significant use of the Council's overdraft facility. Noting also, that it is likely further unexpected costs are likely to arise during the course of the year.

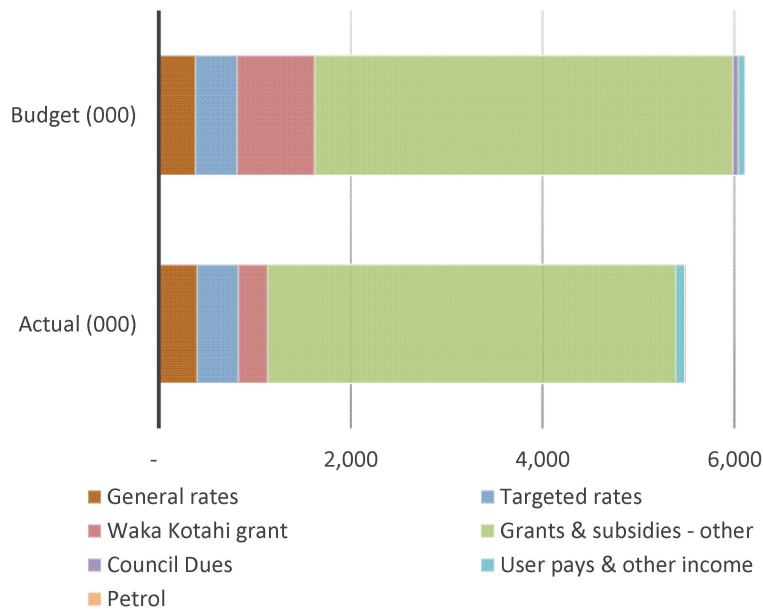
Revenue rates collectability



Council has four rate instalment dates for the 2025 financial year; with the first instalment becoming due on the 14th September 2024. The overall level of rates outstanding is currently 88%.

There is a slightly higher level of rates outstanding at the beginning of the current financial year than the previous financial year; with financial volatility within the community potentially having an impact on the ability for certain land owners to pay rates. Where this is the case, promotion of the rating remissions process could be further highlighted. Further trend analysis will become stronger as the financial year progresses.

Revenue



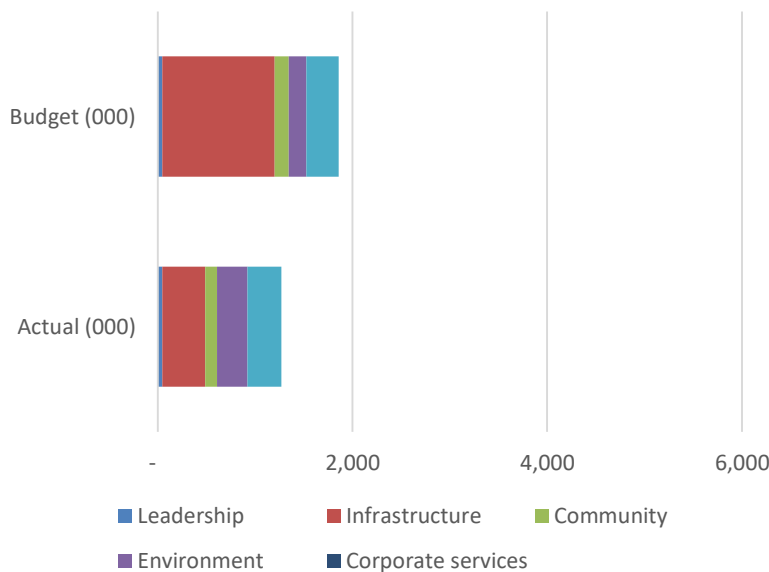
No significant items of concern related to revenue items. However, it is worth noting:

* Waka Kotahi, NZTA subsidy is driven by actual expenditure on roading works. The grant includes capital and operating expenditure.

* Full annual appropriation from the Department of Internal Affairs was received in July, to cover operational expenditure across the year.

* Historically, Council has received grant funds for projects still to be completed (e.g. the water tank project); this project has been delayed and costs remain on-going (but not budgeted in 2025). This may have future impacts on the Council's ability to manage cashflow, there is a risk cash may not be available to meet these obligations.

Operating & Capital Expenditure



No significant items of variance related to expenditure. Expenditure graph has been designed to be comparable with the revenue graph (above). As the year progresses, expenditure will increase aligning with revenue, which primarily receives funds in July.

Statement of Comprehensive Revenue and Expense

as at 30 June 2024

	Actual (000) \$000	Budget (000) \$000	Variance	Note Reference
Revenue				
General rates	398	381	17	1
Targeted rates	430	436	(6)	1
Grants & subsidies - Waka Kotahi NZTA	306	809	(503)	2
Grants & subsidies - other	4,254	4,362	(108)	2
Council Dues	-	52	(52)	4
<i>Petrol</i>	1	-	1	3
User pays, fees & charges and other income	101	69	32	4
Total revenue	5,491	6,109	(618)	
Expenditure				
Leadership and community partnerships	49	47	2	
Transportation, roading and coastal networks	151	312	(161)	5
Three waters - water	21	57	(36)	5
Three waters - wastewater & stormwater	8	33	(25)	5
Waste management and minimisation	65	126	(61)	5
Community development & emergency response	143	145	(2)	
- <i>petrol</i>	105	-	105	3
Environmental management, protection and monitoring	122	181	(59)	
Corporate services	346	332	15	
Total expenditure by activity	1,011	1,232	(222)	
Total surplus/(loss)	4,480	4,876	(396)	

Depreciation expenditure of \$2.2 million has been excluded, as the financial report focuses primarily on cash.

The 2024/25 budget cash movement for the year is considered a strong movement indicator reflecting Council's financial challenges. It is estimated Council will achieve a \$33 thousand cash loss for the year, assuming \$260 thousand in expenditure reductions are achieved and no significant other areas of expenditure increase. If this occurs, either further reductions in expenditure will be required or additional (grant) revenue secured. Council will also need to consider financing options for long-term funded works such as the water tank project, where funding has already been received, and budgeted for in the previous year, but timing delays have continued the project into 2024.

The overall impact of these movements, means Council may face further cashflow pressures in the future, and therefore a conservative approach with other expenditure is encouraged. Closing cash balance 31 August 2024 was \$2.8 million.

Variance explanations:

- 1 Rates are invoiced based on the Council approved rates strike. A minor difference has occurred, with recognition of penalty payments and repayment of outstanding rates.
- 2 Roading subsidy based on 88% of actual expenditure (operational and capital). The negative variance in revenue is matched against the negative variance with roading capital and operational expenditure. Some roading projects have been delayed. The remaining difference in other grants are primarily timing related, the budget assumes a equal allocation of grant receipts for the year (except annual appropriation which is estimated being received in July), whereas actual receipt is occurs when conditions are met and application is completed. Some uncertainty has been indicated from the Department of Internal Affairs, related to better off funding projects.
- 3 The Council has recently facilitated the supply of petrol on the island which has been separately disclosed (in revenue and expenditure) to show greater transparency. Petrol is an unbudgeted item, shipping logistic challenges have had a significant impact on the Council's ability to supply petrol to the community. There remain some timing differences in revenue and expenditure petrol transactions, but overall a small surplus is recognised.
- 4 No significant variances of note or other comments related to other income. Council dues have not being invoiced for the year.
- 5 Infrastructure projects - primarily relate to the Stantec/Fulton Hogan roading, water, wastewater and waste management contracts. Roading has been impacted with various logistical challenges, resulting in some projects being delayed, expenditure is likely to accelerate as the year progresses. Three waters work has been limited with funding restrictions, impacting levels of service Council is able to provide; lack of investment in critical asset maintenance increases the risk of asset failure. There remains a significant level of uncertainty related to how the Local Water Done Well plan will apply to Council and how the expected work will be funded.

No other significant areas of variance to note, with contract for services operating within agreed deliverables.

No significant variances of note or other comments related to other expenditure.

Capital expenditure summary	Actual \$000	Budget \$000	Variance	Note Reference
Sources of capital funding				
Subsidies and grants for capital expenditure	171	569	(398)	a
Total sources of capital funding	171	569	(398)	
Application of capital funding				
Roading works	194	625	(431)	a
Other - including community works	64	1,606	(1,541)	b
Total application of capital funding	258	2,231	(1,972)	
Movement in reserves	6,571	4,856	1,716	

Variance explanations:

- a** The grant figure relates to the Waka Kotahi budget, which is reflective of 88% of actual costs incurred. Actual expenditure behind expected budgeted levels, which are allocated assuming an equal monthly spread over the year.
- b** Other work includes: \$47k in building upgrades.

Note, budget figures are allocated on an equal monthly apportionment



PARC Public Excluded Agenda

16 September 2024

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 4 July 2024	Good reason to withhold exists under Section 7	Section 48(1)(a)
2.	Operations Manager	Rates Submission	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.	Would be likely to prejudice the commercial position of the person or persons who are the subject of the information. 7(2)(b)(ii) To maintain legal professional privilege. 7(2)(h) To enable the Council holding the information to carry out, without prejudice or disadvantage, commercial activities. 7(2)(i)
2.	Protect the privacy of natural persons, including that of deceased natural persons 7(2)(a)