

I hereby give notice that an ordinary meeting of the Audit, Risk and Investment Committee will be held on:

**Date:** Tuesday, 22 September 2020  
**Time:** to follow Council  
**Venue:** Tararua Room,  
Horizons Regional Council  
11-15 Victoria Avenue, Palmerston North

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## **AUDIT, RISK AND INVESTMENT COMMITTEE**

### **AGENDA**

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#### **MEMBERSHIP**

<b>Chair</b>	Cr AL Benbow
<b>Deputy Chair</b>	Cr EM Clarke
<b>Councillors</b>	Cr RJ Keedwell
	Cr SD Ferguson
	Cr JM Naylor
	Cr NJ Patrick
	Cr GJ Turkington

**Michael McCartney**  
**Chief Executive**

Contact Telephone: 0508 800 800  
Email: [help@horizons.govt.nz](mailto:help@horizons.govt.nz)  
Postal Address: Private Bag 11025,  
Palmerston North 4442

**Full Agendas are available on Horizons Regional Council website**  
**[www.horizons.govt.nz](http://www.horizons.govt.nz)**

for further information regarding this agenda, please contact:  
Julie Kennedy, 06 9522 800

<b>CONTACTS</b>	<b>24 hr Freephone :</b> <b>0508 800 800</b>	<b>help@horizons.govt.nz</b>	<b>www.horizons.govt.nz</b>	
<b>SERVICE CENTRES</b>	<b>Kairanga</b> Cnr Rongotea & Kairanga-Bunnythorpe Rds, Palmerston North	<b>Marton</b> 19-21 Hammond Street	<b>Taumarunui</b> 34 Maata Street	<b>Woodville</b> Cnr Vogel (SH2) & Tay Sts
<b>REGIONAL HOUSES</b>	<b>Palmerston North</b> 11-15 Victoria Avenue	<b>Whanganui</b> 181 Guyton Street		
<b>DEPOTS</b>	<b>Levin</b> 120-122 Hokio Beach Rd	<b>Taihape</b> 243 Wairanu Rd		
<b>POSTAL ADDRESS</b>	Horizons Regional Council, Private Bag 11025, Manawatu Mail Centre, Palmerston North 4442			
<b>FAX</b>	06 9522 929			

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## AGENDA

1 Welcome/Karakia

2 Apologies and Leave of Absence

At the close of the Agenda no apologies had been received.

3 **Public Forums:** Are designed to enable members of the public to bring matters, not on that meeting's agenda, to the attention of the local authority.

**Deputations:** Are designed to enable a person, group or organisation to speak to an item on the agenda of a particular meeting.

Requests for Public Forums / Deputations must be made to the meeting secretary by 12 noon on the working day before the meeting. The person applying for a Public Forum or a Deputation must provide a clear explanation for the request which is subsequently approved by the Chairperson.

**Petitions:** Can be presented to the local authority or any of its committees, so long as the subject matter falls within the terms of reference of the council or committee meeting being presented to.

Written notice to the Chief Executive is required at least 5 working days before the date of the meeting. Petitions must contain at least 20 signatures and consist of fewer than 150 words (not including signatories).

Further information is available by phoning 0508 800 800.

4 Supplementary Items

To consider, and if thought fit, to pass a resolution to permit the Committee/Council to consider any further items relating to items following below which do not appear on the Order Paper of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended), and the Chairperson must advise:

- (i) The reason why the item was not on the Order Paper, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

5 Members' Conflict of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.



Minutes of the second meeting of the eleventh triennium of the Audit, Risk and Investment Committee held at 3.00pm on Tuesday 25 August 2020, in the Tararua Room, Horizons Regional Council, 11-15 Victoria Avenue, Palmerston North.

**PRESENT** Crs AL Benbow (Chair), EM Clarke, RJ Keedwell, SD Ferguson, JM Naylor, NJ Patrick (*via audio visual link*), and GJ Turkington.

**IN ATTENDANCE** Councillors B Gordon, F Gordon, W Kirton  
Chief Executive Mr MJ McCartney  
Committee Secretary Mrs KA Tongs

**ALSO PRESENT** At various times during the meeting:  
Mr C Grant (Group Manager Corporate and Governance),  
Mr G Shirley (Group Manager Regional Services & Information),  
Dr J Roygard (Group Manager Natural Resources & Partnerships),  
Dr N Peet (Group Manager Strategy & Regulation), Mr R Strong  
(Group Manager River Management), Mr A Smith (Chief Financial  
Officer), Mr E Lloyd (Senior Health & Safety Officer) and  
Ms C Morrison (Media & Communications Manager).

The Chair welcomed everyone to the meeting.

#### **APOLOGIES**

There were no apologies.

#### **PUBLIC FORUMS / DEPUTATIONS / PETITIONS**

There were no requests for public speaking rights.

#### **SUPPLEMENTARY ITEMS**

There were no supplementary items to be considered.

#### **MEMBERS' CONFLICTS OF INTEREST**

There were no conflicts of interest declared.

#### **CONFIRMATION OF MINUTES**

**ARI 20-5** *Moved* **Clarke/Turkington**

*That the Committee:*

***confirms** the minutes of the Audit, Risk and Investment Committee meeting held on 26 November 2019 and the minutes of the Extraordinary Audit, Risk and Investment Committee meeting held on 1 May 2020 as a correct record, and notes that the recommendations were adopted by the Council on 17 December 2019 and 26 May 2020.*

**CARRIED**

## PROCEDURAL MOTION TO EXCLUDE THE PUBLIC

### RECOMMENDATION

*THAT the public be excluded from the following part(s) of the proceedings of this 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 follows.*

*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 and 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, as follows:*

General subject of each matter to be considered	Reason for passing this resolution	Ground(s) under section 48(1) for the passing of this resolution
PX1 Confirmation of Public Excluded Meeting held on 26 November 2019	s7(2)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
PX2 Risk Register Update	s7(2)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.  The report refers to areas of risk which may be of a commercially sensitive nature.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
PX3 Financial Performance for the Year Ending 30 June 2020	s7(2)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.  The financial reports have not been audited and are subject to a number of year end adjustments and audit review before being released to public.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
PX4 Covid-19 Update / Discussion	s7(2)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7
PX5 Council / Committee to consider whether any item in the Public Excluded minutes can be moved into the public domain and define the extent of the release		



The meeting adjourned to the Public Excluded part of the meeting at 3.03pm and resumed at 3.28pm.

The meeting closed at 3.29pm.

Confirmed

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CHIEF EXECUTIVE

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CHAIR



Report No.	20-138
Information Only - No Decision Required	

## DRAFT ANNUAL REPORT FOR 2019-20 FINANCIAL YEAR

### 1. PURPOSE

- 1.1. The purpose of this report is to present the draft Annual Report for the 2019-20 financial year to Members ahead of the annual Audit.

### 2. RECOMMENDATION

That the Committee recommends that Council:

- a. receives the information contained in Report No. 20-138.

### 3. FINANCIAL IMPACT

- 3.1. There is no financial impact.

### 4. COMMUNITY ENGAGEMENT

- 4.1. The finalised 2019-20 Annual Report will be made available to the public via an electronic copy on our website or a paper copy provided on request, once it has been audited and adopted by Council.

### 5. CLIMATE CHANGE IMPACTS

- 5.1. As the report deals entirely with administrative matters, there is no climate change impact.

### 6. SIGNIFICANT BUSINESS RISK IMPACT

- 6.1. There is no significant business risk associated with this item.

### 7. BACKGROUND

- 7.1. The Annual Report is a statutory requirement that must be completed each year. It is a key corporate accountability document that provides both financial and non-financial performance information against the budgets and targets set in the Annual Plan. The statutory deadline for adopting this year's Annual Report has been extended to 31 December 2020 due to the impacts of COVID-19, however at this stage we are still planning on adopting the 2019-20 Annual Report in October.

### 8. DISCUSSION

- 8.1. This is an opportunity for Council to review the draft Annual Report and provide feedback. It should be noted that this document is draft, has not been to the external proofers as yet and is subject to change from Audit NZ. Audit NZ is on site from 28 September 2020 completing the annual audit.
- 8.2. The draft 2019-20 Annual Report will be placed on the hub ahead of the meeting for Councillors information only.
- 8.3. Several year-end adjustments have been completed since the completion of the June Interim Financial Performance report. These are largely made up of asset write offs and

revaluations, particularly in River Management. The adjustments result in a (\$447k) reduction in operating surplus, from \$3.89M to \$3.44M.

- 8.4. The published 2019-20 Annual Plan included an error within the internal revenue write off that resulted in Other Revenue and therefore Operating Surplus being overstated by \$795k. While this had no impact on our rates strike and take for the year it adds to the negative variance now, as we report actual results against the book. This overstatement sits within the Investment Activity so all other activities are as previously reported. The monthly management reports to Council for the year have reported against the correct version of our budget.

The key variances to Annual Plan are as follows:

<b>Operating surplus per Annual Plan at 30 June 2020</b>	<b>5,371</b>
<b>Overstated Other Revenue (Investment Activity)</b>	<b>(795)</b>
<b>Operating Surplus per Management Reports</b>	<b>4,576</b>
<b>Variances to Budget;</b>	
<b>Land and Water Management</b>	34
<i>Land Management</i> programme was unfavourable by (\$117k) mainly due to increased costs in SLUI grant works, offset by savings in other staff activity.	
<i>Water Quantity and Quality Management</i> was favourable by \$365k due to a combination of additional revenue and savings in external expenditure and staff costs.	
<i>Resource Consent and Pollution Management</i> was unfavourable by (\$214k) with less revenue than predicted due to staff availability driving less recoverable revenue.	
<b>Flood Protection and Control Works</b>	607
<i>River and Drainage General</i> was favourable by \$149k due to the timing of environmental works usually occurring at the same time as the lockdown, resulting in savings.	
<i>River and Drainage Schemes</i> was favourable by \$458k due to delays in the maintenance program as a result of COVID-19 lockdown, combined with lower interest costs on debt.	
<b>Biosecurity and Biodiversity Management</b>	380
<i>Biosecurity Animals</i> was favourable by 168k and <i>Biosecurity Plants</i> was favourable by \$69k. Both were due to savings in expenditure due to COVID-19 restricting staff and contractors from achieving the full programme of work.	
<i>Living Heritage</i> was favourable by \$144k again due to cost savings as a result of reduced activity, offset by unexpected maintenance costs.	
<b>Regional Leadership and Governance</b>	(597 )
<i>Strategic Management</i> was (\$270k) unfavourable due to the timing of recoveries, and the additional spend on climate change that wasn't included in the Annual Plan.	
<i>Governance</i> was \$165k favourable with savings Councillors costs and other expenses.	

<i>Community Relationships</i> was (\$28k) unfavourable due to additional staff costs.	
<i>Emergency Management</i> was (\$668k) unfavourable due to the additional costs associated with the COVID-19 response.	
<i>Hapu &amp; Iwi Relationships</i> was \$127k favourable due to slower than anticipated work on Te Awa Tupua, resulting in reduced expenditure.	
<i>Information</i> was \$43k favourable due to a combination of reduced staff costs during lockdown and additional revenue from contracting.	
<i>Environmental Reporting</i> was \$33k favourable due to savings in staff activity.	
<b>Transport</b>	(25)
<i>Transport Planning</i> was in line with budget.	
<i>Road Safety Education</i> was \$19k favourable as a result of COVID-19 limiting the ability to deliver some programmes.	
<i>Passenger Services</i> was (\$43k) unfavourable due to increased inflation costs, offset by additional funding received from NZTA due to COVID-19.	
<b>Investment</b>	(1,533)
Investment revenue is down as a combination of less than planned dividend from MWRC Holdings, combined with lower interest revenues generated	
<b>Total variance to approved Annual Plan</b>	<b>(1,134)</b>
<b>End of year Annual Report surplus:</b>	<b>3,441</b>

- 8.5. The non-financial performance measures to 30 June 2020 have been updated. The only change was to the River & Drainage Schemes section, where two measures previously recorded as not applicable have been changed to one achieved and one not achieved. These related to asset inspections and result in the overall percentage achieved of 73% (previously reported as 74%).
- 8.6. An overview of the performance measures can be found on page 13 of the draft Annual Report with details of performance within each activity section.

## 9. TIMELINE / NEXT STEPS

- 9.1. As previously advised the statutory reporting deadline has been moved out to 31 December 2020 but Audit NZ have indicated they are planning to complete the audit and provide clearance by 31 October 2020.

## 10. SIGNIFICANCE

- 10.1. This is not a significant decision according to the Council's Policy on Significance and Engagement.

Adrian Smith  
**CHIEF FINANCIAL OFFICER**

Craig Grant  
**GROUP MANAGER  
CORPORATE & GOVERNANCE**

### ANNEXES

There are no attachments to this report.



## Public Excluded Section

### RECOMMENDATION

That the public be excluded from the remainder of the Council meeting as the general subject 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 follows.

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PX2 Council / Committee to consider whether any item in the Public Excluded minutes can be moved into the public domain and define the extent of the release		