

65th MEETING OF THE FINANCE AND AUDIT COMMITTEE

TO THE CHAIRPERSON AND MEMBERS OF THE COMMITTEE

MEMBERSHIP OF THE COMMITTEE

Cr Bob Kirk (Chairperson)

Cr Kerry Burke
Cr Jane Demeter
Cr Carole Evans
Cr Pat Harrow

Cr Jo Kane
Cr Eugenie Sage
Cr Alec Neill (ex officio)

A meeting of the Committee will be held on
Wednesday, 17 February 2010 at 9.00 a.m.

VENUE: Council Chamber
First Floor
Pegasus Building
58 Kilmore Street
CHRISTCHURCH

BUSINESS: As per Order Paper attached.
Agendas are available on our website three days prior to the date of the meeting -
<http://ecan.govt.nz/news-and-notice/minutes/Pages/Default.aspx>

Dr Bryan Jenkins
CHIEF EXECUTIVE

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE TAKEN
AS COUNCIL POLICY UNTIL ADOPTED BY THE COUNCIL**

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COMPLIANCE WITH LOCAL GOVERNMENT ACT 2002 DECISION-MAKING REQUIREMENTS

Except as below, a statement of compliance and a completed decision checklist is required for any agenda item on a council committee or the council recommending that a decision be made. This will be the responsibility of the person signing off the agenda item.

The compliance statement and checklist will not be used for:

- Recommendations that information be received or that the Council make a decision.
- Decisions taken under the Resource Management Act 1991 or the Biosecurity Act 1993 in relation to resource consents, decisions required when following the procedures set out in Schedule 1 of the Resource Management Act 1991, other permissions, submissions on plans, or references to the Environment Court.
- Decisions taken to proceed with enforcement procedures under various primary or secondary legislation or regulations, including procedures under the Resource Management Act 1991, the Biosecurity Act 1993, the Local Government Act 2002, and Environment Canterbury Bylaws.
- Administrative and personnel decisions that are entirely internal to Environment Canterbury.
- Other decisions where the procedures to be followed are set out in Legislation.

COMPLIANCE STATEMENT

The council committee (or the council) must formally certify that:

- (a) It is satisfied that it has sufficient information about the options and their benefits and costs, in terms of the region's social, economic, environmental and cultural well-being and the effects on community outcomes, bearing in mind the significance of the decisions.
- (b) It is satisfied that it knows enough about and has given adequate consideration to the views and preferences of affected and interested parties bearing in mind the significance of the decision.

INFORMATION CHECKLIST

(a)	A Statement of the Proposed Decision
(b)	A Statement of the Objective of the Proposed Decision and the Issue or Problem being addressed
(c)	A list of all reasonably practicable options, (including doing nothing).
(d)	For each option in (c): An evaluation of the Benefits and Costs, in terms of the region's social, economic, environmental and cultural well-being.
(e)	For each option in (c): A statement of the extent to which community outcomes would be promoted or achieved in an integrated and efficient manner.
(f)	For each option in (c): A statement of the Impact, if any, on Environment Canterbury's capacity to undertake its statutory responsibilities
(g)	If the Proposed Decision is a significant decision in relation to land or a body of water, a statement of how Maori values have been taken into account
(h)	A Statement of significant inconsistencies, if any, with any Existing Policy, Plan or Legislation arising from the Proposed Decision.
(i)	A statement how the views and preferences of affected or interested persons have been given adequate consideration during the definition of the problem or issue, the objective, the assessment of options and the development of the proposed decision, including the particular contribution of Maori to the decision-making process.

Notes:

The significance of proposals and decisions determines how much time, money and effort is put into exploring and evaluating options and obtaining the views of affected and interested parties. The significance of proposals and decisions is determined through reference to criteria contained in the policy on significance.

The policy on significance together with Section 76 of the Local Government Act 2002 set out the Council's requirements in relation to decisions. Some decisions can only be made through the Long-Term Council Community Plan, or after the Special Consultative Procedures set out in the Act have been used, (refer to the policy on significance and the Act).

All decisions of Environment Canterbury are subject to the decision-making requirements of section 76 of the Act unless inconsistent with specific requirements of other legislation.

**ENVIRONMENT CANTERBURY
FINANCE AND AUDIT COMMITTEE**

ORDER PAPER

1. APOLOGIES
2. CONFLICTS OF INTEREST
3. MINUTES OF MEETING – 9 DECEMBER 2009
4. MATTERS ARISING
5. DEPUTATIONS AND PETITIONS

MATTER FOR COMMITTEE DECISION

6. TARGETED RATE FUNDING FOR THE LAKE TEKAPO REGIONAL PARK OVER THE ASHBURTON DISTRICT

MATTER FOR RECOMMENDATION TO THE COUNCIL

7. MONTHLY REPORT TO 31 JANUARY 2010

MATTER FOR INFORMATION

8. RISKPOOL INSURANCE
9. NOTICES OF MOTION
10. EXTRAORDINARY AND URGENT BUSINESS
11. QUESTIONS
12. NEXT MEETING – 17 March 2010

ENVIRONMENT CANTERBURY

FINANCE AND AUDIT COMMITTEE

**MINUTES OF THE MEETING HELD IN THE COUNCIL CHAMBER,
ENVIRONMENT CANTERBURY, 58 KILMORE STREET,
CHRISTCHURCH, ON WEDNESDAY 9 DECEMBER 2009 AT 9.00 A.M.**

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7. TRI- ANNUAL REPORT
8. SUMMARY OF OVERHEADS
9. POLICY ON FINANCIAL RESERVES
10. NOTICES OF MOTION
11. EXTRAORDINARY AND URGENT BUSINESS
12. QUESTIONS
13. NEXT MEETING

PRESENT

Cr R M Kirk (Chair), T K Burke, J T Demeter, C J Evans, P C R Harrow, J M Kane and E M Sage.

IN ATTENDANCE

Crs R I R Little and R M G Tindall

MANAGEMENT AND OFFICERS PRESENT

Bryan Jenkins (Chief Executive), Wayne Thomas (Director Finance and Corporate Services), Helen Sellwood (Finance Manager), Neil Pilbrow (Corporate Programmes Manager) and Louise McDonald (Administration Officer).

For part of the meeting: Jill Atkinson (Director Regional Programmes) and Laurie McCallum (Programme Manager Urban Development Strategy).

1. APOLOGY

Cr A G Neill

2. CONFLICTS OF INTEREST

There were no conflicts of interest declared.

3. MINUTES OF MEETING – 10 NOVEMBER 2009

Resolved

That the minutes of the meeting held on 10 November 2009, as circulated, be confirmed as a true and correct record, and be adopted.

Cr Sage /Cr Demeter

4. MATTERS ARISING

Cr Kirk advised that following the discussion of item 5 (Review of the Local Government Act) he had attended a seminar arranged by the Society of Local Government Managers (SOLGM) to discuss the proposed changes. He tabled a report and proposed that this be considered later at this meeting.

Resolved

That Cr Kirk's report on the forum on the proposed changes to the Local Government Act be received as a supplementary item and be considered at item 9A.

Cr Evans/Cr Harrow

5. DEPUTATIONS AND PETITIONS

There were no deputations or petitions.

MATTER FOR COMMITTEE DECISION

6. ELECTION OF DEPUTY CHAIR

Following the changes to some committee membership resolved at the 29 October 2009 Council meeting, the deputy chair of the Finance and Audit Committee, Cr Alec Neill, was now an ex-officio member of the Finance and Audit Committee. Cr Neill had indicated that it would be appropriate to appoint a new deputy chair to the Finance and Audit Committee.

Resolved

That Cr Jane Demeter be appointed as deputy chair for the Finance & Audit Committee.

Cr Burke/Cr Evans

7. TRI-ANNUAL REPORT

Neil Pilbrow presented the Tri-Annual report for the period 1 July 2009 to 31 October 2009 and explained the proposed editorial adjustments to two levels of service and a change to the budget for the Urban Development Strategy (UDS).

It was confirmed that the Council had appointed independent commissioners in November 2008 to hear and recommend to Council decisions on submissions on Proposed Change 1(UDS) to the Regional Policy Statement. The costs of this had not been included in the budget and it was proposed to fund this from savings in general rate and from reserves. The Committee were advised that the amount of \$442,000 was below the level of significance and therefore this matter did not need to be separately reported to Audit New Zealand.

The following requests were made:

- The table on page 10 of the agenda, comparing the percentage of outputs not on track, to show the figure with out the rounding.
- Details on when the report will be presented to the Council on the rolling programme of Plan Changes to the Regional Coastal Environment Plan.
- Provide background on the halting of the “Ready Canterbury” community resilience project.
- Include in the Land Portfolio highlights reference to the group looking at land use and water quality.
- Are there any restrictions on areas that conservation volunteers can work on in relation to the Fonterra initiative?

Recommended to the Council

That the Council approves changes to the following levels of service:

- 0398 Living Streams Communications
- 0292 Water Allocation Group – Groundwater

That the Council approves adjustments to the following budgets:

<i>To project</i>	<i>Amount</i>	<i>From projects</i>	<i>Amount</i>
<i>0619 Urban Development Strategy</i>	<i>\$442,000</i>	<i>0341 NRRP Air</i>	<i>\$100,000</i>
		<i>0261 G/Water Investigations, Drilling & Testing</i>	<i>\$25,000</i>
		<i>0303 Waimakariri Floodplain Planning</i>	<i>\$15,000</i>
		<i>Balance from Reserves</i>	<i>\$302,000</i>
<i>Total</i>	<i>\$442,000</i>		<i>\$442,000</i>

Cr Burke/Cr Evans

8. SUMMARY OF OVERHEADS

Helen Sellwood introduced this item, which was requested by the Committee at its November meeting.

Resolved

*That the Finance and Audit Committee notes the information provided on overheads.
Cr Sage/Cr Harrow*

9. POLICY ON FINANCIAL RESERVES

Helen Sellwood introduced this item, which was also requested by the Committee at its November meeting.

Noting that the policy was developed in 2007, it was agreed that it was appropriate to recommend to the Council that the policy be reconfirmed.

The Committee expressed support for the policy, acknowledging that the actual amounts in the various reserves will fluctuate, and that each reserve has different drivers and circumstances.

It was suggested that the levels of the Pest Rating District Reserves be discussed with the Pest Liaison Committees and be considered as part of the Annual Plan process.

Recommended to the Council

That the Council reconfirms the Environment Canterbury – Desired Reserve Levels Policy.

Cr Evans/Cr Kane

9A. REVIEW OF THE LOCAL GOVERNMENT ACT

At item 4 (Matters Arising) Cr Kirk had tabled a report on his attendance at a seminar arranged by SOLGM to consider the document from the Minister for Local Government dated 28 October 2009 “Decisions for better transparency, accountability and financial management of local government” (TAFM). Attached to the report was a summary of the TAFM proposals.

The Committee were advised that the details of the proposals will not be known until the Bill is introduced early next year.

Recommended to the Council

That Council workshop the Transparency, Accountability and Financial Management matters early in 2010.

Cr Kirk/Cr Burke

10. NOTICES OF MOTION

There were no notices of motion.

11. EXTRAORDINARY AND URGENT BUSINESS

There was no extraordinary or urgent business.

12. QUESTIONS

There were no questions.

13. NEXT MEETING – WEDNESDAY 17 FEBRUARY 2010

The meeting closed at 10.50 am.

CONFIRMED

DATE _____ CHAIRPERSON _____

AGENDA ITEM NO: 6.	SUBJECT MATTER: TARGETED RATE FUNDING FOR THE LAKE TEKAPO REGIONAL PARK OVER THE ASHBURTON DISTRICT
REPORT: Finance and Audit Committee	DATE OF MEETING: 17 Feb 2010
FILE REFERENCES:	PORTFOLIO: Land PROJECT: OUTPUT:
REPORT BY: Neil Pilbrow Corporate Programmes Manager	ENDORSED BY: Wayne Thomas Director of Finance and Corporate Services

PURPOSE

To consider the Ashburton District Council's concerns over being included in the targeted rate area for the Lake Tekapo Regional Park.

ATTACHMENTS

None.

BACKGROUND

The Lake Tekapo Regional Park, the newest of Environment Canterbury's Regional Parks, was established in February 2008 following approaches from a group of Lake Tekapo residents to provide recreational facilities on the existing soil conservation reserve.

The park development plan provides for infrastructure development including a new disabled access toilet facilities, upgraded walking and mountain bike trails and improved access to and along the lake edge. The soil conservation programme continues.

As part of consultation for the 2009-19 LTCCP in April 2009, the council proposed that the work associated with the soil conservation programme (60%) be funded from general rates and infrastructure development (40%) from a fixed targeted rate (or uniform annual charge UAC) over properties in the Timaru and Mackenzie districts.

The Timaru District Council submission to the LTCCP expressed concern at the unfairness of Timaru ratepayers being burdened with the bulk of the UAC for a park that is used largely by Mackenzie District residents and visitors to the Lake Tekapo area. The council addressed this concern during the debate and subsequently reduced the impact on the Timaru district by extending the UAC area to include the Waimate and Ashburton districts. It was noted that the UAC would be 41 cents for each separately inhabited part of a rating unit.

ASHBURTON DISTRICT COUNCIL

The Ashburton District Council has requested information supporting the decision to include them in the fixed targeted rate (UAC) area.

They note that:

“Ashburton district had not been identified as having a higher benefit than the rest of Canterbury in any staff reports. The same is likely for Waimate”.

They also note that:

“Regardless of the merits of the park, it is accepted that Ashburton’s interest would be similar to that of Christchurch, the point made by a number of your submitters. The issue of the targeted rate on Timaru and Mackenzie districts were the subject of meetings with their representatives prior to the draft LTCCP being adopted. This district had no such courtesy.”

USE OF UNIFORM ANNUAL GENERAL CHARGES (UAGC) AND UNIFORM ANNUAL CHARGES (UAC) FOR FUNDING REGIONAL PARKS

As a result of introducing a UAC for the Tekapo Regional Park, the council has been giving consideration to using UAGCs and UACs to fund other regional parks.

This matter have been considered on the following occasions:

2 Sept 09	Land portfolio workshop	Information was provided on UACs. Additional information was requested on using UAGCs as well, and the use of these funding tools by other regional councils. The matter was referred to the Finance and Audit Committee for further consideration before being referred to the council.
16 Sept 09	Finance and Audit Committee	A report on the effect of using UACs and UAGCs to fund regional parks, and usage of these tools by other regional councils was discussed. The report was referred to the Land Portfolio for further consideration before being referred to the council.
14 Oct 09	Combined Portfolios Meeting	Cr Little (chair Land Portfolio) proposed that use of UACs and UAGCs to fund regional parks be discussed at this meeting rather than by the Land Portfolio only. However, lack of time prevented discussion taking place (or at subsequent reconvened meetings on 3 and 12 Nov 09).

Consideration of the use of UAGCs and UACs is currently a work in progress for the Land Portfolio.

It is recommended that the Ashburton District Council be advised that the council is in the process of reviewing funding for all of its regional parks, including the Lake Tekapo Regional Park, and that funding changes resulting from this work, if any, would be included in consultation on the next LTCCP in 2012.

RECOMMENDATION

That the Ashburton District Council be advised of the reasons for including the Ashburton District in the UAC for the Lake Tekapo Regional Park, and that funding for all regional parks, including the Lake Tekapo Regional Park, is in the process of being reviewed, with funding changes resulting from the review, if any, to be included in consultation on the next LTCCP in 2012.

AGENDA ITEM NO: 7	SUBJECT MATTER: MONTHLY REPORT TO 31 JANUARY 2010
REPORT: Finance & Audit Committee Meeting	DATE OF MEETING: 17 February 2010
FILE REFERENCES:	PORTFOLIO: Democratic Process PROJECT: OUTPUT:
REPORT BY: Helen Sellwood Finance Manager	ENDORSED BY: Wayne Thomas DIRECTOR FINANCE & CORPORATE SERVICES

PURPOSE

To provide information to Finance and Audit Committee on the monthly financial result to 31 January 2010.

ATTACHMENTS

1. Monthly Financial Report to 31 January 2010
2. Commentary on Variances – to be circulated/tabled

BACKGROUND

As requested by Council last year we are now presenting the monthly result for review by Finance & Audit Committee prior to the Council meeting.

MONTHLY FINANCIAL RESULT

- **Financial Performance**

The result for the month is more favourable than last month with a surplus of \$2.863 million compared with a budgeted deficit of \$0.857 million. A large part of the variance (\$1.179 million) is non cash and is due to the accounting for a lower uptake of the Clean Heat Loan scheme.

- **Cashflow and Cash Position**

Environment Canterbury's cash position is slightly below budget at the end of the month at \$9.9 million. Debtors are slightly higher than expected as a result of consent objections following decisions on two large water consents.

- **Reserves**

Environment Canterbury's reserves are projected to be within acceptable levels at year end.

Detailed commentary on the result is being compiled and will be circulated prior to the meeting or tabled at the meeting as time permits.

PASSENGER TRANSPORT VARIANCE

At the Council meeting held on 28 January 2010 an explanation was sought for the variance in the Passenger Transport portfolio. Details are set out below:

Passenger Services Contract Management – Variance \$928,165

Expenditure on contract management is on track. Revenue is under budget at this point in the year because grants for capital expenditure have yet to be claimed. Total grants for the year are expected to be as budgeted, however the timing of the capital expenditure has changed and with it, the time at which we claim the associated grant revenue.

RECOMMENDATIONS TO THE COUNCIL

That the Finance & Audit Committee recommends the adoption of the financial report to 31 January 2010 by Council.

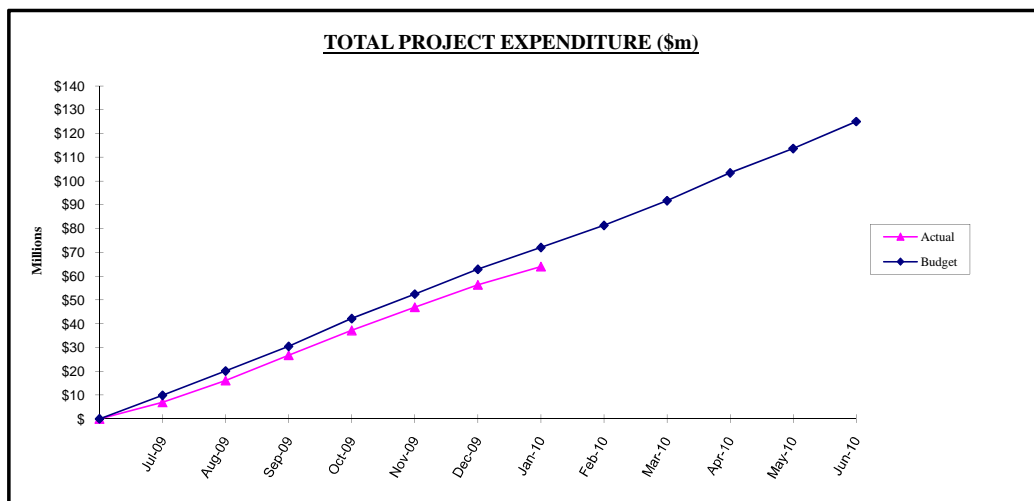
Environment Canterbury Financial Summary for the seven months ended 31 January 2010.

	Revenue YTD			Expenditure YTD			Surplus/(Deficit) YTD		
	Actual	Budget	Variance f/(u)	Actual	Budget	Variance f/(u)	Actual	Budget	Variance f/(u)
Summary									
Total Projects	\$ 66,814,619	\$ 71,202,966	\$(4,388,347)	\$ 63,951,203	\$ 72,060,509	\$ 8,109,306	\$ 2,863,416	\$ (857,543)	\$ 3,720,959
By Portfolio									
Air Quality	5,271,768	7,238,035	(1,966,267)	4,832,728	7,394,803	2,562,075	439,040	(156,768)	595,808
Emergency Management	788,484	790,540	(2,056)	882,627	790,540	(92,087)	(94,143)	0	(94,143)
Coastal Environment	958,633	1,056,990	(98,357)	747,466	1,056,990	309,524	211,167	0	211,167
Energy	773,144	1,835,758	(1,062,614)	612,699	1,779,941	1,167,242	160,445	55,817	104,628
Land	2,675,424	2,540,363	135,061	3,226,327	3,387,250	160,923	(550,903)	(846,887)	295,984
Hazards	6,970,474	7,220,704	(250,230)	7,251,393	7,957,912	706,519	(280,919)	(737,208)	456,289
Navigation Safety	410,987	380,032	30,955	309,079	380,093	71,014	101,908	(61)	101,969
Pests and Biosecurity	2,275,231	2,611,436	(336,205)	2,191,001	2,854,579	663,578	84,230	(243,143)	327,373
Public Passenger Transport	24,451,220	26,789,596	(2,338,376)	23,097,410	25,594,425	2,497,015	1,353,810	1,195,171	158,639
Regional Land Transport	508,584	738,666	(230,082)	536,449	738,666	202,217	(27,865)	0	(27,865)
Waste, Haz Sub & Cont Sites	967,982	1,022,439	(54,457)	843,725	1,022,439	178,714	124,257	0	124,257
Water Quality, Quantity and Ecosystems	7,022,942	6,988,839	34,103	6,030,807	7,152,526	1,121,719	992,135	(163,687)	1,155,822
Consents - All Portfolios	8,545,176	7,270,336	1,274,840	9,156,301	7,270,336	(1,885,965)	(611,125)	0	(611,125)
Democratic Process	5,194,570	4,719,232	475,338	4,233,191	4,680,009	446,818	961,379	39,223	922,156
	\$ 66,814,619	\$ 71,202,966	\$(4,388,347)	\$ 63,951,203	\$ 72,060,509	\$ 8,109,306	\$ 2,863,416	\$ (857,543)	\$ 3,720,959

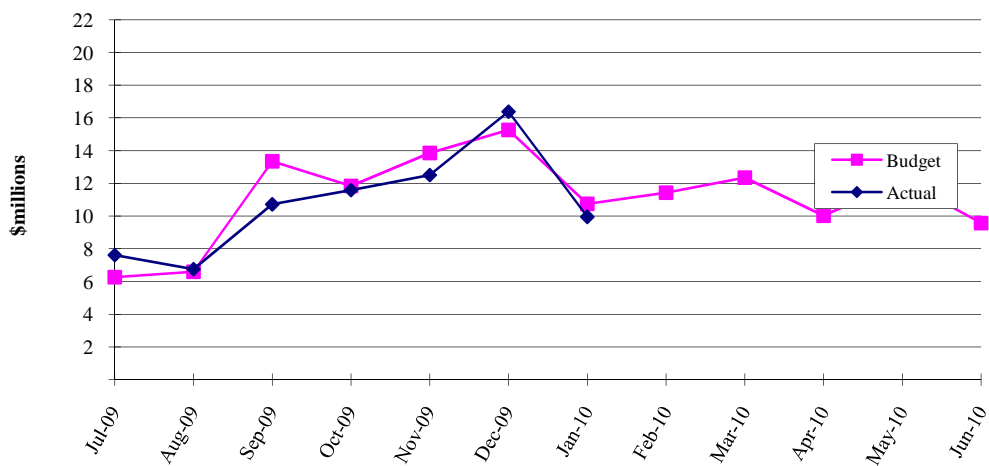
(\$000's):

General Rate Funded
Targeted Rate Funded
User Pays Funded
Clean Heat Loan Scheme (non-cash)
Total

	Actual	Budget	Variance
General Rate Funded	1,820	(1,007)	2,827
Targeted Rate Funded	860	1,388	(528)
User Pays Funded	242	0	242
Clean Heat Loan Scheme (non-cash)	(60)	(1,239)	1,179
Total	2,862	(858)	3,720

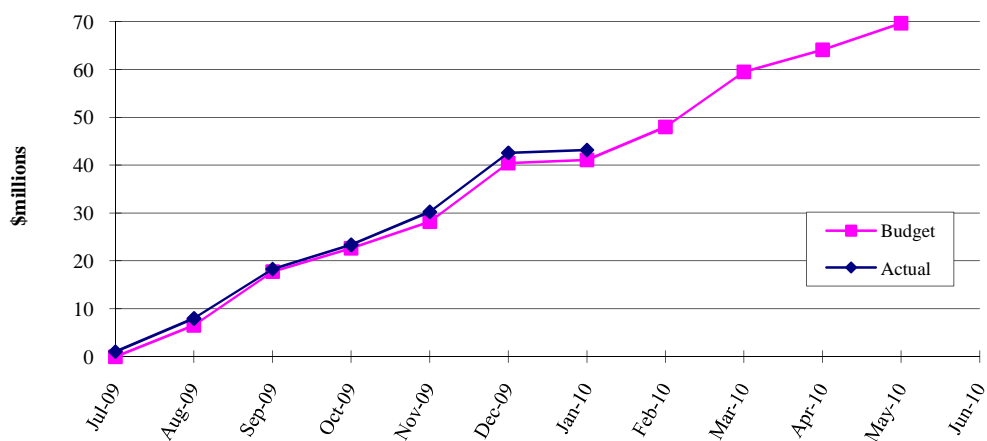


CASH POSITION



The cash position during the period ending 31 January 2010 fluctuated between \$9.9m and \$16.4m with an actual cash position at the end of the month of \$9.9m, \$0.8m below budget. Debtors are slightly higher than expected as a result of consent objections following decisions on two large water consents.

RATES CASH FLOW



Actual rates cash flow to 31 January 2010 is \$2.0 m over budget due to rates recoveries relating to the 08/09 year from various district councils, payments of rates arrears/penalties from Christchurch and advance payments from Timaru

AGENDA ITEM NO: 8	SUBJECT MATTER: RISKPOOL INSURANCE
REPORT: Finance and Audit	DATE OF MEETING: 17 February 2010
FILE REFERENCES:	PORTFOLIO: PROJECT: OUTPUT:
REPORT BY: Mark Vermeeren – Business Analyst	ENDORSED BY: +Wayne Thomas – Director Finance and Corporate Services

PURPOSE

To advise the committee of potential financial claims against Environment Canterbury.

BACKGROUND

Environment Canterbury insures with RiskPool for Official Indemnity and Public Liability. RiskPool was set up in 1997 specifically to cover Local Government's liability risk profile and is a fund that operates for the benefit of its members which are exclusively councils and council controlled organisations. The most challenging issue facing Riskpool has been the weathertightness issue, sometimes referred to as "leaky building syndrome".

THE LITIGATION ENVIRONMENT

The litigation environment for building defect claims against Local Government has deteriorated over the last year. Plaintiffs are now less willing to compromise their claims, and councils are increasingly left as the last judgement worthy defendant because other defendants cannot meet judgements or contribute to settlements. In short, councils are seen as the "last man standing". This has meant that a disproportional cost of these claims is left resting with the Council only.

The deterioration in the litigation environment has caused RiskPool's actuaries to recognise this trend and recommend that additional provisions be made for unresolved claims.

Implications for RiskPool and its Members

Because of the litigation environment referred to above, the RiskPool accounts now report a deficit of \$21m across all fund years. This has led to the board taking the decision to make a succession of calls on the members of the fund. The Trust Deed allows calls for additional contributions from members where, as a result of unexpected or exceptional circumstances, the Fund will be insufficient to meet claims payable from the fund.

To that end the Board has agreed in principle that there should be three \$9m calls across the membership depending upon final claims development, one on 1 July 2010, a second on 1 July 2011 and a likely further call on 1 July 2012.

FINANCIAL IMPLICATIONS

There is now a crystallised liability for Environment Canterbury of **\$130,223** relating to the first call due on 1 July 2010. All but a small part of the call has been provided for in the draft insurance budget for 2010/11 and we will look to cover the remaining portion from savings in existing budgets.

There are contingent liabilities for Environment Canterbury of approximately **\$260,000** relating to the second and third calls. The ultimate value of these calls will depend on the evolution of the liability environment and the flow on effect of open claims provisions. This will partly depend on the outcome of two legal cases. If RiskPool is successful in the Court of Appeal, the ongoing costs of leaky buildings will be reduced considerably. The provisions for claims and the concomitant calls are based on the law as it currently stands.

The Board has made underwriting changes to the fund. These include the introduction of an exclusion for weathertight claims from June 2009, meaning that members continuing their membership with RiskPool will be unlikely to be subject to any further calls for weathertight claims advised after that date, so the issue of exposure for Environment Canterbury relates to claims made in the years 2003 -2009m only.

RECOMMENDATION

That the committee receives the report.