



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Risk & Assurance Committee Agenda

Thursday, 20 June 2024

9.00am

Council Chambers,
28-32 Ruataniwha Street, Waipawa

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- 1 **WELCOME/ KARAKIA/ NOTICES**
- 2 **APOLOGIES**
- 3 **DECLARATIONS OF CONFLICTS OF INTEREST**
- 4 **STANDING ORDERS**

RECOMMENDATION

That the following standing orders are suspended for the duration of the meeting:

- 21.2 Time limits on speakers
- 21.5 Members may speak only once
- 21.6 Limits on number of speakers.

And that Option C under section 22 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

5 CONFIRMATION OF MINUTES

Risk and Assurance Committee Meeting – 19 March 2024.

RECOMMENDATION

That the minutes of the Risk and Assurance Committee Meeting held on 19 March 2024 as circulated, be confirmed as true and correct.

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON TUESDAY, 19 MARCH 2024 AT 9.00AM**

UNCONFIRMED

PRESENT: Deputy Chairperson Tim Aitken
Mayor Alex Walker
Cr Pip Burne
Cr Gerard Minehan

IN ATTENDANCE: Nicola Bousfield (Group Manager, People and Business Enablement)
Brent Chamberlain (Chief Financial Officer)
Dennise Elers (Group Manager Community Partnerships)
Dylan Muggeridge (Group Manager Strategic Planning & Development)
Phillip Stroud (Acting Group Manager Community Infrastructure and Development)

Rebecca England (
Reuben George
Adrienne Martin (People and Capability Manager)
Ben Swinburne
Annelie Roets (Governance Lead)

1 KARAKIA

The Deputy Chair, Cr Tim Aitken welcomed everyone to the meeting.

2 APOLOGIES 24.1

Moved: Cr Gerard Minehan
Seconded: Cr Pip Burne

That the apology for Neil Bain be accepted.

CARRIED

3 DECLARATIONS OF CONFLICTS OF INTEREST

There were no Declarations of Conflicts of Interest received.

4 STANDING ORDERS

RESOLVED: 24.2

Moved: Cr Pip Burne
Seconded: Cr Gerard Minehan

That the following standing orders are suspended for the duration of the meeting:

- 21.2 Time limits on speakers
- 21.5 Members may speak only once
- 21.6 Limits on number of speakers

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner **. CARRIED**

5 CONFIRMATION OF MINUTES

RESOLVED: 24.3

Moved: Mayor Alex Walker
Seconded: Cr Pip Burne

That the minutes of the Risk and Assurance Committee Meeting held on 7 December 2023 as circulated, be confirmed as true and correct.

CARRIED

6 REPORT SECTION

6.1 RESOLUTION & ACTION MONITORING REPORT

PURPOSE

1. The purpose of this report is to present to the Committee the Risk and Assurance Committee Resolution Monitoring Report. This report seeks to ensure the Committee has visibility over work that is progressing, following resolutions made by the Committee.

RESOLVED: 24.4

Moved: Mayor Alex Walker
Seconded: Cr Pip Burne

That the report be noted.

CARRIED

The report was introduced by Doug Tate which was taken as read.

6.2 RISK STATUS REPORT

PURPOSE

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk landscape, risk management work in progress and to continue a discussion with the Committee about risk.

RESOLVED: 24.5

Moved: Mayor Alex Walker
Seconded: Cr Pip Burne

That the report be noted.

CARRIED

The report was introduced by Nicola Bousfield who provided an oversight on identified risks. Discussions noted:

- A review of the risk appetite setting was undertaken with Elected Members which resulted in officers updating the operational risk register to align with risks to be "CHB specific".
- Changes to the template has been made and all risks are now line itemed and clear where the narratives are.
- The Risk Maturity review recommended talking the Committee through the Risk Register in more detail (one quarter of risks planned for discussion at each meeting).
- The committee discussed options for reporting up to Council.
- It was also discussed to report risks that trend outside of Council's risk appetite for 2 quarters or more, should be reported to Council meetings.
- Ms Bousfield continued to talk on the risks identified through the Risk Register and reasons

behind the narrative for those risks outside of Risk Appetite Settings (trend change from Orange to Red).

- New risk has been added to the register being the “Pourere Beach water resilience” – the water supply servicing the Pourere camping ground does not meet the requirements of the new Draft Drinking Water Quality Assurance Rules, due to inadequate infrastructure to meet these rules.
- New risk added to “Disruption of essential services”, Patangata bridge – Patangata Bridge over Tukituki River on Elsthorpe Road has identified minor damage from Feb 2024 inspection. A cracked corbel structural element requires semi-urgent repairs. Risk is further deterioration in short term where a weight restriction may become warranted for heavy traffic.

6.3 HEALTH & SAFETY REPORT: 1 NOVEMBER 2023 TO 31 JANUARY 2024

PURPOSE

To provide the Risk and Assurance Committee with health, safety and wellbeing information and insight, and to update the committee on key health and safety initiatives for the period 1 November 2023 – 31 January 2024.

RESOLVED: 24.6

Moved: Cr Pip Burne

Seconded: Cr Gerard Minehan

That the report is noted.

CARRIED

The report was introduced by Adrienne Martin which was taken as read.

- Included in this report is the Critical risk framework and critical risk standard (currently in draft).

6.4 TREASURY MANAGEMENT MONITORING REPORT

PURPOSE

The purpose of this report is to provide an update on Treasury Management and Policy Compliance.

RESOLVED: 24.7

Moved: Mayor Alex Walker

Seconded: Cr Gerard Minehan

That the report be noted.

CARRIED

The report was introduced by Brent Chamberlain which was taken as read but gave a quick update on highlighted points:

- \$43m of external debt drawn compared to \$42m as at 30 June 2023.
- Council has not had to increase its borrowings due to temporarily pausing some of Council’s large 3 Waters capital programmes while it deals with Cyclone Gabrielle recovery.
- Noting \$10m (of the \$43m) of debt maturing on 15 April 2024 and the current loan is at a fixed rate of 2.19% per annum and is likely to be replaced with new debt at around 6% per annum.
- Interest Rate Profile graph showed Council’s expected average cost of funds compared to the expected floating rate.
- It shows the savings that the current fixed rates are providing, and that over the next 12-18 months these savings disappear as the loan resets.
- Council needs to consider more fixed cover.

- Officers and Bancorp are monitoring the interest swap rates and will look to take some more fixed rate cover as opportunities arise.
- A further update on Carbon Credits and how the Carbon Credit Market and Emissions Trading Scheme works.
- Council received 12.7 tonne of refuse into its landfill, which will result in Council having to surrender 12,951 carbon credits in May 2024 (carbon return to be filed).
- Mr Chamberlain gave a breakdown on Council's carbon credit position.

6.5 THREE YEAR PLAN - ASSURANCE AND IMPLIED RISKS

PURPOSE

The matter for consideration by the Council is the key assumptions contained in the draft Three Year Plan.

RESOLVED: 24.8

Moved: Cr Gerard Minehan

Seconded: Mayor Alex Walker

That the report be noted.

CARRIED

The report was introduced by Brent Chamberlain which was taken as read.

6.6 ASSURANCE MONITORING REVIEW OF SENSITIVE EXPENDITURE - GIFTS

PURPOSE

The purpose of this report is to update the Committee on the Council Gift register for the 6 months from 1 July to 31 December 2023. This register is to provide transparency of all gifts received and the disbursement of them in a transparent manner.

RESOLVED: 24.9

Moved: Cr Pip Burne

Seconded: Cr Gerard Minehan

That the report be noted.

CARRIED

The report was introduced by Brent Chamberlain which was taken as read.

6.7 ELECTED MEMBERS EXPENSES FOR 1 NOVEMBER 2023 - 31 JANUARY 2024

PURPOSE

The purpose of this report is to update the Committee on the Elected Members' Expenses for the three months covering the period from 1 November 2023 to 31 January 2024.

RESOLVED: 24.10

Moved: Cr Gerard Minehan
 Seconded: Cr Tim Aitken

2. That the Elected Members Expenses for 1 November 2023 to 31 January 2024 report be noted.

3. CARRIED

The report was introduced by Brent Chamberlain which was taken as read.

7 DATE OF NEXT MEETING

RESOLVED: 24.11

Moved: Mayor Alex Walker
 Seconded: Cr Pip Burne

That the next meeting of the Risk & Assurance Committee meeting be held on 20 June 2024.

CARRIED

8. PUBLIC EXCLUDED

RESOLUTION TO EXCLUDE THE PUBLIC

RESOLVED: 24.12

Moved: Mayor Alex Walker
 Seconded: Cr Pip Burne

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
<p>8.1 - Emerging Risks and Issues - Forum Discussion</p>	<p>s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority</p> <p>s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment</p>	<p>s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7</p>

CARRIED

RESOLVED: 24.13

Moved: Mayor Alex Walker

Seconded: Cr Pip Burne

That Council moves into Public Excluded business at 10.07am.

CARRIED

The meeting adjourned for morning tea at 10.07am and reconvened at 10.30am.

RESOLVED: 24.14

Moved: Mayor Alex Walker

Seconded: Cr Gerard Minehan

That Council moves out of Public Excluded business at 11.53am.

CARRIED

9 TIME OF CLOSURE

The Meeting closed at 11.53am.

The minutes of this meeting will be confirmed at the next Risk & Assurance Committee meeting to be held on 20 June 2024.

.....
CHAIRPERSON

6 REPORT SECTION

6.1 RESOLUTION & ACTION MONITORING REPORT

File Number: COU1-1408

Author: Annelie Roets, Governance Lead

Authoriser: Doug Tate, Chief Executive

Attachments: 1. 20 June 2024 Resolutions and Actions Monitoring Report [↓](#)

PURPOSE

The purpose of this report is to present to the Committee the Risk and Assurance Committee Resolution Monitoring Report. This report seeks to ensure the Committee has visibility over work that is progressing, following resolutions made by the Committee.

RECOMMENDATION

That the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

DISCUSSION

The Resolution & Action Monitoring Report is attached and includes the Committee Action Monitoring Report.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the report be noted.



Resolution Monitoring Report for 20 June 2024

Key	
Completed	
On Track	
Off Track	

Item Number	Item	Council Resolution	Resolution Date	Responsible Officer	Progress Report	
1	6.7	Insurance Renewal Update and Insurance Strategy Development	1. That the Risk and Assurance committee receive this update on the annual insurance placement for the 2023/2024 year. 2. That the Risk and Assurance committee receive the draft Insurance Strategy and provide feedback to allow for further work on the strategy to be undertaken and brought back for this committee's endorsement at the next meeting.	7 Dec 2023	Brent Chamberlain	On Track - Officers are currently obtaining insurance values for 2024/2025 year. As part of this the valuer has been asked to consider what buildings Council might like to consider only taking partial replacement for. That is consider how the building is being used and how a replacement building might improve functionality of the building through a design change utilising a smaller footprint.

Action Monitoring Report for 20 June 2024

Item Number	Meeting Date	Item	Action	Responsible Officer	Progress	
1	6.4	7 Dec 2023	Review of Treasury Management Policy	Discussion regarding the property investment section - requested that this be further reviewed for a future revision of the policy	Brent Chamberlain	On Track - Officers working on an Investment Strategy
2	6.7	7 Dec 2023	Insurance Renewal Update and Insurance Strategy Development	• Propose for ADN to do loss modelling on the actual risk profiles and what the actual savings going to be / trade-offs.	Brent Chamberlain	Complete - Paper included in agenda and the balance of the action is captured within the existing resolution relating to the Insurance Strategy.
3	6.4	19 March 2024	Treasury Management Monitoring Report	It was requested that a further update on council's carbon credits and how the carbon credit marking and Emissions Trading Scheme works be given.	Brent Chamberlain	Complete - Paper included in agenda

6.2 AUDIT PLAN - 2023/24 FINANCIAL YEAR

File Number:**Author:** Brent Chamberlain, Chief Financial Officer**Authoriser:** Doug Tate, Chief Executive**Attachments:** 1. 2024 Audit Plan [↓](#)

PURPOSE

The matter for consideration by the Council is to receive the 2024 Annual Report Audit Planning document.

Mr Stuart Mutch from Ernst Young will be in attendance online for this meeting.

RECOMMENDATION

1. **That this report be received.**

DISCUSSION

Ernst Young (Council's external auditors) have tabled their Audit Plan ("Plan") for the audit of the financial statements and service performance information of Central Hawke's Bay Council ("CHBDC") for the year ending 30 June 2024. This Plan outlines the scope of their services, identifies Ernst & Young ("EY") professionals that will serve CHBDC and presents their understanding of some key considerations that will affect the 30 June 2024 audit.

The areas of focus for 2024 will be:

- Cyclone recovery and funding
- Infrastructure assets
- Integrity of rates strike, rates invoicing and collection
- Grants and subsidies
- Non-financial performance information reporting
- Controls over expenditure, procurement and tendering; and
- Debt.

Ernst Young has set the materiality threshold at \$1.39m, being 2.75% of forecasted expenditure.

Ernst Young has already completed their interim audit and will be back on site for three weeks from 26 August to complete the final audit.

Due to construction inflation, at Ernst Youngs request, Officers are planning on revaluing all major asset classes this year (Roads, 3 Waters, and Land and Buildings). At the same time Officers will be requesting updated replacement values for insurance purposes.

The full report is attached for your information.

RECOMMENDATION

1. **That this report be received.**

6.3 RISK STATUS REPORT

File Number:**Author:** Nicola Bousfield, Group Manager - People & Business Enablement**Authoriser:** Doug Tate, Chief Executive**Attachments:** 1. [Quarterly Risk Status Report June 2024](#) 

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk landscape, risk management work in progress and to continue a discussion with the Committee about risk.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as of some significance, noting the key risk issues being reported.

BACKGROUND

The Risk Status Report is part of regular and routine reporting designed to provide governance with oversight and input into the way that identified risks are being managed within Council.

As noted in the December 2023 Committee meeting, the Risk Maturity Review resulted in a number of findings and areas identified for improvement, that has subsequently proposed changes to how officers report on risk for discussion with the Risk & Assurance Committee (the Committee).

A review of the risk appetite settings was undertaken with Elected Members, which guides officers' assessment of risk. Following this workshop with Elected Members, officers updated the operational risk register to align the risks with Project Thrive and make the risks more specific to our Council context. Council most recently adopted the Risk Appetite Settings in the 14 March 2024 Council meeting, along with changes to the Risk & Assurance Terms of Reference.

DISCUSSION

Risk Status Report

Following the Risk Maturity Review, the new template for this Risk Status Report was introduced in the December 2023 Risk & Assurance Committee meeting. Officers continue to seek feedback on the usability of the template and its intent - to focus the risk discussion on only those risks where something has "happened" making the risk better or worse, which triggers discussion with the Risk & Assurance Committee and shows the trends over the year. The Quarter 4 Risk Register Update is attached, noting at the time of writing this report the end of the June quarter was not entirely complete.

Like the March 2024 Committee meeting, Officers will again workshop a quarter of the risks from the risk register in detail, which is also scheduled in this June 2024 meeting. This is an opportunity for the Committee to provide feedback on the appropriateness of the risk appetite settings and to further understand each risk in more detail.

Risk Reporting to Council

Following the recommendations of the Risk Maturity Review, Officers will continue to report “up” to Council when risks trend outside of risk appetite for two quarters or more.

Smart Growth Review

At the time of writing this report, Officers are undertaking a Smart Growth Review that assesses Council’s ability to enable growth and its opportunities to improve across all areas of development (from that district plan, to resource consenting and water connections etc). At this stage of the review, Officers note a potential misalignment with Council’s risk appetite for Smart Growth in the attached Risk Register (currently showing red, indicating Council has a high-risk appetite in this area) and signal that a review of the risk appetite will be likely as an outcome of the review.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the report be noted.

6.4 HEALTH AND SAFETY REPORT: 1 FEBRUARY - 30 APRIL 2024

File Number:

Author: Michelle Annand, Health and Safety Advisor

Authoriser: Adrienne Martin, People and Capability Manager

Attachments: 1. Risk and Assurance - Health and Safety Report June 2024 [↓](#)

RECOMMENDATION

That the report is noted.

PURPOSE

To provide the Risk and Assurance Committee with health, safety and wellbeing information and insight, and to update the committee on key health and safety initiatives for the period 1 February - 30 April 2024.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Elected members, as 'Officers' under the Health and Safety at Work Act 2015 (HSWA), are expected to undertake due diligence on health and safety matters.

The Health and Safety at Work Act requires those in governance roles, and senior management to have a greater understanding of their organisation's health and safety activities. Under the Health and Safety at Work Act 2015, all elected members are deemed 'Officers' and must exercise a duty of diligence in relation to health and safety. This report and its attachments provide information to assist elected members to carry out that role and provides the health and safety information it needs to be aware of to meet its responsibilities under the Act.

DISCUSSION

Governance Health and Safety Report

Officers have refined the Health & Safety Report to the Risk & Assurance Committee, to streamline information this covering report is a summary, with the full information now outlined in the attached Risk and Assurance Health and Safety Report. The items included in this report is as follows:

1. Work Programme (formerly referred to as Gap Analysis) – Project Update.
2. Critical Risks – Project Update.
3. Lead & Lag Indicators.
4. Roothing Contractors – H&S Partnership in Action.
5. Council and Contractor event reporting.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

To continue to progress Council Health and Safety work programme priorities.

RECOMMENDATION

That the report is noted.

6.5 TREASURY MANAGEMENT MONITORING REPORT

File Number: COU1-1408
Author: Brent Chamberlain, Chief Financial Officer
Authoriser: Doug Tate, Chief Executive
Attachments: Nil

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this report is to provide an update on Treasury Management and Policy Compliance.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Council is required under the Local Government Act 2002 to have three policies:

- Treasury Management Policy
- Liability Management Policy, and
- Investment Policy.

The rationale for the policies is to ensure prudent use of public funds, manage investment returns, borrowing costs, and to minimise the risk of loss of public funds.

In practice Central Hawke's Bay District Council has combined them into a single policy covering all three topics.

This current policy was adopted on 14 March 2024, following a review by Bancorp Treasury ahead of the preparation of the Three-Year Plan.

DISCUSSION

Investments

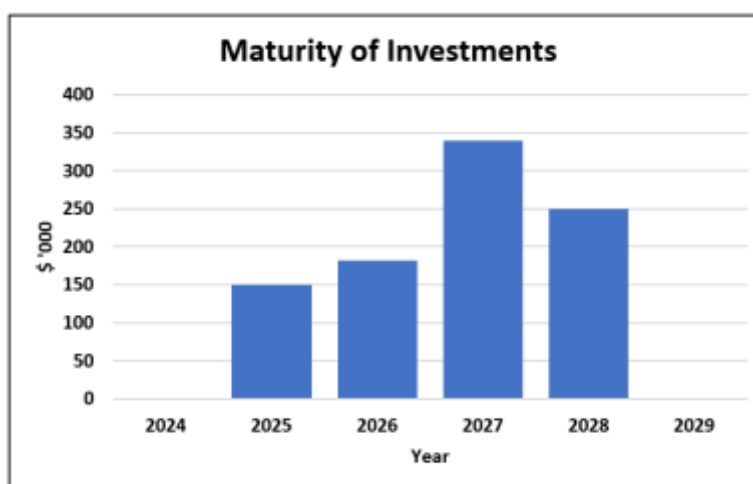
As at 31 May 2024, Council was holding \$8.0m in funds on call (down from \$9.0m from 30 June 2023). This balance reflects the collection of rates instalment four on 20 May 2024.

In addition, Council was holding \$Nil (\$955k as at 30 June 2023) in bank bonds and \$921k (\$806k as at 30 June 2023) in LGFA bonds.

These investments are listed below:

LGFA Notes	25/08/2025	3.54%	3.54%	32,000	32,000	0
LGFA Notes	15/04/2024	1.79%	1.79%	160,000	-	(160,000)
LGFA Notes	15/04/2027	5.07%	5.07%	-	275,000	275,000
LGFA Notes	15/04/2027	1.63%	1.63%	64,000	64,000	0
LGFA Notes	15/07/2024	4.84%	5.67%	75,000	75,000	0
LGFA Notes	15/04/2026	5.03%	5.90%	75,000	75,000	0
LGFA Notes	15/05/2028	4.87%	4.87%	50,000	50,000	0
LGFA Notes	15/04/2025	5.77%	5.77%	75,000	75,000	0
LGFA Notes	15/04/2026	5.90%	5.86%	75,000	75,000	0
LGFA Notes	15/04/2028	6.10%	6.10%	50,000	50,000	0
LGFA Notes	15/05/2028	5.30%	5.30%	150,000	150,000	0
ANZ Bond	1/09/2023	3.71%	3.71%	355,000	-	(355,000)
ASB Bond	7/09/2023	3.33%	3.33%	600,000	-	(600,000)
Total Investments				1,761,000	921,000	(840,000)

The table below shows the maturity of these investments.



Borrowing

As at 31 May 2024 Council had \$44m of external debt drawn (\$42m 30 June 2023).

Council temporarily paused some its large 3 Waters capital programs while it sought to understand the implications of Cyclone Recovery and changes to the Government’s policy on 3 Waters reform. This has meant that Council has not had to increase its borrowings as much as originally signalled in the Annual Plan.

Council repaid \$10m of debt on the 15 April 2024 and replaced it with a new \$11m loan. Unfortunately, the old loan was at a fixed rate of 2.19% pa and was replaced with a new floating rate loan currently set at 5.47% pa.

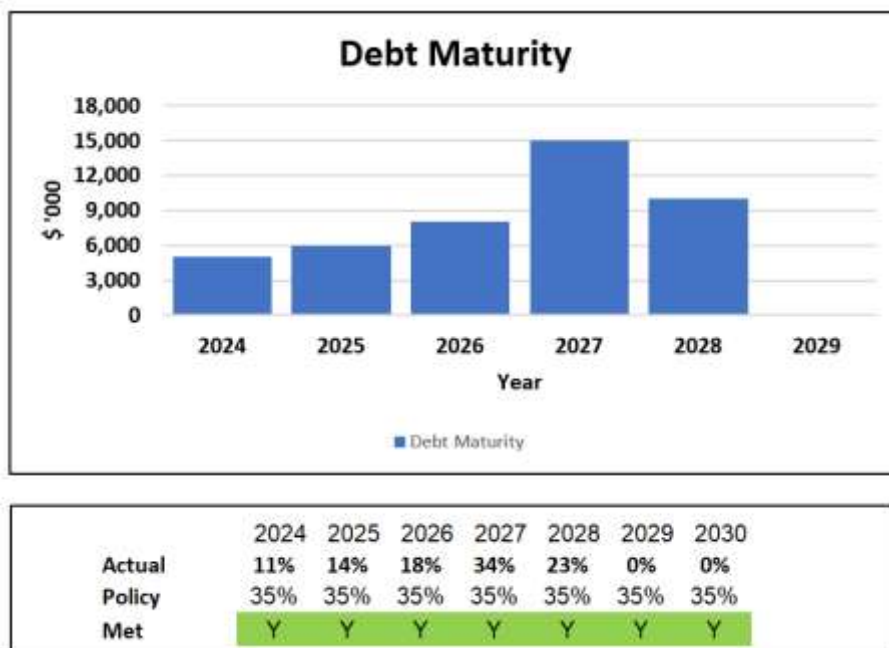
Council has also entered into an interest rate swap for \$10m at 3.91% pa. It is a forward starting swap so isn’t effective until April 2026 and runs through until April 2029. These turns \$10m of Council’s floating debt into fixed rate debt for this period.

The table below shows the details of Council's current debt portfolio:

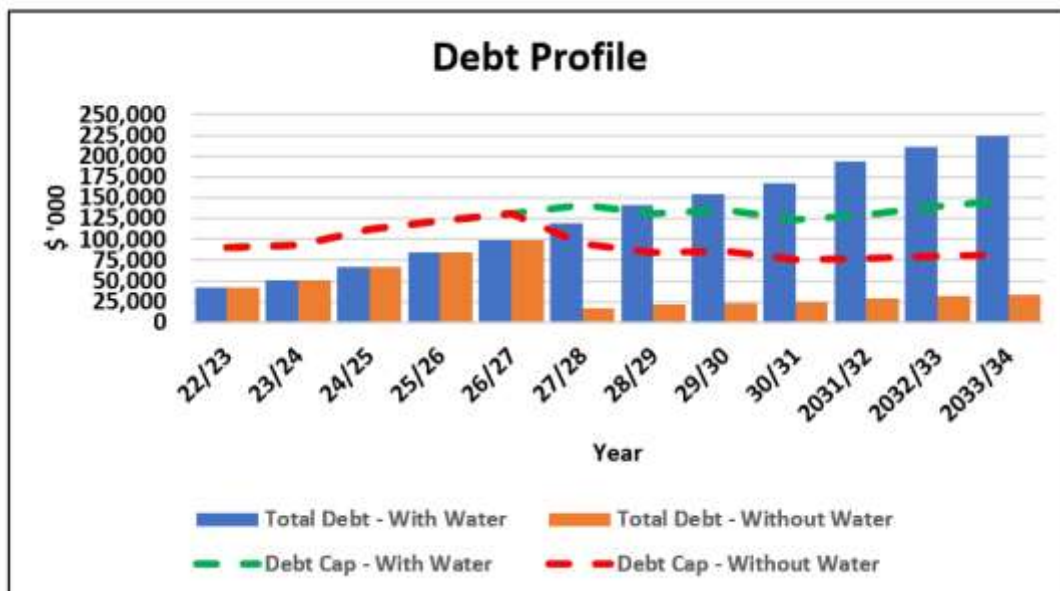
Debt Position	Draw Date	Maturity		Interest Rate	Amount		Movement
		Date			30/06/2023	Amount Now	
LGFA - Fixed Rate	17/10/2022	16/10/2023		5.10%	1,000,000	-	(1,000,000)
LGFA - Fixed Rate	17/04/2023	16/10/2023		5.80%	3,000,000	-	(3,000,000)
LGFA - Fixed Rate	22/07/2019	15/04/2024		2.19%	10,000,000	-	(10,000,000)
LGFA - Floating Rate	11/07/2022	15/07/2024		6.07%	3,000,000	3,000,000	-
LGFA - Fixed Rate	16/01/2024	16/07/2024		5.78%	-	5,000,000	5,000,000
LGFA - Floating Rate	17/04/2023	15/04/2025		6.17%	3,000,000	3,000,000	-
LGFA - Fixed Rate	28/08/2017	25/08/2025		3.85%	2,000,000	2,000,000	-
LGFA - Floating Rate	10/08/2022	15/04/2026		6.26%	3,000,000	3,000,000	-
LGFA - Floating Rate	17/04/2023	15/04/2026		6.30%	3,000,000	3,000,000	-
LGFA - Fixed Rate	16/03/2020	15/04/2027		2.03%	4,000,000	4,000,000	-
LGFA - Floating Rate	15/04/2024	15/04/2027		5.47%	-	11,000,000	11,000,000
LGFA - Floating Rate	17/04/2023	15/05/2028		6.60%	2,000,000	2,000,000	-
LGFA - Fixed Rate	14/12/2022	15/05/2028		6.50%	2,000,000	2,000,000	-
LGFA - Fixed Rate	6/03/2023	15/05/2028		5.70%	6,000,000	6,000,000	-
ANZ Seasonal Facility (\$1,500,000)					-	-	-
Total Debt				5.45%	42,000,000	44,000,000	2,000,000

Council has over time outgrown its ANZ Seasonal Facility of \$1.5m and officers are working through the paperwork to increase this to \$4m. This will provide Council with additional liquidity as it deals with the roading recovery work (which is funded by Waka Kotahi on a reimbursement basis) and it increases its capital program for 2024/25.

The graph and table below show the maturity of this debt, and how this compares to Council's treasury policy.



The graph below shows Council's forecast debt utilising the figures from Council's forecast for this year and the current draft Three Year Plan for future years. The blue bars represent the status quo, that is Council retains the 3 waters activity, and the orange bars present the 3 waters debt, in the event that 3 Waters debt is handed to a regional entity such as a new Hawke's Bay entity in 2027/28.



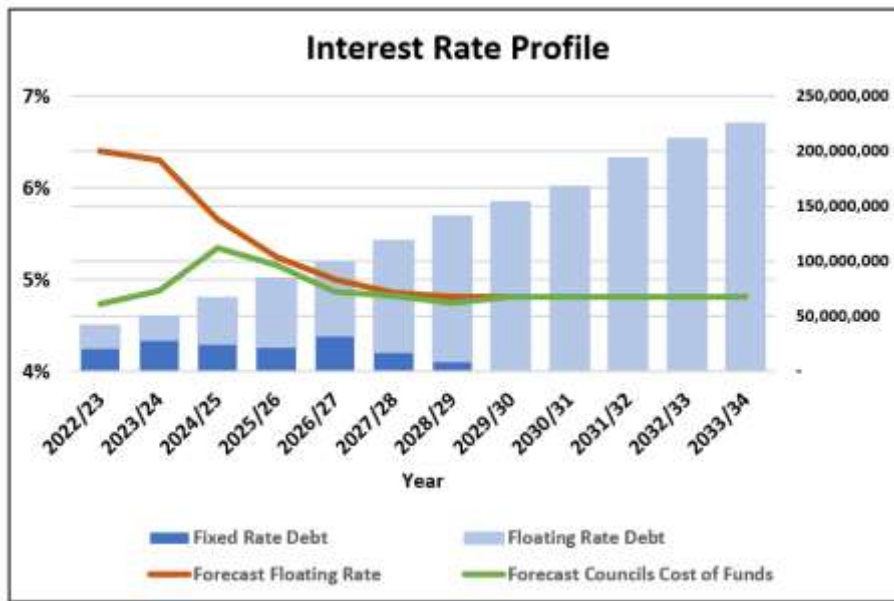
The Treasury Policy contains a benchmark for Council’s average cost of funds. The resultant benchmark calculations are detailed below:

	Rate	Weighting	Weighted Rate
Average 90 day bill rate for reporting month	5.63%	30%	1.69%
2 Year Swap Rate at end of reporting month	5.06%	10%	0.51%
2 Year Swap Rate, 2 years ago	3.91%	10%	0.39%
4 Year Swap Rate at end of reporting month	4.68%	10%	0.47%
4 Year Swap Rate, 4 years ago	0.28%	10%	0.03%
7 Year Swap Rate at end of reporting month *	4.59%	15%	0.69%
7 Year Swap Rate, 4 years ago *	2.94%	15%	0.44%
Benchmark Targeted Rate			4.21%
Council Achieved Weighted Average Cost of Funds			5.45%

* 7 Year Swap rate was used instead of 8 Year rate due to the 8 year rate not being reported on by RBNZ

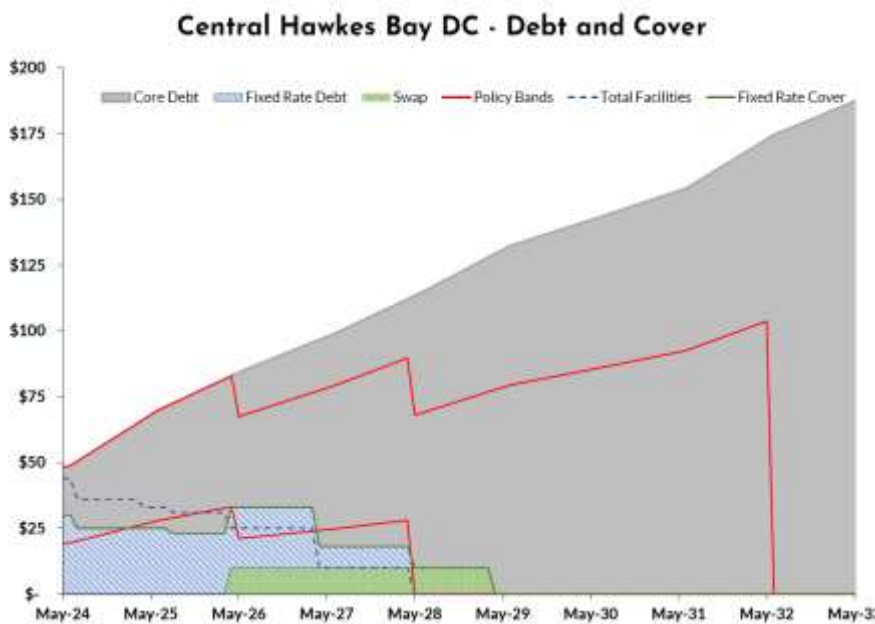
This shows that Council is not achieving the expected benchmark due to the majority of Council’s debt being drawn recently, weighting the average cost of funds towards the highest current market rates.

The graph below shows Council’s expected average cost of funds compared to the expected floating rate. What this shows the savings that the current fixed rates are providing, and that over the next 12 months these savings disappear as the loans are reset.

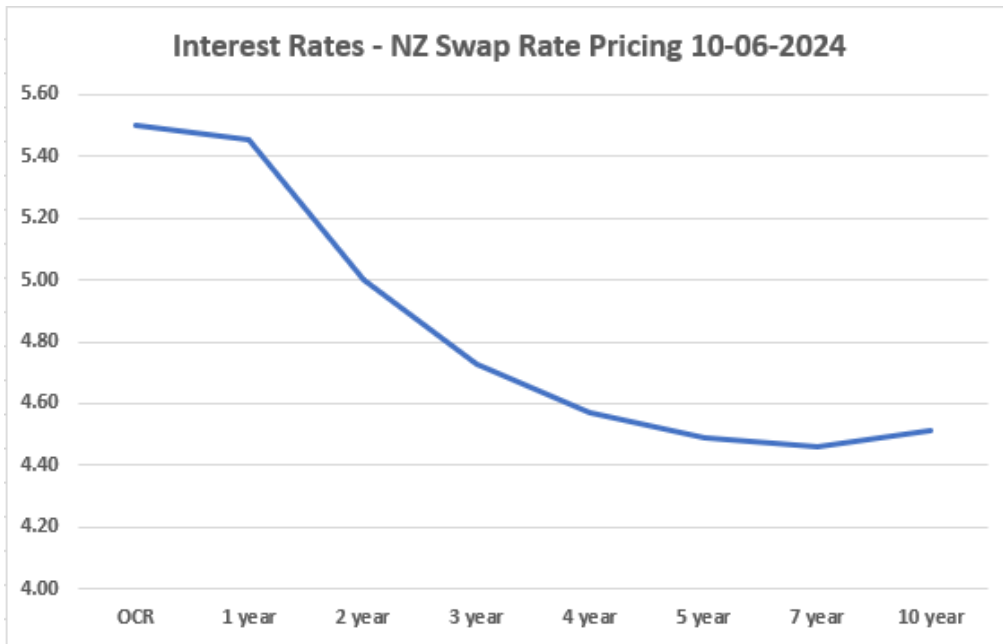


What this indicates that Council needs to consider more fixed cover and officers and its treasury advisors will take more interest rate swaps on the dips in market.

Below is a different view of this, showing that has Council’s debt increases so to must its interest rate cover. The debt increases in this graph are modelled of the three-year plan Council consulted on. The graph also shows the impact of the forward starting swap.



At present the interest rate yield curve is inverted (see chart below showing longer term interest rates are lower than the floating rate). This is because the markets are pricing in interest rate cuts.



Both Officers and Bancorp are monitoring the interest swap rates and will look to take some more fixed rate cover as opportunities arise. Bancorp considers 3.75% to 3.25% to be the target range, but rates are currently well above that level.

Below is a list of Council’s debt ratios as per the existing policy:

Treasury Compliance with Policy		
<u>Liquidity (Liquid Assets + Debt / Debt)</u>		
✓	Policy Limit >115%	Actual 119%
<u>Finance Costs / Total Revenue</u>		
✓	Policy Limit <20%	Actual 2.5%
<u>Finance Costs / Total Rates Revenue</u>		
✓	Policy Limit <25%	Actual 5.8%
<u>Debt to Operating Revenue</u>		
✓	Policy Limit <150%	Actual 58.9%

At the end of May, Council was fully compliant with these ratios.

The only caveat on the above ratios is that operating revenue currently is distorted due to the Waka Kotahi emergency repairs subsidy Council is receiving, making the debt to revenue ratio look

much better than if you excluded this one-off revenue stream (\$20.1m, which would make the BAU debt to revenue ratio 87.0% which is still compliant).

OCR Rate forecasts

On 22 May 2024 the Reserve Bank held its Official Cash Rate (OCR) at 5.5%. In its update the RNZ stated *“The welcome decline in inflation in part reflects lower inflation for goods and services imported into New Zealand. Globally, consumer price inflation has declined from 30-year highs in many advanced economies. However, services inflation is receding slowly, and expected policy interest rate cuts continue to be delayed.”*

Most banks are now forecasting the cutting cycle to not start until 2025. This week saw the Canadian Reserve Bank (“BoC”), the European Central Bank (“ECB”), and the Danish Central Bank all start their interest rate cutting cycle.

This view is consistent with the yield curve graphs shown in an earlier section of the paper. While short dated debt in New Zealand is closely linked to the OCR, much of New Zealand’s longer dated debt is funded offshore and follows more closely to those markets which are ahead of New Zealand in the downward interest rate cycle.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to provide quarterly updates on Treasury Management.

RECOMMENDATION

That the report be noted.

6.6 EMISSIONS TRADING SCHEME UPDATE

File Number:

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Doug Tate, Chief Executive

Attachments: 1. Draft Carbon Credit Policy

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this report is to provide an overview and update on how the Council participates in the Emissions Trading Scheme (ETS), and how we protect itself from fluctuating carbon credit prices. It also outlines the next steps proposed to continue to lift Council's maturity in the management of the scheme.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

The NZ ETS is one of the Government's tools for reducing greenhouse gas emissions. Its purpose is to help meet international obligations under the Paris Agreement, and the 2050 target and emissions budgets for New Zealand.

The Emissions Trading Scheme is a tool for sending price signals to producers, consumers and investors. It puts a price on emissions, by charging certain sectors of the economy for the greenhouse gases they emit.

In New Zealand, it covers the following sectors:

- Liquid fossil fuels, (mainly petrol, diesel and aviation fuel used in domestic transport)
- Stationary energy, (mainly fossil fuels used for heat and electricity generation)
- Industrial processes (such as making steel, or aluminium)
- Waste (operating landfills)
- Synthetic gases (fluorinated gases used as refrigerants or in electrical switchgear)
- Forestry.

These industries must measure and report on their greenhouse gas emissions and surrender a tradeable return to the government an 'emissions unit' (known as NZUs) for each one tonne of emissions they emit. These NZUs can be bought and sold by participants in the scheme.

The price of New Zealand emissions units (NZUs) in the New Zealand Emissions Trading Scheme (NZ ETS) market is based on supply and demand.

DISCUSSION

The discussion below provides an update on how the scheme works and what cover Council is currently holding.

CHBDC, by virtue of operating a Landfill is required to be in the ETS scheme. Landfill waste generates greenhouse gas emissions (mainly methane) as the waste breaks down.

Each month CHBDC has to complete a ETS return disclosing what volume of waste has been sent to landfill (based on our weighbridge reporting).

CHBDC, as it doesn't have a methane capture system, is required to surrender 1.023 carbon credits for every tonne of waste.

Below is a portion of the 2023 return showing that CHBDC took in 12,660 tonne of waste and had to surrender 12,951 carbon credits (NZU's) in May 2024 for the 2023 calendar year.

Only approximately 30% of this volume comes from Council's kerbside collection or the transfer stations. Over 50% of the volume comes from Tararua District Council, and the balance comes from commercial activity.

Emissions from operating a disposal facility

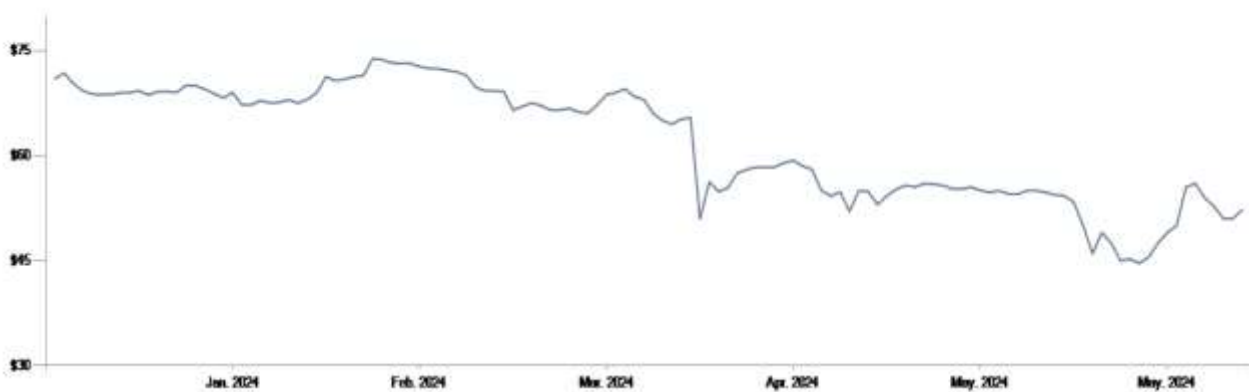
Disposal facility	Class	Waste entering the site (A) (tonnes)	Waste diverted (B) (tonnes)	Emissions factor (C)	Emissions (tonnes CO ₂ e)
Central Hawke's	All waste	12660	0	1.023	12951.18
Bay District Landfill					

CHBDC builds into its solid waste fees and charges three components – the operational cost of running a landfill and transfer station, the assumed carbon credit surrender required, and a waste minimisation levy payable to the Ministry for the Environment.

The issue is that the fee and charge is collected throughout a calendar year, but the carbon credit surrender doesn't happen until five months after the calendar year has finished. How does Council forecast the carbon price and collect the right amount at the gate when the actual surrender doesn't happen for up to 24 months later and the carbon price is volatile (see graph below showing the price over the last 9 months)?

By way of example Council recently set the fees and charges for the 2024/2025 financial year (covering the period July 2024 to June 2025) in May 2024. This covers two ETS periods – the 2024 calendar year and the 2025 calendar year. The volumes being received into Councils between January 2025 to June 2025 (the back half of the fee and charge period) will be part of the 2025 ETS return being settled in May 2026 – a complete two years after the fee and charge is set. The fee and charge schedule includes the fee for transfer stations, rubbish bags, commercial waste, and out of town waste.

Price History



Over the past two years the price rose from \$45 per credit to over \$80 per credit, and now they have fallen again to \$52 a credit on the spot market (the forward contract prices are slightly higher 2026 \$58, 2027 \$61).

Part of the reason for the volatility is the market reacting to the Climate Change Commission Report's recommendations to the Government on future policy changes to the ETS scheme, and then the ultimate policy changes being a watered-down version of the recommendations.

To create certainty over pricing for both Council, Commercial Users, and Tararua District Council, Council enters into forward exchange contracts to lock in pricing to enable it to set accurate gate fees based on volume assumptions.

This removes Council's exposure to price volatility and can be beneficial to the ratepayer in a rising market. It also locks in a price without having to physically pay for the credits until the month before the surrender is due to occur by which time the gate fee has been collected.

However, in the past nine months the price has been falling and means that Council's gate fee has needed to be higher than if it was buy the credits at today's spot price.

Council's current Carbon Credit Position is:

	Units	Historical Unit Price	Dollars
Owns	2,129	\$82.33	\$175,284

In addition to the table above Council also has the following future dated forward contracts:

Forward Contract for 2024	Units	Forward Unit Price	Dollars
14/05/2025	7,500	\$78.45	\$588,375
14/05/2025	4,000	\$73.89	\$295,560
14/05/2025	1,000	\$55.55	\$55,550
Subtotal	12,500	\$75.16	\$939,485

Forward Contract for 2025	Units	Forward Unit Price	Dollars
14/05/2026	7,500	\$77.34	\$580,050
14/05/2026	5,000	\$58.52	\$292,600
Subtotal	12,500	\$69.81	\$872,650

Forward Contract for 2026	Units	Forward Unit Price	Dollars
14/05/2027	3,000	\$81.49	\$244,470
14/05/2027	9,500	\$61.59	\$585,105
Subtotal	12,500	\$66.37	\$829,575

Council Officers continue to work with Westpac and Jarden to review its carbon positions to attempt to hold two years of forward credits, and to buy in the market dips as they present themselves.

As can be seen from the number of the transactions and different price points, Council Officers have been using Dollar-Cost Averaging. Dollar-cost averaging involves purchasing carbon credits

at regular intervals over a period of time. By using dollar-cost averaging, investors may lower their average cost per credit and reduce the impact of volatility on their carbon portfolios.

Council's [Treasury Management Policy](#) contains a small section on the ETS that states: *"The objective of the ETS carbon credit policy is to minimise the financial impact of carbon price movements on Council's forward carbon liability. The objective requires balancing Council's need for price stability with the benefit of realising market opportunities to reduce costs as they arise. ETS is risk managed on a case-by-case basis, with any strategy approved by the CE."*

A draft "ETS Carbon credit policy" that was tabled in February 2022 at the Finance and Infrastructure Committee, which is attached for reference. Despite the policy not formally being adopted at the time, it reflects current practice in how officers are actively managing this liability.

Having considered the information request of the Risk and Assurance Committee, it is Officers recommendation this this body of policy work is picked up again and included in the work programme for the Committee. The Committee may wish to give feedback on the policy in this meeting, however Officers recommend that they seek advice on the draft policy and bring this back to the Committee for their consideration later this calendar year.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to monitor legislation changes and market movements to ensure that CHBDC is not exposed to unforeseen costs in regard to the ETS scheme.

Officers will take any feedback provided on the draft Carbon Credit Policy, along with seeking external advice, and include the policy update in the Committees work programme in the remaining calendar year.

RECOMMENDATION

That the report be noted.

6.7 INSURANCE STRATEGY UPDATE

File Number:

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Doug Tate, Chief Executive

Attachments: 1. Draft Insurance Strategy [↓](#)

PURPOSE

The matter for consideration by the Council is the development of its Insurance Strategy and forward work program.

RECOMMENDATION

1. That the committee endorse proposed Insurance Strategy work program.

EXECUTIVE SUMMARY

Council is on a journey of insurance maturity from insurance being a transactional activity to insurance being strategic and planned risk management tool.

This paper considers the draft insurance strategy, the journey thus far, and what the planned program is going forward.

BACKGROUND

Risk and Assurance Committee received a Draft Insurance Strategy in December 2023 for consideration and comment – attached for reference.

The aim of the strategy is to become more mature and strategic in Councils insurance buying and move from transactional based insurance placement to being strategy and risk-based insurance placement.

DISCUSSION

Insurance in its most simplistic function is a tool for transferring risk from one party to another for a fee.

Historically Council simply produced a list of Council owned assets and asked a broker to provide a quote for their insurance. It was very transactional.

Over time both the insurance market itself, and Councils, have matured in their risk settings.

Post Christchurch Earthquakes, and Flooding from Cyclone Gabrielle, insurance brokers and insurance underwriters have begun limiting the risks they'll insure through the use of loss limits.

Premiums have been increasing at rates faster than inflation due in part due to the increasing risk as accessed by underwriters, and in part to increasing replacement values.

Insurance Journey to date:

In response our Council has developed a draft insurance strategy (attached) that has three strategic aims:

- Strategic aim 1: To maintain an adequate insurance reserve/catastrophic reserve to meet potential and contingent liabilities and to support the Council's insurance programme.

- **Strategic aim 2:** To maintain an insurance programme that provides the optimal balance between insurance and risk retention.
- **Strategic aim 3:** To maintain appropriate operational policies for the handling of insurance claims, recharging to services and presentation of risks to insurers.

While the policy hasn't been formally adopted, Council has been on a journey over a number of years improving how it places insurance to achieve these aims, just without having them formally listed in a policy.

For example, in order to reduce premiums, the level of detail Council provides to the underwriters has increased over time. For example, in the schedules that Officers provide to underwriters includes details about each buildings age, construction materials, whether sprinklers and fire alarms are present, and percentage of building code (if known).

Another tool being used by officers is that its buildings are being valued for "reinstatement under modern equivalent" basis rather than on a "like for like" basis. This means a historic community hall that was built using Rimu timber and 10-foot ceiling height it would be rebuilt using modern building materials and a standard 2.4m ceiling height.

Council also has formed buying consortiums with its neighbouring Councils. The Five Hawke's Bay Councils) buy their above ground infrastructure cover together, and the Manawatu/Whanganui District (MWLASS) and Hawke's Bay Councils buy their below ground infrastructure together. Likewise, they regularly (3 yearly) tender out the brokerage services they acquire their insurance through. This is all done to ensure the best value for money is achieved.

Another example is Council has undertaken a number of loss modelling exercises:

- 2022 – The Five Hawke's Bay Councils commissioned earthquake loss modelling for their above ground infrastructure cover.
- 2023 – The Manawatu/Whanganui District (MWLASS) and Hawke's Bay Five Councils commissioned earthquake loss modelling for their below ground infrastructure cover.

This work was undertaken for two reasons, firstly to inform the loss limits being imposed by the underwriters, and to ensure that Council wasn't buying insurance cover it was never going to need to call on.

Work still to be done

Another key pillar to the insurance strategy is self-insurance where the risk transfer is deemed appropriate to the premium savings. Remembering that an insurance premium is calculated by = rate per dollar of cover x value cover, and for every \$1m of reduction in value of cover the cost of insurance reduces by approximately \$2,500 in premium.

To achieve this the insurance strategy recommends that an insurance fund be established to fund any asset replacements damaged under a self-insurance scenario. This would operate in a manner similar to the catastrophic fund that roading operates to fund its share of the roading risk.

At this time, further analysis and consideration of the risks and trade-offs would need to be completed before Council considered to take on more self-insurance without such a fund being established.

Other Risk Mitigating arrangements

Council has a two primary existing risk sharing arrangements in place.

For roading Waka Kotahi provides a standard Funding Assistance Rate (FAR) of \$0.59 of every \$1.00 spent. This FAR increases to \$0.79 of every \$1.00 spent when Council is responding to a weather event that exceeds \$1m in damage and the weather event was greater than a 1 in 10-year event. This arrangement sees Council retaining a 21% self-insurance share of roading in most cases.

For other infrastructure classes the National Emergency Management Agency (NEMA) also provides some risk sharing for essential infrastructure (typically 3 Waters Assets). For above ground assets Councils must have comprehensive insurance, but the government will make a 60 % funding contribution towards the shortfall between an insurance cash settlement and the cost of the repair or rebuilding of any comprehensively insured eligible damaged asset. For below ground assets Councils must fund a minimum of 40% of the reinstatement (typically through insurance proceeds) and the government will cover the shortfall (limited to 60% of the repair). In both cases before the 60% becomes effective the repair bill has to exceed 0.0075% of the Council's capital value of its rating database – which for our Council is approximately \$681k.

Proposed Work Program

The table below sets out what insurance work has already been completed, and what work is proposed to be in the pipeline for the future. We propose to continue to undertake this work as a means to continue to lift our maturity.

At the same time, Officers are proposing that the need to finalise the Insurance Strategy is also a key priority to be the formal basis for the work programme. This will need to be a priority activity to lift our ongoing insurance maturity. The proposed programme is outlined below:

Objective	Work Completed	Future Workstream
<p>Finalise Insurance Strategy and Work programme.</p> <p>We have a structured and clear understanding of what we are seeking to achieve from insurance placement and have a programme to lift our insurance maturity.</p>	Draft Policy developed and received by the Committee.	Continue to refine the draft strategy and finalise the work programme for implementation and monitoring.
<p>Informed insurance purchasing.</p> <p>Insuring exposures where risk exceeds Council's risk appetite and the benefits exceed the costs, or where there is a contractual or legal requirement to insure.</p>	Ensure asset valuations are suitable for insurance purposes.	Explore options on Self-Insurance Fund. Development of asset selection processes and responsibilities to inform which assets to insure / self-insure.
<p>Reviewing and validating assumptions.</p> <p>Regularly reviewing and testing assumptions that underpin key decisions to ensure they remain valid and fit for purpose, e.g. asset valuations and loss modelling to inform policy limits.</p>	Earthquake modelling completed 2022/2023.	Undertake updated Natural Hazard Probable Loss Assessment post Cyclone and updated HBRC Flood modelling.
<p>Leveraging shared procurement.</p> <p>Continue leveraging Council's membership with HBLASS/MWLASS to take advantage of shared group procurement.</p>	Hawke's Bay five Councils/MWLASS leveraged to achieve shared purchasing benefits.	Continue to explore and leverage shared purchasing benefits.
<p>Forging strong, long-term relationships.</p> <p>Continue building strong, long term relationships with broker and local and global insurers.</p>	Aon reappointed following competitive tender for insurance broking services.	Continue to work closely with broker to improve and communicate risk profile to insurers.
<p>Lifting risk maturity.</p> <p>Focusing resource and attention on lifting Council's risk management maturity to respond</p>	Enterprise Risk Management framework and processes developed and implemented.	Continue to work with all stakeholders to embed risk management into strategy, planning and daily decision

Objective	Work Completed	Future Workstream
to potential limitation of insurance coverage in some markets as well as differentiating Council as a good investment for insurers.		making. Undertake further risk retention analysis.
Regular monitoring of changes. Regular monitoring and review changes to both the internal and external environment, and adapting the strategy to impacts of the changes, e.g. insurance market dynamic, central government funding, local water done well reform.	Insurable Risk Profiling exercise undertaken 2021.	Implement first formally documented insurance strategy. Monitor the local water done well reform. Refresh Insurable Risk Profile. Continue proactive risk management activities.
Insurer Selection. Continue implementing an insurer selection methodology having regard to financial strength, diversification and levels of market competition.	Continue to work closely with broker to extract sustainable value from insurance markets.	Continue to work closely with broker to improve and communicate risk profile to insurers.

RISK ASSESSMENT AND MITIGATION

Insurance is all about risk transfer. As Council's risk maturity and risk appetite is developed, it provides Council the opportunity to consider how it better manages insurance risk.

FOUR WELLBEINGS

Insurance is one tool that Council uses to ensure that it is able to recover from natural disasters and continue to provide lifelines to its community. This tool comes at a cost and Council must continue to balance cost versus reward in all its insurance procurement decisions.

DELEGATIONS OR AUTHORITY

This report has come to the Risk and Assurance Committee as the owner of risk management for Council. Insurance is a key part of this risk management.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed of moderate significance.

OPTIONS ANALYSIS

Two potential options for the committee are:

1. Endorse the Proposed Work Program.
2. Recommend and identify changes to the proposed work program and ask for it to be brought back to a later meeting.
3. Reject the Draft Insurance Strategy and Proposed Work Program and ask for further work to be done on this topic.

Recommended Option

This report recommends option number one, endorse the Proposed Work Program for addressing the matter.

NEXT STEPS

Based on feedback, Officers will continue to work with AON and other partners to refine and deliver the proposed work program.

RECOMMENDATION

1. **That the committee endorse proposed Insurance Strategy work program.**

6.8 ELECTED MEMBERS PECUNIARY INTERESTS REGISTER UPDATE

File Number:

Author: Annelie Roets, Governance Lead

Authoriser: Doug Tate, Chief Executive

Attachments: 1. **Elected Members' Declared Conflict of Interest - February 2024** [↓](#)

PURPOSE

The purpose of this report is to provide and to receive the latest summary of interests from Council's appointed Registrar.

RECOMMENDATION

1. **That the report is noted.**
2. **That the Committee receive the February 2024 Summary of Elected Members Pecuniary Interests, noting that there are no matters of materiality identified by the Registrar.**

BACKGROUND

The Local Government (Pecuniary Interest Register) Amendment Act 2002 (2022 No 24) (attached) came into effect on 20 November 2022 and subsequently increases the requirements for members to disclose potential pecuniary interests.

A local authority must keep a register of the pecuniary interest of members of the local authority members who have been elected under the Local Government Act 2001 and Local Electoral Act 2001 who are part of the local authority.

The purpose of the register of members' pecuniary interests is to record members' interests so as to provide further transparency and to strengthen public trust and confidence in local government processes and decision-making, by keeping and making publicly available, information about member's pecuniary interests. The Amendment Act provides four main new obligations for councils:

- Keep a register of members' pecuniary interests.
- Appoint a registrar to compile and maintain the register.
- Make a summary of the information contained in the register publicly available.
- Ensure that information contained in the register is only used in accordance with the purpose of the register and is retained for seven years after the date on which a member provides the information.

The legislation further strengthens and lifts the extent of transparency of potential interests, and is also separate to and does not replace the obligations members have under the Local Authorities (Members Interests) Act 1968, which remains in force.

This report seeks to formally present the summary of the information, having been received and collated by the Registrar.

DISCUSSION

The legislation requires that a register contain all pecuniary interests returned and filed by elected members and any corrections made by them. These requirements do not apply to appointed members of Council committees, only to the elected members. Elected members need to disclose in their returns:

- information relating to the elected member's position – as a business owner, employee, trustee, etc; and
- information relating to the elected members' activities – as recipients of gifts or payments.

The Local Government Act 2002 (LGA) sections 54C, 54E and 54F prescribe when the *pecuniary interest return* must be submitted, what period it is to cover, and what it must contain.

- Members must make the pecuniary interest return by the day that is 120 days after the date on which the member comes into office under section 115 of the Local Electoral Act 2001 and
- The last day of February in each subsequent year.

The requirement to comply with these provisions falls completely to the Elected Member, and there is yet to be further guidance provided by the Office of the Auditor General on responsibilities relating to where the responsibility falls to report members who do not comply with the requirements of the legislation.

Managing Privacy Risks

Council has obligations under the Privacy Act 2020 to keep the information disclosed private that is otherwise not required to be proactively released. The only exception to this, is if members of the public are unsatisfied that sufficient detail has been disclosed in the Registrars summary, then the public can under LGOIMA seek further information. This again, however, is a decision of the Registrar and would be on a case-by-case basis.

The Registrar also has obligations to maintain privacy principles and those of the people elected members may disclose in their return form. This means that the private information is not accessible across the organisation and is held by the Registrar. As a Council, we also have existing Privacy measures in place under legislation including a Privacy Officer to support this.

Summary of Information

A requirement of the registrar is to provide a summary of the information, which must be made publicly available. In accordance with the legislation, the summary is available on the Council's website ([here](#)) and as a hard copy at the Customer Services office for viewing.

In compiling the summary, the Registrar did not identify any matters of concern that have required further clarification or action. The summary was to be presented at the Committee's March meeting but postponed to today's meeting. It is now presented at this meeting for the Committees receipt and formal acknowledgement that no material matters were identified by the Registrar.

RISK ASSESSMENT AND MITIGATION

Non-compliance, by elected members, with the legislated requirements is an offence under the Act and is punishable by a fine. There are no other substantial risks from this decision required.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed and this legislated obligation for Council which does not require consultation.

RECOMMENDATION

1. That the report is noted.
2. That the Committee receive the February 2024 Summary of Elected Members Pecuniary Interests, noting that there are no matters of materiality identified by the Registrar.

6.9 ASSURANCE MONITORING OF THE MAYORAL FUND

File Number:

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Doug Tate, Chief Executive

Attachments: Nil

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this report is to transparently detail discretionary expenditure made through the Mayoral Fund for the year.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Each year Council provides the Mayoral Fund \$5,000 for the mayor to use at her discretion.

The fund is governed by the following rules:

- To provide for payments to worthy individuals or groups at the sole discretion of the mayor.
- Income for this fund comes from public donations, and if required, an allocation of interest from Special Fund Investments.
- The balance of the Fund will be maintained at a minimum of \$5,000 as at each 30 June milestone.
- The Mayor will report to Council on a 6-monthly basis on expenditure from this Fund.

It is important to note that this fund is distinct to the “Mayoral Relief Fund” that Council operated post Cyclone Gabrielle. This fund was established from 20 February 2023 and operated until 31 August 2023 when the fund was formally closed. Over the life of this fund, it received and distributed over \$609,000 of funds, where applications for assistance were overseen by four of the Councillors.

There was a small residual amount remaining and some late donations to this fund which the mayor is distributing on an ad hoc basis. At the time of writing there was \$16,208 remaining available for distribution and no allocations made in the period.

DISCUSSION

During the 2023-2024 year the following payments have been made through the Mayoral Fund:

CHB Ross Shield Sponsorship	\$500
CHB Vintage Car Club	\$500
Young Shakespeare Company	\$1,000
Ruahine Cadet Quiz	\$500
David Downs Breakfast	\$336

All payments are consistent with the policy governing this fund.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to track and monitor expenditure and report this to this committee.

RECOMMENDATION

That the report be noted.

6.10 ELECTED MEMBERS EXPENSES FOR 1 FEBRUARY 2024 - 30 APRIL 2024

File Number: COU1-1410
Author: Brent Chamberlain, Chief Financial Officer
Authoriser: Doug Tate, Chief Executive
Attachments: Nil

PURPOSE

The purpose of this report is to update the Committee on the Elected Members' Expenses for the three months covering the period from 1 February 2024 to 30 April 2024.

RECOMMENDATION

That the Elected Members Expenses for 1 April 2024 to 30 April 2024 report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

For the sake of transparency, the table below shows the elected members' expenses for the past three months. The expenses included in the totals below are mileage reimbursement, car expenses, data charges, phone costs, travel, meeting and professional development expenses including accommodation and any meals.

In the below table is the Elected Member Expenses for the period 1 February 2024 – 30 April 2024.

	Mileage, Travel, & Accommodation Expenses	Conferences, Meetings & Training	Phone/Data	Period Total	Year to Date Total
Mayor Alex Walker	\$686.61	\$2,646.09	\$175.64	\$3,508.33	\$6,647.12
Cr Kelly Annand	\$239.04	-	-	\$239.04	\$1,347.19
Cr Tim Aitken	-	\$760.87	-	\$760.87	\$1,763.02
Cr Jerry Greer	-	-	-	-	\$679.25
Cr Gerard Minehan	\$95.00	\$760.87	-	\$855.87	\$2,125.02
Cr Brent Muggeridge	-	-	-	-	\$679.25
Cr Kate Taylor	\$2,002.16	\$2,422.18	-	\$4,424.33	\$7,551.66
Cr Exham Wichman	-	-	-	-	\$1,353.29
Cr Pip Burne	-	\$760.87	-	\$760.87	\$4,550.41
Total	\$3,022.80	\$7,350.87	\$175.64	\$10,549.31	\$30,204.54

Training/Conferences attended during this period include LGNZ (Local Government New Zealand), Institute of Directors (Leadership in the Boardroom), Zone 3 (Zone 3 Council Networking Forum).

During this period, as per Schedule 7 of the Local Government Act 2002 and the Local Government Members (2023-2024) (Local Authorities) Determination 2023, a vehicle has been provided to the Mayor for restricted private use.

As per the Determination, Restricted Private Use means—

- the vehicle is usually driven home and securely parked by the mayor or regional chairperson; and
- the vehicle is otherwise generally available for use by other local authority members or staff on local authority business; and
- the vehicle is used solely for local authority business; and
- all travel in the vehicle is recorded via GPS tracker.

The [Elected Member Remuneration and Expenses Policy](#) forms the basis of how expenses are assessed.

Any claims received are reviewed by the Governance Lead, before being provided to the Chief Executive and Mayor for review. In the case of the Mayor, these are reviewed by the Governance Lead and Chief Executive Officer, before being presented to the Chair of the Risk and Assurance Committee for approval.

Such expenditure is usually carefully reviewed by Audit at year end and overall, this organisation has taken a very conservative approach to expenses claimed, in relation to other Councils across New Zealand.

FINANCIAL AND RESOURCING IMPLICATIONS

There are no financial or resourcing implications included in this report. These costs are covered within existing budgets.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the Elected Members Expenses for 1 April 2024 to 30 April 2024 report be noted.

7 DATE OF NEXT MEETING

RECOMMENDATION

THAT THE NEXT MEETING OF THE RISK & ASSURANCE COMMITTEE BE HELD ON 8 AUGUST 2024.

8 PUBLIC EXCLUDED

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
8.1 – Emerging Risks and Issues - Forum Discussion	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
8.2 – Central Hawke's Bay District Council Cyclone Gabrielle - Local Review Outcomes	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
Error! Bookmark not defined.8.3 – Active Legal File - Assurance Review	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

	<p>interest</p> <p>s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority</p> <p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</p>	
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9 TIME OF CLOSURE