

**MINUTES OF CENTRAL HAWKE'S BAY DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON TUESDAY, 15 OCTOBER 2024 AT 9.30AM**

UNCONFIRMED

PRESENT: Chair Andrew Gibbs
Deputy Chair Tim Aitken
Mayor Alex Walker
Cr Pip Burne
Independent Member Mike Timmer

IN ATTENDANCE: Doug Tate (Chief Executive)
Nicola Bousfield (Group Manager People and Business Enablement)
Brent Chamberlain (Chief Financial Officer)
Dennise Elers (Group Manager Community Partnerships)
Dylan Muggerridge (Group Manager Strategic Planning & Development)
Mark Kinvig (Group Manager Community Infrastructure and Development)

Jane Budge (Strategic Governance Manager)
Stuart Mutch (Auditor, Ernst Young)
Annelie Roets (Governance Lead)

1 WELCOME/ KARAKIA / NOTICES

The Chair, Andrew Gibbs welcomed everyone to the meeting and Mayor Alex Walker opened with a karakia.

2 APOLOGIES

There were no apologies received.

3 DECLARATIONS OF CONFLICTS OF INTEREST

There were no Declarations of Conflict of Interest received.

4 STANDING ORDERS

COMMITTEE RESOLUTION: 24.33

Moved: Deputy Chair Tim Aitken
Seconded: Independent Member Mike Timmer

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

COMMITTEE RESOLUTION: 24.34

Moved: Mayor Alex Walker

Seconded: Cr Pip Burne

That the minutes of the Risk and Assurance Committee Meeting held on 8 August 2024 as circulated, be confirmed as true and correct.

CARRIED

6 REPORT SECTION

6.1 RESOLUTION AND ACTION 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.

COMMITTEE RESOLUTION: 24.35

Moved: Cr Pip Burne

Seconded: Deputy Chair Tim Aitken

That the report be noted.

CARRIED

The report was presented by Doug Tate and accepted as read.

- An update on the insurance renewal will be provided later today, and it is included as an agenda item.
- There remains a substantial body of work to complete regarding the Council's broader occurrence strategy.
- The Audit Charter: The chair's note on the Audit Charter has been received. Additional discussions with the Executive Leadership Team will take place, with a report back to the committee scheduled for the December Risk & Assurance Committee meeting. Progress is being made internally.
- The review of the Treasury Management Policy will be addressed later today.
- Updates on the Risk Status Report will also be presented later in the meeting.

6.2 DRAFT ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024

PURPOSE

The matter for consideration by the Council is to receive the Draft Annual Report for the Year Ended 30 June 2024.

RECOMMENDATION

1. **That the Risk and Assurance Committee receive the report entitled “Draft Annual Report for the Year Ended 30 June 2024”.**
2. **That, upon receiving the Draft Annual Report and hearing assurances from Ernst Young, they endorse the Draft Annual Report and recommend it to Council for adoption once the audit is complete and final adjustments have been made.**

The report was introduced by Brent Chamberlain and Stuart Mutch with discussions noting:

- The draft annual report for the year ending June 2024 was presented, highlighting the roading recovery post-Cyclone Gabriel and the revaluation of several asset classes (roads, buildings, land, and 3 Waters assets).
- Business-as-usual results align with quarterly reports, showing the council's performance is influenced by current economic conditions in New Zealand.
- A non-cash revaluation gain of \$49.3 million was recorded, reflecting anticipated future asset replacement costs and impacting the council's insurance program.
- Total non-current assets include the revaluation gain, while non-current liabilities reflect the council's debt position.
- Debt increased by \$2 million, primarily due to forward contracts for carbon credits and landfill aftercare provisions
- The draft annual report for the year ending June 2024 was presented. The financial statements are influenced by the roading recovery post-Cyclone Gabriel, and the council has revalued several asset classes (i.e roads, buildings, land and 3 Waters assets) and also considered what roading assets have become unimpaired.
- The business as usual results are consistent with the quarterly reports that have been presented to council throughout the year and shows that council are heavily influenced by the economic conditions NZ are facing at the moment.
- Council has booked a \$49.3m revaluation gain for the year. This is non-cash and simply reflects the increased cost Council will expect in the future to replace its assets as they wear out, and impacts Council's insurance programme.
- The value of the Total non-current assets reflects the \$49m revaluation gain and Non-current liabilities reflect council's debt position.
- The debt position has grown by \$2m over the year and the balance of this number is made of its forward contracts for the likes of carbon credits and provision for aftercare for the landfill upon closure.

Stuart Mutch provided an update on the audit process, noting that it is largely complete and focused on ensuring consistency throughout the document.

- **Bad Debts and Investments:** The committee discussed the provision for doubtful debts, the impact of economic conditions on financial statements, and the revaluation of assets.
- **Depreciation and Loan Funding:** The council's approach to funding renewals through loans rather than rating for depreciation was discussed. It was noted that while this is sustainable in the short term, a shift back to rating for renewals will be necessary in the future.
- **Valuation Costs:** The cost of revaluing assets, which is done by third-party valuers, was

discussed. This year, the cost was approximately \$60,000 to \$70,000.

- Financial Costs and Loan Repayments: The financial costs related to interest and principal repayments on loans were discussed. It was suggested that the cost of both interest and principal should be clearly communicated in the financial statements.
- Summary Financial Statements: There was a discussion on the importance of having clear and concise summary financial statements that highlight business as usual versus recovery activities. It was agreed that this would help readers better understand the council's financial position.

Actions:

- Bad Debts Management – Provide a detailed breakdown of bad debts and the policy for managing them going forward.
- Depreciation Funding – Discuss and consider the implications of fully rating for depreciation and the potential rate increases required.
- Annual Report Draft – Review and correct any errors, including spelling mistakes and incorrect numbers, in the draft annual report.
- Loan Repayment Information – Include information on both interest and principal repayments in the front section of the financial report to show the total cost of loans
- Benchmarking – Share examples from other councils, like Hastings, on how they present business as usual versus surge activity in their reports.
- Narrative tightening – Tighten and clarify the narrative in the annual report to clearly explain recovery, business as usual, and activity challenges.

The recommendation was left on the table to enable the committee to discuss feedback received on the annual report from Ernst Young in Public Excluded business.

COMMITTEE RESOLUTION: 24.36

Moved: Mayor Alex Walker

Seconded: Cr Pip Burne

That Council moves into Public Excluded business at 10.13am.

CARRIED

COMMITTEE RESOLUTION: 24.37

Moved: Deputy Chair Tim Aitken

Seconded: Cr Pip Burne

That Council moves out of Public Excluded business at 10.44am.

CARRIED

The meeting adjourned for morning tea at 10.44am and reconvened at 11.25.

Following morning tea break, the committee resumed with Item 6.2 Draft Annual Report for the Year ended 30 June 2024 and the recommendations were put forward:

6.2 DRAFT ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024

COMMITTEE RESOLUTION: 24.38

Moved: Mr Mike Timmer

Seconded: Deputy Chair Tim Aitken

1. **That the Risk and Assurance Committee receive the report entitled “Draft Annual Report for the Year Ended 30 June 2024”.**
2. **That, upon receiving the Draft Annual Report and hearing assurances from Ernst Young, they endorse the Draft Annual Report and recommend it to Council for adoption once the audit is complete and final adjustments have been made.**

CARRIED

Following morning tea, the Committee returned to this agenda item in open council business and the recommendations were put and accepted.

- Notes that amendments will be noted in the report before adoption on 31 Oct 2024 council meeting.

6.3 TREASURY MANAGEMENT MONITORING REPORT

PURPOSE

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

COMMITTEE RESOLUTION: 24.39

Moved: Mayor Alex Walker

Seconded: Independent Member Mike Timmer

That the Risk and Assurance Committee notes the Treasury Management Monitoring Report.

CARRIED

The report was introduced by Brent Chamberlain which was taken as read and highlighted council's cash position, debt, and interest rate swaps, noting compliance with various ratios and providing an economic update.

- As at 30 September 2024, Council was holding \$13,5m in funds on call (\$6.8m from 30 June 2024).
- Since year end, Council has drawn a further \$4m in debt, bringing council debt to \$48m.
- Council has also entered into \$20m of new fixed rate interest rate swaps and most of these are not active until later financial years.
- Interest Rate Strategy: The Committee discussed the strategy around borrowing and interest rates, including the potential for prefunding and the need for a forward-looking treasury strategy document.

Actions:

- Arrange a meeting with Bancorp for the December meeting to discuss council's treasury strategies and future considerations.
- Treasury Strategy Documentation: Document the treasury strategy, including debt maturities,

capital expenditure, and hedging strategies, and present it to the committee.

6.4 HEALTH AND SAFETY REPORT: 1 AUGUST - 30 SEPTEMBER 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 August - 30 September 2024.

COMMITTEE RESOLUTION: 24.40

Moved: Cr Pip Burne

Seconded: Mayor Alex Walker

That the Risk and Assurance Committee notes the Health and Safety Report: 1 August – 30 September 2024.

CARRIED

The report was introduced by Adrienne Martin which was taken as read but highlighted the development of critical risk standards, contractor incident frequency rates, and the establishment of a wellbeing subcommittee.

- Contractor Incident Reporting – Concerns were raised about the accuracy of contractor incident reporting, with plans to discuss this with suppliers and improve reporting culture.
- Vulnerable Children and Staff Safety – A suggestion was made to explore the impact of interactions with vulnerable children and young adults on council staff, ensuring proper reporting and support processes.
- Gap Analysis Report – The status of the gap analysis report was discussed, with a commitment to provide an update on the progress of actions recommended in the 2021 report.
- Critical Risk Training – The importance of training staff to handle critical risks, such as confrontations and driving safety, was emphasised, with a focus on ensuring proper training and monitoring outcomes.

Actions:

- H&S Reporting: Provide a full incident report with recommendations for the contractor incident involving a trailer fire.
- Critical Risk Standards: Organise a discussion with contractors in December to address health and safety culture and reporting issues.
- Vulnerable Children Interaction: Explore and develop processes to support staff interacting with vulnerable children and young adults, ensuring they know how to report and escalate issues.
- Gap Analysis Report: Provide an update on the status of the gap analysis report, including completed actions and ongoing monitoring.

6.5 INSURANCE STRATEGY AND PLACEMENT UPDATE

PURPOSE

This report provides on the development of the Council's Insurance Strategy and its annual insurance placement.

COMMITTEE RESOLUTION: 24.41

Moved: Mayor Alex Walker

Seconded: Cr Pip Burne

That the report be noted.

CARRIED

Brent Chamberlain provided an update on the insurance strategy, including the need to review caps on insurance policies and undertake loss modelling to determine financial headroom for natural disasters.

6.6 UPDATE ON RISK AND ASSURANCE WORK PROGRAMME: 2024 - 2025

PURPOSE

The purpose of the report is to receive an update on the Risk and Assurance Committee work programme for the remainder of 2024 and into early 2025.

COMMITTEE RESOLUTION: 24.42

Moved: Cr Pip Burne

Seconded: Mayor Alex Walker

That the Risk and Assurance Committee receives an update on its 2024 Work Programme.

CARRIED

The work programme update was presented by Doug Tate, highlighting the structured approach and the need to keep track of progress on various items, including legal compliance and internal audit.

6.7 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.

COMMITTEE RESOLUTION: 24.43

Moved: Cr Pip Burne

Seconded: Independent Member Mike Timmer

That the Risk Status Report be noted.

CARRIED

Nicola Bousfield introduced the report with discussions noting:

- The risk status report was reviewed, with updates on various risks, including community response to natural disasters, IT business operating systems, and critical asset failures.

Action:

- Emerging Risks Register: Develop and maintain an emerging risks register to monitor potential future risks such as solar storms and pandemics.

7 DATE OF NEXT MEETING

RECOMMENDATION

That the next meeting of the Risk & Assurance Committee meeting be held on 4 December 2024.

The date of the next meeting will be confirmed with the Committee members, as the Chair may have a conflict for the meeting on 4 December 2024.

8 PUBLIC EXCLUDED

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION: 24.44

Moved: Cr Pip Burne
 Seconded: Deputy Chair Tim Aitken

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 - Ernst Young Management Report - Audit Findings</p> | <p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>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 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>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> |

| | | |
|--|---|---|
| <p>8.2 - 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

COMMITTEE RESOLUTION: 24.45

Moved: Cr Pip Burne
 Seconded: Deputy Chair Tim Aitken

That Council moves into Public Excluded business at 12.34pm.

CARRIED

COMMITTEE RESOLUTION: 24.46

Moved: Mr Mike Timmer
 Seconded: Cr Pip Burne

That Council moves into Public Excluded business at 1.29pm.

CARRIED

9 TIME OF CLOSURE

The Meeting closed at 1.29pm.

The minutes of this meeting will be confirmed at the next Risk & Assurance Committee meeting to be held on 4 December 2024.

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CHAIRPERSON