

**MINUTES OF WESTERN BAY OF PLENTY DISTRICT COUNCIL  
AUDIT, RISK AND FINANCE COMMITTEE MEETING NO. ARF23-2  
HELD IN THE COUNCIL CHAMBERS, 1484 CAMERON ROAD, TAURANGA  
ON TUESDAY, 23 MAY 2023 AT 12.30PM**

## **1 PRESENT**

Cr M Grainger (Chairperson), Cr T Coxhead, Cr R Crawford, Cr G Dally, Mayor J Denyer, Cr A Henry, Cr R Joyce, Cr M Murray-Benge, Deputy Mayor J Scrimgeour, Cr A Sole, Cr D Thwaites, and Cr A Wichers.

## **2 IN ATTENDANCE**

G Allis (Deputy CEO/General Manager Infrastructure Group), R Davies (General manager Strategy and Community), A Henderson (General Manager Corporate Services), G Golding (Governance Manager), A Ali (Chief Financial Officer), S Bedford (Finance Manager), E Bernard (Risk and Assurance Manager), J Jury (Financial Analyst), D Crowe (Head of People and Capability), C Boyle (Health Safety and Wellbeing Lead), R Gilligan (Technical Operations Team Lead), H Wi Repa (Governance Technical Support), J Osborne (Governance Administrator) and C Irvin (Senior Governance Advisor).

## **VIA ZOOM**

J Holyoake (Chief Executive Officer), A Curtis (General Manager Regulatory Services) and S Henderson (Independent Member Audit Risk and Finance Committee).

## **OTHERS IN ATTENDANCE**

Bancorp

Ross Woodfield (Client Advisor)

PWC

Phil Fisher (Partner, Financial Advisory Services)

## **3 APOLOGIES**

Nil

## **4 CONSIDERATION OF LATE ITEMS**

NIL

## **5 DECLARATIONS OF INTEREST**

## 6 PUBLIC EXCLUDED ITEMS

NIL

## 7 PUBLIC FORUM

NIL

## 8 PRESENTATIONS

### CHANGE TO ORDER OF BUSINESS

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The Chairperson requested that the next item of business be item: 9:2 'Tax Risk Governance Framework', to be followed with item: 8:1 'Bancorp Treasury Update and Presentation', in order for presenters to be released from the meeting.

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### RESOLUTION ARF23-2.1

Moved: Cr D Thwaites

Seconded: Deputy Mayor J Scrimgeour

That, in accordance with Standing Orders, the order of business be changed as follows in order for presenters to be released from the meeting:

1. Item 9:2 'Tax Risk Governance Framework'; and
2. Item 8:1 'Bancorp Treasury Update and Presentation'.

**CARRIED**

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### 8.1 TAX RISK GOVERNANCE FRAMEWORK

The Committee considered a report dated 23 May 2023 from the Chief Financial Officer who took the report as read.

Mr Phil Fisher (Partner, Financial Advisory Services, PwC) spoke to a PowerPoint presentation summarising the following points:

#### Western Bay of Plenty District Council (WBOPDC) Annual Tax Update:

- Introduction;
  - WBOPDC Tax Figures;
  - Proposed Tax Management Strategy;
  - Tax Advice Provided During the Strategy;
  - Recent Tax Developments Relevant to Council;
  - Tax Developments in the Local Government Sector;
  - Final Word; and
  - Appendix One: 'Inland Revenue is expecting more from your tax governance'.
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The presenter and staff responded to questions as follows:

- The Mayoral Relief Fund was not confined to weather events but also covered funding that would fall within the parameters of what would be considered a charitable organisation/trust.
  - As a general rule of thumb when gathering personal information for funding purposes, the information could only be obtained when needed and must then be destroyed.
  - Wellness allowances were generally not done on a regular basis so were a risk in terms of being a 'one-off'. Increasingly, organisations were using this as a means to attract and keep staff.
  - Contracts were difficult to manage at this time when resources were limited, and contracts kept getting rolled over. As such, the Finance Team needed to work closely with the People and Capability Team to ensure an overall understanding of contract tax regulations.
  - There was currently an awareness around possible adverse tax consequences regarding the Three Waters transition. At this point, GST legislation had not been updated to reflect and/or clarify some of the GST taxation. However, it was felt there would not be any tax leakage or risk in this sense. There needed to be awareness around when a staff member moved from Council to a water entity, where there may be tax considerations to be dealt with.
  - Pensioner housing GST was tricky because exemptions applied to different residential properties. It was important to choose the correct coding for any expenses incurred – whether it was activity or expense based, and to think about who was on the other side of the transaction – what the motivation was for the transaction and their GST status.
  - Local Authorities often did transactions that were quite complicated compared to other private sector businesses whose transactions were more standard in terms of tax.
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### **RESOLUTION ARF23-2.2**

Moved: Cr A Henry

Seconded: Cr R Crawford

1. That the Chief Financial Officer's report dated 23 May 2023 titled 'Tax Risk Governance Framework' be received.
2. That the presentation from Pricewaterhouse Coopers (PwC) dated 23 May 2023 be received.

**CARRIED**

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## **8.2 BANCORP TREASURY UPDATE AND PRESENTATION**

The Committee considered a report dated 23 May 2023 from the Chief Financial Officer who introduced Ross Woodfield (Client Advisor, Bancorp) who spoke to a PowerPoint presentation summarising the following points:

BANCORP Strategy Update:

- Global CPI Rates;
- New Zealand Inflation Breakdown;
- Risks for the New Zealand Economy;
- Bank Lending Growth flattens;
- Bank lending growth since the GFC – tilted to housing;
- Consumer indicators point to tough times;
- The local labour market remains strong;
- Future curves;
- BKBM forward curve;
- New Zealand Official Cash Rate, BKBM and Swap Rates;
- New Zealand Official Cash Rate, BKBM and Swap Rates – Long Term;
- Forward Swaps Grid;
- Forward Swaps Grid 24 February 2023 (last meeting); and
- Debt and cover.

The presenter responded to questions as follows:

- As the cash rate increased, more houses had fixed borrowing which produced more stress in the housing sector, resulting in mortgagee sales.
  - More and more people were applying to use some of their Kiwisaver money. There would be less money available for investment in New Zealand if people were saving less.
  - A 'normalized' interest rate would be a 'neutral' rate that was not 'stimulating' or 'contracting'.
  - The unemployment rate did not cover people on the job seeker benefit. The employment rate was good for looking at trends over time.
  - Rates arrears were an increasing concern for any council, however, not a huge problem just yet.
  - The growth in debt had increased by \$211 billion since the global financial crisis. The economy had been fuelled with debt over the last 15 years since GST. Incomes had not risen at the same rate as house prices and land, making servicing rising mortgage rates very difficult. However, this had gone hand in hand with money printing.
  - The debt rate recovery forecast had only just been updated and the information presented was received this week. A pragmatic approach had been taken to hedging.
  - Bancorp had applied a 70% apportionment on capital delivery spend projections because experience across the sector showed that by and large councils across the
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country would model with 60, 80 or 90% swap.

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### RESOLUTION ARF23-2.3

Moved: Cr D Thwaites

Seconded: Cr A Sole

1. That the Chief Financial Officers report dated 23 May 2023 titled 'Bancorp Treasury Update and Presentation' be received.
2. That the presentation from Bancorp Treasury dated 23 May 2023 be received.

**CARRIED**

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10:53am The meeting adjourned

11:09am The meeting reconvened

## 9 REPORTS

### 9.1 FINANCIAL PERFORMANCE UPDATE AS AT 31 MARCH 2023

The Committee considered a report dated 23 May 2023 from the Finance Manger.

The Chief Financial Officer Tabled Item 1: 'Updated Q3 Financial Report' and, along with the Finance Manager, spoke to the report, summarising the main points.

The Finance Manager responded to questions as follows:

- Council's Transportation Manager worked closely with the Finance Team regarding claiming for subsidies and grants from Waka Kotahi and that the timing was correct before end of year. Timing was important when working with Managers leading up to the End of Financial Year. The Finance Team was working with People and Capability in terms of timing, variance to rates and forecasts to year end.
  - The asset managers had forecast that the Ōmokoroa land purchase process would be underway and thought it would be something they could deliver on. Originally this would have been in the budget with the intention that there was something available, however, this was not the case.
  - Legal expenses were delegated to the activity for which they were used. Each account was activity-based in all its costs.
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### RESOLUTION ARF23-2.4

Moved: Cr A Henry

Seconded: Cr T Coxhead

That the Finance Manager's report dated 23 May 2023 titled 'Financial Performance Update as at 31 March 2023' be received.

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**CARRIED**

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**9.1.1 CURRENT ACCOUNT IN THE 2022 ANNUAL PLAN**

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**RECOMMENDATION**

That the Finance Team provide Elected Members with information on the Current Account as it stood in the Annual Report for 2022.

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**9.2 HEALTH AND SAFETY REPORT**

The Committee considered a report dated 23 May 2023 from the Health and Safety Wellbeing Lead who, along with the Head of People and Capability spoke to the report and responded to questions as follows:

- Staff were engaging more with contractors to build better relationships, create more transparency around how they operated and encourage more reporting from them.
- Staff needed to be provided with all necessary information before entering into an unknown or known dangerous environment in order to be prepared for possible confrontational events.
- As part of the contractor management strategy, a more risk-based approach was being taken in terms of on-boarding. Making sure contractors did the right thing by the community was important, especially in terms of Council's reputation.
- Staff were working closely with the library teams in terms of their services and customers being visible to library staff when they were in the building. The library staff themselves were very proactive and very good at finding solutions for these matters.
- A targeted approach was taken where known dog, and dog owners, were problematic. If it was felt the visit could be confrontational, police would be involved. These were difficult situations where Council staff were not wanted to be put in harms way.
- There was no obvious spike or link to contractor events and the recent civil emergency weather events.
- Council staff had a very good working relationship with the Te Puke Police and were working on establishing closer relationships with police in other Western Bay areas.
- All Council staff who served in public services areas had de-escalation training. This was a critical part of training to support their workplace safety.

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**RESOLUTION ARF23-2.5**

Moved: Cr M Murray-Benge

Seconded: Cr A Sole

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That the Health, Safety and Wellbeing Lead's report dated 23 May 2023 titled 'Health and Safety Report' be received.

**CARRIED**

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### **9.3 RISK AND ASSURANCE REPORT MAY 2023**

The Committee considered a report dated 23 May 2023 from the Risk and Assurance Manager. The report was taken as read.

#### Cr Joyce:

- The risk matrix needed to be more conservative when dealing with catastrophic impact. The Risk and Assurance manager advised they would note this.

#### Cyber Security Report:

The Technical Operations Team Leader spoke to his report and responded to questions as follows:

- The Isolated Recovery (Vault) was constantly synchronising from Council. This was a secured copy of Council that could only be accessed through authorisation to the vendor from Councils' senior management. Should Council incur a cyber security compromise, data over a significant time frame could be recovered.
  - Council's policy reviews were a 'revolving program'. The last review time frames were currently being looked.
  - Council had cyber security which was reviewed in terms of effectiveness annually.
  - Council was focused on what could be coming in terms of Three Waters and awaiting updates through legislative changes. A lot of work had been undertaken in supplying information to the Department of Internal Affairs. This was the biggest risk adjuster that councils were looking to manage. It was on the audit plan and would be peer reviewed by external auditors.
  - The IT team provided six monthly/yearly sub security training for staff. Real time training was now provided through the 'Phriendly Phishing' tool. When staff were on-boarded, they signed initial paperwork regarding risks to Council in terms of cyber security.
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### **RESOLUTION ARF23-2.6**

Moved: Cr M Murray-Benge

Seconded: Mayor J Denyer

1. That the Risk and Assurance Manager's report dated 23 May 2023 titled 'Risk and Assurance Report May 2023' received.
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2. That the Audit, Risk and Finance Committee recommend that Council approve the draft 'Risk Management Framework'.
3. That the Audit, Risk and Finance Committee recommend that Council approve the updated Western Bay of Plenty District Council Strategic Risks.

**CARRIED**

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#### **9.4 BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICES LIMITED (BOPLASS) HALF YEARLY REPORT**

The Committee considered a report dated 23 May 2023 from the Financial Business Advisor. The report was taken as read.

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##### **RESOLUTION ARF23-2.7**

Moved: Cr R Joyce

Seconded: Mayor J Denyer

That the Financial Business Advisor's report dated 23 May 2023 titled 'Bay of Plenty Local Authority Shared Services Limited (BOPLASS) Half Yearly Report' be received.

**CARRIED**

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#### **9.5 COLAB HALF YEARLY REPORT 1 JULY 2022 TO 31 DECEMBER 2022**

The Committee considered a report dated 23 May 2023 from the Financial Business Advisor. The report was taken as read.

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##### **RESOLUTION ARF23-2.8**

Moved: Cr M Grainger

Seconded: Deputy Mayor J Scrimgeour

1. That the Finance Manager's report dated 23 May 2023 titled 'CoLab Half Yearly Report 1 July 2022 to 31 December 2022' be received.
2. That the CoLab Half Yearly Report 1 July 2022 to 31 December 2022 relates to issues that are considered to be of low significance in terms of Council's Significance and Engagement Policy.

**CARRIED**

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**10 INFORMATION FOR RECEIPT**

Nil

**11 RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION ARF23-2.9**

Moved: Cr A Henry

Seconded: Cr T Coxhead

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:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
<b>11.1 - Confidential Risk and Assurance Report May 2023</b>	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	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
<b>11.2 - Outstanding Recommendations Register May 2023</b>	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege. s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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
<b>11.3 - Litigation Update and Issues Watch Register May 2023</b>	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege.	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

	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	information for which good reason for withholding would exist under section 6 or section 7
<b>CARRIED</b>		

**The Meeting closed at 1:09pm.**

**Confirmed as a true and correct record by Council on 20 July 2023.**