

**MINUTES OF WESTERN BAY OF PLENTY DISTRICT COUNCIL
AUDIT, RISK AND FINANCE COMMITTEE MEETING NO. ARF24-1
HELD IN THE COUNCIL CHAMBERS, 1484 CAMERON ROAD, TAURANGA
ON TUESDAY, 27 FEBRUARY 2024 ON CONCLUSION OF THE PROJECTS AND MONITORING
COMMITTEE MEETING STARTING AT 9.30AM**

1 KARAKIA

Whakatau mai te wairua	Settle the spirit
Whakawātea mai te hinengaro	Clear the mind
Whakarite mai te tinana	Prepare the body
Kia ea ai ngā mahi	To achieve what needs to be achieved.
Āe	Yes

2 PRESENT

Cr M Grainger, 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, Cr A Wichers and Independent Member S Henderson.

3 IN ATTENDANCE

J Holyoake (Chief Executive Officer), A Henderson (General Manager Corporate Services), A Curtis (General Manager Regulatory Services), C Crow (General Manager Infrastructure Group), P Labuschagne (Risk and Assurance Manager), C Boyle (Health, Safety and Wellbeing Lead), G Golding (Governance Manager), H Wi Repa (Governance Systems Advisor) and R Leahy (Governance Advisor).

OTHERS

1 Member of the Public.

L Jackett (Via Zoom).

L Pieterse, Audit NZ.

A Labuschagne, Audit NZ (Via Zoom).

4 APOLOGIES

Nil

5 CONSIDERATION OF LATE ITEMS

Nil

6 DECLARATIONS OF INTEREST

Nil

7 PUBLIC EXCLUDED ITEMS

Nil

8 PUBLIC FORUM

Nil

9 PRESENTATIONS

Nil

10 REPORTS

MOTION

RESOLUTION ARF24-1.1

Moved: Cr D Thwaites

Seconded: Cr M Grainger

That in accordance with Standing Order 9.4 the order of business be changed with agenda item 10.4 'Final Audit Management Report 2023' be considered first.

CARRIED

10.4 FINAL AUDIT MANAGEMENT REPORT 2023

The Committee considered a report dated 27 February 2024 from the Finance Manager, the report was taken as read. The below points were noted:

- Council staff engaged with PWC and sought advice on how they could improve the land purchases and sales processes. The recommendations from PWC had now been put in place.
 - The Committee were advised that Audit NZ would be following up on recommendations from PWC on land purchases and sales through the next audit of Council.
 - Annual Reports from Council-Controlled Organisations were not published on to Council's website within one month. This was not considered a major issue but one that was raised at many councils across New Zealand.
 - There were a significant number of misstatements picked up by the auditors. Auditors worked with the senior management team to address these issues. The
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Committee were advised it was common for anomalies to be found within Council. Audit NZ would advise the Committee if they had serious concerns.

- The audit fees for the 2022/23 Annual Report was \$258,000.

11.27am Cr Sole left the meeting.

- There were issues with the Annual Report and audit process for 2022/23. Audit NZ and Council had debriefed, moving forward Council would be more transparent with Audit NZ over their internal audit plan.
- Audit NZ had implemented a new tool called 'Audit Dashboard' to improve communication between auditors and Council.
- Council would also be implementing a new platform tool called 'Value Financials' to improve the production of the Annual Report. Audit NZ supported the implementation of this tool.
- Council had nine drafts of the Annual Report, it was not normal process to have more than three drafts of an Annual Report.
- Staffing capacity within councils (across New Zealand) and Audit NZ affected the ability to produce Annual Reports on time.

11.40am Cr Sole entered the meeting.

RESOLUTION ARF24-1.2

Moved: Cr A Henry

Seconded: Cr T Coxhead

That the Finance Manager's report dated 27 February 2024 titled 'Final Audit Management Report 2023' be received.

CARRIED

10.1 HEALTH AND SAFETY REPORT

The Committee considered a report dated 27 February 2024 from the Health, Safety and Wellbeing Lead, the report was taken as read. The below points were noted:

- There was consistent performance during the quarter. There were no significant injuries or major incidents reported.
 - The presence of aggressive behaviour from the public had continued to reduce.
 - In the risk matrix, 'aggressive customers' was rated as high. The frequency of aggressive customer events was high due to the number of staff being in customer facing roles. Council had implemented tools and process to mitigate the risk to staff.
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- Physical barriers and panic alarm buttons alongside adequate training on how to manage aggressive customers were provided to staff in customer facing roles.
 - There were no identifiable trends in number of incidents depending on the season.
 - The free Wi-Fi service that Council provided at libraries did result in greater numbers of people attending the libraries.
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RESOLUTION ARF24-1.3

Moved: Cr M Murray-Benge

Seconded: Cr A Henry

That the Health, Safety and Wellbeing Lead's report dated 27 February 2024 titled 'Health and Safety Report' be received.

CARRIED

10.2 RISK AND ASSURANCE REPORT FEBRUARY 2024

The Committee considered a report dated 27 February 2024 from the Finance Manager, the report was taken as read. The below points were noted:

- Some minor changes were made to the strategic risks register, emerging risks and internal audit plan.
 - The reserves contract would end in August 2024, based on their performance the contractor would have a right of renewal. Although there were performance issues with the contractor, they were not performing poorly enough to trigger the ability to not renew the contract.
 - Due to the nature of the political environment and household affordability the risk for community sentiment was set at medium.
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RESOLUTION ARF24-1.4

Moved: Deputy Mayor J Scrimgeour

Seconded: Cr A Henry

That the Chief Financial Officer's report dated 27 February 2024 titled 'Risk and Assurance Report February 2024' be received.

CARRIED

10.3 FINANCIAL PERFORMANCE UPDATE QUARTERLY REPORT 31 DECEMBER 2023

The Committee considered a report dated 27 February 2024 from the Finance Manager, who summarised the key highlights in report.

Council was tracking behind in terms of projected net surplus for the next six months. There was a budget of \$16 million surplus, it was currently sitting at \$1.7 million. The Finance Manager provided an overview of what was driving this:

- Council's net debt was \$78 million as at the end of the second quarter. This was tracking below the full year forecast, due to anticipating the next rates instalment. This meant that Council was less likely to need to borrow more money.
- Subsidies and grants were \$12.8 million below the year to date budget. There were two main drivers for this. Firstly, the network maintenance contract did not renew, this had an impact of \$6 million on NZTA Waka Kotahi subsidy claims. It was anticipated there would be less expenditure due to this decision. Secondly, there was a planned budget of \$10 million in the Ōmokoroa Structure Plan that were identified as subsidies, those funds had not yet been received.
- Financial contributions were \$1.4 million ahead of year to date budget, which was primarily due to some larger consents being finalised.
- Fees and charges were \$0.9 million behind the year to date budget, this was mainly due to timing of receipts for invoicing.
- Regulatory activity as a whole had a lower year to date budget due to lower volumes of activity than expected.
- Personnel costs were currently projected to be ahead of year to date budget. Monthly accruals of staffing costs were now undertaken as required by Audit NZ. Council would look to identify and capitalise staff salaries where possible and tag them to specific projects.
- Bringing the transportation team in house meant that personnel costs would be higher but external expenditure would be lower.
- Finance costs were lower than year to date budget due to lower planned borrowings.
- Other expenditure was higher due to maintenance contract costs, particularly with wastewater and stormwater as well as the unplanned repair of the Katikati Outfall.
- Variances in CAPEX had been identified. Variances from Reserves and Facilities were primarily due to delays in planning and consents. Water supply delays were due to timing of the reservoir which was moving into the next financial year. Wastewater underspend was related to the Te Puke Wastewater Treatment Plant and consenting requirements. Stormwater and Transportation underspends were due to the Ōmokoroa Structure Plan timing.
- Employee entitlements looked higher, however, this was due to how Council reported on accruing staffing costs.
- There was a breach in policy regarding funding. Council had worked to mitigate this breach by fixing new interest rates in January 2024.

Staff responded to pātai as per below:

- There were challenges with the Te Puke Wastewater Treatment Plant, however, the design was expected to be completed by 16 April 2024.
- Staff anticipated the Te Puke Wastewater Treatment Plant could service the Rangioru Business Park by the time the Park opened. The existing treatment plant was still operational while new treatment plant was being built.
- The Committee was advised that the issues related to the Te Puke Wastewater Treatment Plan were not holding up the process for Rangioru Business Park.
- Council were looking to improve their CAPEX delivery by implementing robust planning and processes to better track project spending forecasts.
- Council had not yet met the milestones with the Ōmokoroa Structure Plan to draw down on the subsidies from NZTA Waka Kotahi and Kainga Ora. Council were working with NZTA Waka Kotahi to maximise subsidies in other areas.
- Work that had not been completed would be included in the carry forward process. Council could not claim subsidy from NZTA Waka Kotahi for work that was not complete.
- The budget from regulatory fees was based on the last three years of consenting volumes, there had since been a 20-25 per cent drop in building and resource consent applications. Council was looking at ways to manage funding by optimising on time recovery, debt management and other initiatives.
- The timing for the last fees and charges adjustment was the end of August 2023. This had created a gap in revenue. Council was looking at moving the fees and charges forward or budgeting for the gap in revenue in the Long Term Plan.
- The \$30 million of Undrawn Bank Facilities was treated as debenture stock which was confirmed with Audit NZ through the latest Debenture Trust Deed certificate.
- Debt to revenue ratios were adjusted to fit with the New Zealand Local Government Funding Agency definition.
- NZTA Waka Kotahi had indicated that the Funding Assistant Rate would not change, however they would cap their overall budget. This may affect how much funding councils would receive from NZTA Waka Kotahi.
- It was difficult to accurately resource regulatory activity. There were long term risks associated with letting staff go during challenging economic conditions as it was difficult to recruit staff. There were other opportunities to reduce expenditure within Council.

The Committee Members made the following comments:

- WBOPDC had lower debt maturity dates compared to other councils. Council should consider implementing funding risk control limits commensurate to other
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local government agencies. Council appeared to be funding long term projects with short term debt.

- It was concerning that there was a reduction in consents when the District was defined as a growth area.
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RESOLUTION ARF24-1.5

Moved: Cr R Joyce

Seconded: Cr M Murray-Benge

That the Finance Manager's report dated 27 February 2024 titled 'Financial Performance Update Quarterly Report 31 December 2023' be received.

CARRIED

10.5 SENSITIVE EXPENDITURE POLICY

The Committee considered a report dated 27 February 2024 from the Chief Financial Officer, the report was taken as read. The below points were noted:

- The Chief Executive Officer's expenses should not be exclusively signed off by a staff member (General Manager). The Committee was advised that the Mayor could not solely sign off Chief Executive Officer's expenses as there were physical processes involved that the Mayor did not have access to. It was suggested that the General Manager and the Mayor jointly sign off these expenses.
 - It was important for a paragraph on the segregation of duties be included in the policy.
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RESOLUTION ARF24-1.6

Moved: Cr M Grainger

Seconded: Cr R Joyce

1. That the Chief Financial Officer's report dated 27 February 2024 titled 'Sensitive Expenditure Policy' be received.
 2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
 3. That the Audit, Risk & Finance Committee approve the updated Sensitive Expenditure Policy with the following amendments:
 - a. 'Meals (including non-alcoholic drinks) to a maximum cost of \$30 per breakfast, \$40 per lunch and \$80 per dinner per staff member per day with alcoholic drinks, accompanying meals only, at the Chief Executive Officer's discretion'.
 - b. Mayor's expenses are to be signed off by the Chief Executive Officer and Deputy Mayor or the Chairperson of the Audit, Risk and Finance Committee.
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- c. The inclusion of a paragraph on the segregation of duties in the policy.
- d. Chief Executive's expenses are to be signed off by the Mayor and the General Manager.

CARRIED

10.6 FRAUD AND CORRUPTION POLICY

The Committee considered a report dated 27 February 2024 from the Chief Financial Officer, the report was taken as read. The below points were noted:

- Council staff had undergone fraud and corruption training.
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RESOLUTION ARF24-1.7

Moved: Deputy Mayor J Scrimgeour

Seconded: Mayor J Denyer

1. That the Chief Financial Officer's report dated 27 February 2024 titled 'Fraud and Corruption Policy' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Audit, Risk & Finance Committee adopt the Fraud and Corruption Policy (**Attachment 1** of this report) with the following amendment:
 - a. The inclusion of a paragraph on the segregation of duties.

CARRIED

11 INFORMATION FOR RECEIPT

11.1 AUDIT, RISK AND FINANCE COMMITTEE WORK PROGRAMME

The report was taken as read and no further discussion was held.

RESOLUTION ARF24-1.8

Moved: Mayor J Denyer

Seconded: Cr T Coxhead

That the Chief Financial Officer's report dated 27 February 2024 titled 'Audit, Risk and Finance Committee Work Programme' be received.

CARRIED

12 RESOLUTION TO EXCLUDE THE PUBLIC

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RESOLUTION ARF24-1.9

Moved: Mayor J Denyer

Seconded: Deputy Mayor J Scrimgeour

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>12.1 - Outstanding Recommendations Register January 2024</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>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage</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>12.2 - Confidential Risk and Assurance Report February 2024</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>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage</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>12.3 - Litigation and Issues Watch Register Update February 2024</p>	<p>s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege</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>CARRIED</p>		

The Meeting closed at 1.15pm.

Confirmed as a true and correct record by Council on 4 April 2024.