

**MINUTES OF WESTERN BAY OF PLENTY DISTRICT COUNCIL
AUDIT, RISK AND FINANCE COMMITTEE MEETING NO. ARF23-4
HELD IN THE COUNCIL CHAMBERS, 1484 CAMERON ROAD, TAURANGA
ON TUESDAY, 7 NOVEMBER 2023 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 (Chairperson), Cr T Coxhead, Cr R Crawford, Cr G Dally, Mayor J Denyer, Cr R Joyce, Cr M Murray-Benge, Deputy Mayor J Scrimgeour, Cr D Thwaites, Cr A Wichers and Independent Member S Henderson.

VIA ZOOM

Cr A Sole

3 IN ATTENDANCE

J Holyoake (Chief Executive Officer), R Davie (Deput CEO/General Manager Strategy and Community), A Henderson (General Manager Corporate Services), A Curtis (General Manager Regulatory Services), C Crow (General Manager Infrastructure Group), G Golding (Governance Manager), S Bedford (Finance Manager), A Ali (Chief Financial Officer), J Jury (Financial Analyst), C Boyle (Health, Safety and Wellbeing Lead), H Wi Repa (Governance Systems Advisor), R Leahy (Governance Advisor) and P Osborne (Senior Governance Advisor).

OTHERS IN ATTENDANCE

Ross Woodfield – Client Advisor (Bancorp)
Suresh Ranchhod – Executive Director, Head of Treasury Advisor (Bancorp)
Deanna MacDonald – National Client Relationship Manager (AON Insurance)
Bree Salvatierra – AON Insurance
Anton Labuschagne – Audit Manager (Audit New Zealand) (Via Zoom)

4 APOLOGIES

APOLOGY

RESOLUTION ARF23-4.1

Moved: Cr M Murray-Benge

Seconded: Cr R Joyce

That the apology for absence from Cr Henry be accepted.

CARRIED

5 CONSIDERATION OF LATE ITEMS

Nil

6 DECLARATIONS OF INTEREST

Nil

7 PUBLIC EXCLUDED ITEMS

Nil

8 PUBLIC FORUM

Nil

9 PRESENTATIONS**CHANGE TO ORDER OF BUSINESS**

The Chairperson requested that the next item of business be 'AON Insurance Renewal Update', to allow additional time for presenters from Bancorp to arrive.

RESOLUTION ARF23-4.2

Moved: Cr D Thwaites

Seconded: Cr T Coxhead

That, in accordance with Standing Orders, the order of business be changed and that item 'AON Insurance Renewal Update' be dealt with as the next item of business.

CARRIED

9.36am Cr Dally entered the meeting.

9.38am Deputy Mayor Scrimgeour entered the meeting.

9.1 AON INSURANCE RENEWAL UPDATE

The National Client Relationship Manager, for Local Government Risk Practice, was in attendance on behalf of AON Insurance to provide the Committee with a renewal update. She spoke to a PowerPoint presentation which outlined the below topics:

- Agenda;
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- Markets;
- Global Property Market Drivers;
- Cyclone Gabrielle and 27 January Weather Events;
- Renewal Premium Summary;
- Liability Insurance Overview;
- Opportunities;
- Council Opportunities;
- Insurable Risk Profiling Workshop; and
- Emerging Risks.

The presenter responded to pātai as follows:

- The claims received under the 'Professional Indemnity' Policy were usually in relation to building consents.
 - Due to the changes within the Construction Contracts Act 2002, it was important for Council to understand where their retentions were, and whether they held contracts in this space. For this reason an overall business case would have to be undertaken to understand where Western Bay of Plenty District Council (WBOPDC) sat in relation to their coverage.
 - State Highway bridges had a percentage of insurance covered by New Zealand Transportation Agency (NZTA/Waka Kotahi), however, other bridges could be included under Councils material damage, including lifeline bridges.
 - NZTA had their own insurance programme in place, which included an internal contract with WBOPDC.
 - In regard to self-insurance, it was important for councils to have the funds available from the beginning allow for attritional loss. For this reason, it was noted that District Council's did not usually have the funds to self insure.
 - AON Insurance did not have the information yet regarding non-insurable regions in New Zealand, however acknowledged there had been an increase.
 - The slope identification work within Tauranga meant that there needed to be mitigation put in place by the owner and Council to protect the land through appropriate Council processes.
 - When AON circulate its Renewal Report to Council, the deductibles on each policy could also be provided.
 - The pluvial (rainfall flooding) and fluvial (river flooding) excesses had been applied as a sub-limit through the relevant policy under general liability.
 - The decrease in numbers for cyber liability insurance had a direct relation to the work councils' were doing to mitigate risk in this area.
 - There was no talk in New Zealand regarding the struggle to insure electric vehicles. It was noted that New Zealand Insurance (NZI) (who undertook the current Council Programme) had opened their own repair shops across the country.
 - At this stage it was difficult to raise excesses to achieve a premium saving, as it was mitigating the increase in the premium saving overall.
 - AON Insurance could undertake risk modelling if requested by Council.
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- Collective purchasing (in relation to WBOPDC being part of Bay of Plenty Local Authority Shared Services (BOPLASS)) spread the risk amongst all Councils, as well as being able to market them as a group. This provided Council with a higher cost savings.
- There was an opportunity to review the current arrangements relating to disaster insurance, which was proposed to be considered through the Long Term Plan (LTP). Discussions had taken place relating to insuring bridges, noting that this happened on a case by case basis and was often at a higher cost. This meant that conversations around self-insurance in relation to bridges may be more cost effective for WBOPDC.
- Council had a \$30 million floating arrangement with the bank; that could be accessed if they needed to respond to an emergency.

RESOLUTION ARF23-4.3

Moved: Cr R Joyce

Seconded: Cr M Murray-Benge

That the presentation provided by AON Insurance on 7 November 2023, be received.

CARRIED

9.2 BANCORP TREASURY UPDATE AND PRESENTATION

The Client Advisor and Head of Treasury Advisory were in attendance on behalf of Bancorp to provide a Treasury update to the Committee. They spoke to a PowerPoint presentation which outlined the below topics:

- Risks – What we are being told;
- International Monetary Fund (IMF) expects subdued growth;
- The developed economies are slowing in 'real' terms;
- Rising oil price complicates the inflation outlook;
- Consumer Price Index (CPI) – past peak inflation;
- Resilient Non-Tradable Inflation to remain;
- New Zealand Government consumption as a percentage of Gross Domestic Product (GDP);
- Current Account Deficit;
- How households plan to spend their money;
- Drop in Swap Rates;
- Projected floating curve movements;
- New Zealand Official Cash Rate (OCR), Bank Bill Reference Rates (BKBM) and swap rates;
- Forward Swaps Grid – 19 October 2023;
- Forward Swaps Grid – 6 November 2023;
- Debt and Cover;

- Debt and Cover – Excluding Waters;
- Maturity Profile;
- New Zealand; and
- New Zealand – Interest Rates.

Presenters responded to pātai as follows:

- There had not been any feedback from the Bancorp client base that the issues in relation to the Panama Canal were affecting the current market.
- Banks were driving business behaviour and culture, relating to Environmental, Social and Governance (ESG), which would be included in future audits undertaken.
- Japan had low inflation and was still experiencing some growth, which was reflected in the graph that showed the effect of financial conditions on real Gross Domestic Product (GDP) growth.
- Bancorp was not aware of any recommendations to Central Government regarding the re-opening of Marsden Point Oil Refinery, as the cost of doing so was too high, noting that it would have to be modernised and brought up to standard.
- It was felt as though the Global Financial Crisis (GFC) was a “water shed” moment, that shifted the paradigm in relation to how economies operated.
- The affects experienced from the large amount of debt incurred throughout the pandemic would become apparent in the years to come.
- The Chief Executive Officer agreed that debt to revenue ratio was a constraint, but believed the biggest constraint was the cost of capital and pushing this out to the community.

RESOLUTION ARF23-4.4

Moved: Cr R Joyce

Seconded: Cr M Murray-Benge

That the presentation provided by Bancorp Treasury on 7 November 2023, be received.

CARRIED

11.22am The meeting adjourned.

11.42am The meeting reconvened.

10 REPORTS

10.1 WESTERN BAY OF PLENTY DISTRICT COUNCIL'S RATING FROM STANDARD AND POOR'S – SEPTEMBER 2023

The Committee considered a report dated 7 November 2023 from the Financial Analyst. The report was taken as read, and the Chief Financial Officer highlighted the latest statistics as below:

- Council was pleased to have maintained its 'AA' long-term and 'A-1+' short-term issuer credit ratings;
- Out of the 25 councils that Standard and Poor rated, two had been downgraded;
- The 7% increase in general property rates helped offset some of the inflationary pressures; and
- Council maintained a strong liquidity position, with a debt-service coverage ratio of 172% for the next 12 months.

Staff responded to pātai as follows:

- All Councils were graded differently across the board, as they all had individual assessments undertaken, noting that not all councils were rated by Standard and Poor.
- Whether the rating received was from Standard and Poor or Fitch Rating, it was recognised the same by the New Zealand Local Government Funding Agency (LGFA). It was believed that the Fitch Rating was slightly cheaper than Standard and Poor.

RESOLUTION ARF23-4.5

Moved: Mayor J Denyer

Seconded: Cr R Joyce

That the Financial Analyst's report dated 7 November 2023, titled 'Western Bay of Plenty District Council's Rating from Standard and Poor's for 2023', be received.

CARRIED

10.2 PROCUREMENT PRINCIPLES

The Committee considered a report dated 7 November 2023 from the Chief Financial Officer. The report was taken as read, noting that there was an amendment to recommendation 3 with the below rationale:

- It was important that these principles were put through the 'lens' of the Audit, Risk and Finance Committee, acknowledging that they were workshopped through the Strategy and Policy Committee; and
- At this stage, the Procurement Principles did not need to be approved or adopted, as they would eventually be forming the framework for the Procurement Policy.

Another amendment was proposed, as an outcome of the feedback from the workshop. Under principle three 'Get the right supplier', the third point that read "choose suppliers that align with Council's values" should be removed. The removal of this was agreed to.

Staff responded to pātai as follows:

- The principle 'Play by the rules' was regarding Council maintaining accountability and transparency, as well as ensuring that it followed through on what it said it would do. The wording aligned with the New Zealand Procurement rules.
- The principles presented, aligned with the Governments Progressive Procurement Policy.

The Chairperson noted that recommendation 3 would be amended to read:

- 'That the Audit, Risk and Finance Committee consider the updated Procurement Principles contained in this report, noting that these will be included in any future review of the Procurement Policy.'
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RESOLUTION ARF23-4.6

Moved: Cr M Grainger

Seconded: Mayor J Denyer

1. That the Chief Financial Officer's report dated 7 November 2023 titled 'Procurement Principles' 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 and Finance Committee consider the updated Procurement Principles contained in this report, noting that these will be included in any future review of the Procurement Policy.

CARRIED

10.3 HEALTH AND SAFETY REPORT – SEPTEMBER 2023

The Committee considered a report dated 7 November 2023 from the Health, Safety and Wellbeing Lead. The report was taken as read, with a brief overview provided. The General Manager Corporate Services noted that as part of the psychosocial report, engagement with staff had been undertaken and would continue to progress.

Staff responded to pātai as follows:

- TRIFR referred to the 'Total Recordable Incident Frequency Rate' which was the rate of recordable injuries that occurred per million hours worked, and considered fatalities, lost-time medical treatment injuries and restricted work injuries.
 - LTIFR referred to the 'Lost Time Injury Frequency Rate' which measured the number of lost-time injuries per million hours worked during a single financial year.
 - It was noted that informal vehicle checks were happening frequently, however the graph presented on page 27 of the agenda, reflected the number of checks that were entered into Councils vault system. This was a behaviour change that the Health, Safety and Wellbeing Lead was trying to encourage.
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- When a 'Near Miss' was entered into the system, it was investigated to determine what controls could be put in place to mitigate the risk going forward. It was noted that staff were encouraged to enter in 'Near Misses' so that the controls could be put in place prior to an accident occurring. To help with this, the importance, understanding and awareness of Health and Safety in the workplace was being highlighted across the organisation.
- The Health, Safety and Wellbeing Lead felt as though there was an improvement in the number of staff using vault to report 'Near Misses'.

12.01pm Cr Joyce withdrew from the meeting.

RESOLUTION ARF23-4.7

Moved: Cr M Murray-Benge

Seconded: Cr R Crawford

That the Health, Safety and Wellbeing Lead's report dated 7 November 2023 titled 'Health and Safety Report – September 2023' be received.

CARRIED

10.4 RISK AND ASSURANCE REPORT NOVEMBER 2023

The Committee considered a report dated 7 November 2023 from the Chief Financial Officer, who provided a brief overview of the key points and the rationale behind each of the emerging risks presented in the report.

The Chairperson noted that the Fraud Policy and Sensitive Expenditure Policy would be presented at an upcoming Strategy and Policy Committee workshop.

12.06pm Cr Joyce entered the meeting.

Staff responded to pātai as follows:

- The rationale behind the additional strategic risk 'Technology Enablement and Resilience' was a reflection of the Artificial Intelligence (AI) influence, as well as work being undertaken in relation to predictive forecasting, and making sure that Council was able to keep up with this progress.
 - In relation to risks associated with people, capability and capacity, some areas of the Council had lost some key staff over the last couple of years. It was also noted that future trends predicted the life of an employee to be two-three years going forward.
 - There was a lot of uncertainty when it came to the reforms, however, Council was preparing themselves as much as they could given the circumstances.
 - The Long Term Plan (LTP) and the complexities that sat along side it were the main concerns for the Chief Executive Officer at this point in time. The increases in costs
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and cost of capital meant that staff were trying to resolve priorities within the LTP. It was important that this was done correctly.

- Both the General Election and Local Government Elections brought a sense of uncertainty, especially in relation to policy, strategy, priorities and personalities.

The following tākupu were made by Committee Members:

- The Mayor noted that although the status of the reforms was yet to be determined, the ability to stay agile as a Council sat with Elected Members.
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RESOLUTION ARF23-4.8

Moved: Cr M Murray-Benge

Seconded: Deputy Mayor J Scrimgeour

That the Chief Financial Officer's report dated 7 November 2023 titled 'Risk and Assurance Report November 2023' be received.

CARRIED

10.5 FINANCIAL PERFORMANCE UPDATE QUARTERLY REPORT 30 SEPTEMBER 2023

The Committee considered a report dated 7 November 2023 from the Finance Manager. The Chief Financial Officer and Finance Manager gave a brief overview of the report and the rationale behind some of the figures presented. The Chief Financial Officer noted that this was one twelfth of the budget, and that a re-forecast would be undertaken prior to the next quarterly report, which would show an updated phased budget.

Staff responded to pātai as follows:

- Within the next couple of weeks the finance team would be meeting with the capital managers to determine the seasonality of their spends, to better reflect the projected spends within their work programmes.
 - Through the LTP, staff had taken into consideration the affects of the variance between capital values and land values, noting that this had also been captured through the Annual Report.
 - The General Manager Regulatory Services noted that the timing of the financial contributions was dependant on when the developers gave affect to their consent. With the current market there was an opportunity for developers to defer their projects. Council was working with the developers to gain a better understanding of their timelines, in order to forecast when the financial contributions were likely to come in. The Committee was advised that the value of the financial contributions changed ever year through the Annual Plan, and therefore did not factor into the developments commencing.
 - Council could not determine whether or not a developer delayed their project due to funds. Council was doing what they could to enable projects to go ahead, by
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providing surety around their consenting process and what the financial contributions were going to be.

- The penalty date for the rates was pushed out to allow sufficient time for staff to process the rates without customers being charged a penalty unnecessarily in relation to their rates timing.
- Council received re-valuation objections through a file from Quotable Value (QV) every couple of weeks, which informed staff on the outcome of the objections. In some instances, staff were able to put a financial suppression on the rates to avoid additional charges during the re-valuation process.
- Due to the current environment, if there was a policy breach, this would be reported on through the quarterly report.

The following tākupu were made by Committee Members:

- Council had breached two timeline policies in relation to the fixing of future interest rates on its debt. It was proposed that this continue, based on advice from Bancorp and best outcomes for Council. The Deputy Mayor noted that due to the cost of complying with the Treasury Policy, it was hoped that Council was not considering this as a practicable option.

RESOLUTION ARF23-4.9

Moved: Deputy Mayor J Scrimgeour

Seconded: Cr M Grainger

That the Finance Manager's report dated 7 November 2023 titled 'Financial Performance Update Quarterly Report 30 September 2023' be received.

CARRIED

10.6 EMERGENCY WORKS PROCEDURAL AUDIT OF WESTERN BAY OF PLENTY DISTRICT COUNCIL

The Committee considered a report dated 7 November 2023 from the General Manager Corporate Services. The report was taken as read with a brief overview provided.

The following tākupu were made by Committee Members:

- Staff were congratulated for their work in this area, noting that the audit assessed Western Bay of Plenty as being "effective" in its financial processes, procurement, and asset management controls, being the highest rating available.

11 INFORMATION FOR RECEIPT

11.1 AUDIT, RISK AND FINANCE COMMITTEE WORK PROGRAMME

The Committee considered a report dated 7 November 2023 from the Chief Financial Officer. The report was taken as read.

RESOLUTION ARF23-4.10

Moved: Cr M Murray-Benge

Seconded: Cr T Coxhead

That the Chief Financial Officer's report dated 7 November 2023 titled 'Audit, Risk and Finance Committee Work Programme' be received.

CARRIED

12 RESOLUTION TO EXCLUDE THE PUBLIC**RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION ARF23-4.11**

Moved: Cr R Joyce

Seconded: Mayor J Denyer

1. That the public be excluded from the following parts of the proceedings of this meeting.
2. That, pursuant to Standing Orders 18.2 (s48(6)LGOIMA), Anton Labuschagne, Audit Manager, Audit New Zealand, be permitted to remain after the public have been excluded, because of his knowledge of item 12.1: Audit New Zealand Update. This was relevant because it could be of benefit to Council in assisting with responses to questions.
3. 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
12.1 - Audit New Zealand Update	s48(1)(b)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment	s48(1)(b)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment
12.2 - Outstanding Recommendations Register November 2023	s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to

	affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment	result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
12.3 - Litigation and Issues Watch Register Update November 2023	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 information for which good reason for withholding would exist under section 6 or section 7
12.4 - 2022-23 DRAFT Annual Report	s48(1)(b)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment	s48(1)(b)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information the public disclosure of which would be contrary to the provisions of a specified enactment
CARRIED		

The Meeting closed at 1.48pm.

Confirmed as a true and correct record by Council on 23 November 2023.