



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Thursday 20 April 2017 – 9:00 AM

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Present: Mr Craig O'Connell (Chair)
His Worship the Mayor, Andy Watson
Cr Nigel Belsham
Cr Angus Gordon
Cr Dean McManaway

Also present: Cr Cath Ash
Cr Dave Wilson

In attendance: Mr Ross McNeil, Chief Executive
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Ms Samantha Kett, Governance Administrator
Ms Nardia Gower, Governance Administrator

Tabled Documents: **Item 7 Maintaining financial protection for Council's underground infrastructure assets** - Response from Aon and LAPP & Civic Financial Services Annual Report 2016

1 Welcome

The Chair welcomed everyone to the meeting.

2 Council prayer

The Chair read the Council prayer.

3 Apologies/leave of Absence

Nil

4 Members' conflict of interest

Members were reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

5 Confirmation of order of business

The Chair informed the Committee that there would be no change to the order of business from that set out in the agenda.

6 Confirmation of minutes

Resolved minute number **17/ARK/003** **File Ref**

That the Minutes of the Audit/Risk Committee meeting held on 13 February 2017 be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor / Cr Gordon. Carried

7 Maintaining financial protection for Council's underground infrastructure assets

Mr McIrvine spoke briefly to the tabled document showing indicative prices from Aon and LAPP.

Members accepted the Chair's suggestion to consider the long-term view (say five to ten years) and then the appropriate transition to achieve that. There was a wider strategic context to bear in mind:

- the Government is moving away from the 60:40 funding which was the basis for establishing LAPP in 1993;
- there was increasing emphasis on developing a risk framework which went further than insurance – work being undertaken in developing the business case for central government for the Local Government Risk Agency.

Main points raised in discussion:

- Would LAPP have the funding ability to cope with seeming more prevalent disasters (flooding and earthquake)?
- Both LAPP and Aon depend on reinsurance from the international market.
- Local Government Risk Agency awaiting Cabinet sign-off. Work being done with Aon on loss modelling tools to set frameworks for smaller councils.
- A desk-top exercise currently being done by Aon for MW LASS councils to estimate maximum probable loss.
- How dependent was LAPP's premium on the number of councils remaining as contributors?
- Would Aon be more likely to set a more consistent level of premiums than the annual LAPP contribution?
- What would the cost be for LAPP to cover a third event each year (and the impact of that on member contributions)?
- How firm was the indicative costing from Aon?
- How did the arrangement entered into by Manawatu District Council work – both a member of LAPP and in the MW LASS scheme brokered by Aon?
- The current MW LASS scheme ends in November 2018 and will be retendered.
- What would be the outcome for members of LAPP if it were wound up?
- Is the potential damage to the roading network by storm events a greater risk than damage by earthquakes to below ground infrastructure?

The Chief Executive considered that, while LAPP's long-term future seems uncertain, it may be prudent for Council to stay with LAPP for 12 months until more is known regarding the national context with MW LASS. His Worship the Mayor supported that thinking, noting that central government has yet to give guidance on the matter. If a decision was to be made now, he would go with Aon, but he would consider waiting 12 months.

The Chair considered that essentially New Zealand is self-insuring with LAPP and that Aon would have better purchasing power with better rates. MW LASS has seen rates and cover improve.

The Chair suggested to the Committee that the long term position is to leave the LAPP and that Council would be in a better position with an insurer that puts forward the best data. The Chief Executive stated that our data is not as good as some larger organisations, this is an area Council needs to invest in. The frame work for this is yet to be set by government.

If Aon was to be engaged further they would come to the District and assess the risk, using Council's statistics, providing a model on the three biggest loss potentials.

Resolved minute number

17/ARK/004

File Ref

That the Audit Risk Committee advises Council that it has requested further information on pricing and conditions of the various insurance options for below ground infrastructure and will meet again in May prior to making a recommendation to the 25 May 2017 Council meeting.

Cr Belsham / Cr Gordon. Carried

8 Late items

None

9 Future items for the agenda

None

10 Next meeting

To be confirmed, but before 25 May 2017.

11 Meeting closed 10.15am

Confirmed/Chair: _____

Date: _____