



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Thursday 18 May 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 Graeme Platt

In attendance: Mr Ross McNeil, Chief Executive
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Ms Debbie Perera, Audit New Zealand
Ms Nardia Gower, Governance Administrator

Tabled Documents Presentation to Management of Rangitikei District Council from Edale

1 Welcome

The Chair welcomed the Committee members 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.

His Worship the Mayor had been advised by Council Chief Executive that he has no conflict of interest in matters regarding Edale within this Committee as His Worship the Mayor is an appointed board member. His Worship the Mayor asked for feedback from the Committee members on the perceived conflict of interest in regards to Edale noting he will seek further advice from Council.

The Chair and Committee agreed to have His Worship the Mayor included in conversations regarding Edale. The Chief Executive noted that this Committee has a limited level of delegation appointed by Council and that any recommendations from Audit/ Risk go before Council for decision.

5 Confirmation of order of business

The Chair noted that there would be a late item discussion on the Havelock North Stage One Enquiry.

6 Confirmation of minutes

The minutes of the previous meeting on the 20 April 2017 were attached. There were no amendments.

Resolved minute number **17/ARK/005** **File Ref**

That the Minutes of the Audit/Risk Committee meeting held on 20 April 2017 be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor / Cr Gordon. Carried

7 Continuing membership of LAPP (Local Authorities Protection Programme)

Mr McIrvine updated the Committee on the follow up investigations outlined in his report. He noted that there is \$10 million left in LAPP's residual funds; however, the forecasted risk of major events is increasing. Aon is advising that there is an increased seismic risk associated with the Hikurangi Trench that has potential to affect the Manawatu Whanganui region as well as the East Coast, Hawkes Bay and Wairarapa – an event of significant magnitude could wipe out LAPP's fund. There is also the possibility of a contingent liability. Mr McIrvine offered his opinion that mutual funds may be suitable for small events but do not work well for large scale events. If there was to be an event affecting the wider region, the Rangitikei District would only receive a proportion of the fund that potentially would not cover all the costs involved in recovery. Confirmation had been received overnight that Council's 2018 LAPP contribution would be \$81,000.

The Committee discussed the merits of the staying or withdrawing from LAPP. The main points of those discussions were:

- Aon has been approached by 13 various Council members of LAPP. From those 13, three are staying with LAPP. The other ten are yet to decide.
- There is significant risk in staying in LAPP. There is a large threat that overhead expenditure will be spread amongst the fewer remaining LAPP members along with any requirements to top up the fund to \$10 million should it fall below. The fewer members the larger each will be required to pay.
- There is substantial monetary savings in withdrawing from LAPP and seeking alternative insurance cover through an AON/MWLASS option, while the coverage from a major event is equal if not greater.
- It is uncertain as to whether Council might benefit from any possible residual mutual fund should LAPP fold while Council is still a member, noting our shareholder allocation is small.

Resolved minute number **17/ARK/006** **File Ref** **3-FM-6-6**

That the report 'Options for insuring Council's below-ground infrastructure assets – further consideration 2017' be received

His Worship the Mayor / Cr Belsham. Carried

Resolved minute number **17/ARK/007** **File Ref** **3-FM-6-6**

That Council confirms its intention to withdraw from the LAPP Fund from 1 July 2017 and makes arrangements for alternative insurance cover through the AON/MWLASS option.

Cr Belsham / Cr Gordon. Carried

8 Request for interest-free loan from Edale

At its meeting on 27 April 2017, as part of deliberations on submissions to the 2017/18 Annual Plan, Council considered a request from the Edale Trust Board for an interest free loan and resolved that a report be provided to Council meeting on 25 May 2017. Since then the Mayor, Deputy Mayor and Chief Executive have met with representatives of the Trust Board. The presentation from the Trust Board at that meeting was circulated.

The Chief Executive spoke to the Committee about the details of the meeting and the subsequent work that has followed. The highlights of that are:

- Council staff requested further information from the Edale Trust Board. Upon receipt of that information Mr McIrvine noted that there was incorrect information provided in relation to the projected cash flows.
- Council has received Edale's 2016 financial statement, with the last six months financials still a work in process. That document will not be ready for 3 to 4 months. Council staff cannot make a full and proper assessment until receipt of all the correct documentation requested. Included in the assessment will be the valuation of Edale property as this will be a consideration for Council in potential loan security.
- The Trust Board is seeking independent legal advice regarding the organisations on the current trust deed, which could result in it being altered.
- Advice for the Board's structure and governance is being sought from the Institute of Directors.

Committee discussion resulted in the following main points:

- Edale's creditors will probably wait knowing that Council is assisting with the business plan and considering Edale's loan request.
- Council could signal interest in looking into the request for a loan on the proviso that operational governance is changed and loan security is confirmed.
- Council staff working with members of the Edale Trust Board aim to produce a robust business plan that may mitigate the need for financial investment from Council.
- This Committee's concern is centred on security of any potential loan. The matter is then for Council to decide on the basis of supporting a local service.

The Chief Executive stated that a full assessment and analysis is unlikely to be presented at the next Audit/Risk meeting due to time required to formalise necessary documentation.

9 Late items

10 Future items for the agenda

Havelock North Stage One report has been released. Matters within the report will be of interest to this Committee and to Council. The Government has yet to give a clear indication on how implementation of recommendations are to be funded

Ms Perera noted items of interest from Audit New Zealand for the next meeting.

- Overview of intended process for auditing the LTP (following the office of the Auditor General's methodology soon to be finalised.
- Audit arrangements letter for 2017/2018
- Interim Management Report for 2016/17.

11 Next meeting

12 June 2017, 2.00 pm

12 Meeting closed at 9:59 am