



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Wednesday 29 June 2022

Time: 1.00pm – 1.33pm (*Open*)
1.34pm – 1.48pm (*Public Excluded*)

Venue Ikatere Room
Level 2, Capeview Building
Marine Parade
Napier

Present **Chair:** David Pearson
Members: Mayor Kirsten Wise and Councillor Nigel Simpson
(*via Teams Link*)

In Attendance Chief Executive (Steph Rotarangi)
Deputy Chief Executive / Executive Director Corporate Services
(Adele Henderson)
Executive Director City Services (Lance Titter)
Executive Director City Strategy (Richard Munneke)
Acting Executive Director Community Services (Darran Gillies)
Chief Financial Officer (Caroline Thomson)
Manager Property (Bryan Faulknor)
Investment and Funding Manager (Garry Hrustinsky)
Risk and Assurance Lead (Dave Jordison) (*via Teams Link*)
Accounting Manager (Talia Foster) (*via Teams Link*)

Administration Governance Advisor (Carolyn Hunt)

Karakia

The meeting opened with a karakia.

Apologies

Mayor Wise / Councillor Simpson

That apologies for absence from John Palairet and Councillor Taylor be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Councillor Simpson / D Pearson

That the Minutes of the meeting held on 25 March 2022 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report: Procedural

Legal Reference: N/A

Document ID: 1452457

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

At the meeting

The Chief Financial Officer, Ms Thomson took the report as read and there was no discussion.

COMMITTEE D Pearson / Councillor Simpson

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the 31 March 2022 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.
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Carried

2. HEALTH AND SAFETY REPORT - Q3

Type of Report: Operational

Legal Reference: N/A

Document ID: 1467610

Reporting Officer/s & Unit: Michelle Warren, Health and Safety Lead
Adele Henderson, Deputy Chief Executive / Director
Corporate Services

2.1 Purpose of Report

The purpose of this paper is to provide the Audit & Risk Committee with an overview of Health & Safety activity for the period Quarter 3 FY22.

At the meeting

The Deputy Chief Executive / Executive Director, Corporate Services, Ms Henderson provided a brief overview of the Health and Safety Report for the January – March quarter and took the report as read. It was noted that Covid numbers for staff was currently 217 and Council was in its third peak.

It was noted that the trends were positive and the Health and Safety report was very informative.

COMMITTEE D Pearson / Mayor Wise

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the Quarter 3 Health and Safety report from January to March 2022.

Carried

3. INVESTMENT PROPERTY PORTFOLIO REVIEW

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1473140
<i>Reporting Officer/s & Unit:</i>	Bryan Faulknor, Manager Property

3.1 Purpose of Report

To update the Committee on the performance of the Napier City Council's Investment Property Portfolio (Leasehold Land).

At the meeting

The Deputy Chief Executive / Executive Director Corporate Services, Ms Henderson provided a brief background on discussions held last year on selling Council's leasehold land and then not being able to consider suitable investment with interest rates plummeting. Council needed to ensure some form of revenue to maintain income streams.

The Manager Property, Mr Faulknor advised that the underlying principle when Council considered the change in policy was that freeholding could be considered on a case by case basis only when a suitable replacement investment was found.

Last year the economic situation together with the investment landscape had changed with an uncertain future and it had not been considered prudent at that time to sell any further

land, irrespective of location, without a long term investment strategy that reflected the current economic climate.

In the current climate the Investment Property Portfolio (Commercial and Industrial Leasehold land) appeared to be a very safe and desirable investment. Informal discussions with valuers and investment people supported this.

The Manager Property, Mr Faulknor highlighted the key proposed changes to the Investment Policy, which consisted of 61 leases remaining. Council owned the land and lessees owned the improvements. The properties were mostly situated in the Onekawa/Pandora Industrial area and Ahuriri, particularly along West Quay.

The Council had commissioned PwC to review performance of the Investment Property Portfolio and the report shows that the portfolio in terms of capital gain and rent has been extremely good. The value at 30 June 2021 was \$73.68m and that is expected to rise substantially with revaluations at 30 June 2022 towards \$100m.

In summary the portfolio has been attractive and justified putting a hold on freeholdings and keeping the portfolio that performed well in terms of capital gain and passing rentals. There is often negative sentiment towards leasehold land and there was a need to be careful that leasehold tenure does not stop development in Napier.

In response to questions it was noted:

- Since the freeholding was put on pause there have been a few applications on hold and a lengthy process would be required to evaluate and assess whether they could be freeholded or not.
- Within the portfolio there is a range of properties including industrial and commercial and a range of ownership.
- With the review of the Investment Property Portfolio Policy it was agreed to allow the freeholding on non-strategic land on a case by case basis.
- A report was undertaken by Council in determining what land was strategic and non-strategic.

COMMITTEE Mayor Wise / Councillor Simpson

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the report prepared by PwC reviewing the Napier City Council's Investment Property Portfolio (*Doc Id 1473267*)
- b) **Recommend** to Council that it continue to allow the freeholding on non-strategic land on a case by case basis in accordance with the Investment Property Portfolio Policy.
- c) **Noting** that the Investment Policy has now been completed and suitable alternative investment opportunities have been identified for Council's consideration.

Carried

4. INVESTMENT POLICY REVIEW

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 1467612

Reporting Officer/s & Unit: Garry Hrustinsky, Investment and Funding Manager

4.1 Purpose of Report

The purpose of this report is to highlight and explain key proposed changes to the Investment Policy and to introduce the draft Statement of Investment Policies and Objectives (SIPO).

At the meeting

The Investment and Funding Manager, Garry Hrustinsky spoke to the report highlighting the key proposed changes to the Investment Policy included:

- Holding strategic investments has been expanded to include cultural benefits and providing specific examples of strategic investments.
- Creating a distinction in the Policy between risk appetite for different asset classes rather than being risk averse for all asset classes.
- Logical flow has been introduced to the Policy creating a clear introduction and an explanation of what Council can invest in and a subset of rules for each of those investments
- Definitions have now been included for trader investments and replaced with an investment guide.
- A separate statement of investment policies and objectives has been established (SIPO) which includes options for managing funds from leasehold properties.

In response to questions it was noted:

- That as Councillors operate on ipads it was difficult to compare documents a supplementary paper would be prepared and provided that outlined the changes for ease of reference.

COMMITTEE Mayor Wise / D Pearson

RESOLUTION

The Audit and Risk Committee:

- a. **Endorse** the amended Investment Policy as presented.
- b. **Receive** a draft copy of the Statement of Investment Policies and Objectives.

Carried

5. RISK MANAGEMENT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 1467692

Reporting Officer/s & Unit: Jane Klingender, Manager Business Excellence & Transformation
Adele Henderson, Deputy Chief Executive / Director Corporate Services

5.1 Purpose of Report

To provide the Audit and Risk Committee (Committee) with an update on risk management with reference to responsibilities listed in the Audit & Risk Charter.

At the meeting

The Deputy Chief Executive / Executive Director Corporate Services, Ms Henderson provided an update in regard to risk management and advised that a number of Workshops had been held to review Council's risk appetite.

In response to questions it was noted:

- Mr Jordison advised that there were a number of operational risks register that have not been updated. However, with education this is changing and staff are maintaining registers and it is anticipated in the next few months there will be a lot of housekeeping and a superior formatted report presented.
- During workshops the following strategic risks were identified and endorsed by PwC (2) insufficient resources and (9) Council do not have the right people with the right capabilities could be addressed in other sessions. It was noted that both these risks covered capacity and capability and could be combined into one.
- Project risks are tracked and monitored through Council's Sycle System for more significant projects.

COMMITTEE Mayor Wise / Councillor Simpson

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the Risk Management Report dated May 2022;
- b. **Receive** the report from PWC called "NCC Risk Workshop Output" outlining outcomes of workshops on strategic risks and risk appetite with Council and the Executive Leadership Team;
- c. **Endorse** the recommended list of strategic risks, noting that there may be some changes as a result of further analysis;
- d. **Endorse** the revised Risk Management Policy for Council approval; and
- e. **Note** the emerging risks

Carried

6. EXTERNAL ACCOUNTABILITY: AUDIT NEW ZEALAND MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1460999
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer Talia Foster, Accounting Manager

6.1 Purpose of Report

To consider the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2021.

At the meeting

The Chief Financial Officer, Ms Thomson advised that the Annual Report for the year ended 30 June 2021 was adopted on 21 December 2021

COMMITTEE D Pearson / Mayor Wise

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2021.

Carried

PUBLIC EXCLUDED ITEMS

Mayor Wise / Councillor Simpson

That the public be excluded from the following parts of the proceedings of this meeting, namely:

1. Tender process update
2. Appointment - Audit and Risk Committee
3. HRIS & Payroll Project
2. Delegation Review

Carried

The general subject of each matter to be considered while the public was excluded, the reasons for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution were 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(1) to the passing of this resolution.
1. Tender process update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Appointment - Audit and Risk Committee	7(2)(a) Protect the privacy of natural persons, including that of a deceased person	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
3. HRIS & Payroll Project	7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	48(1)A That the public conduct of the whole or 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: (i) Where the local authority

	7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Delegation Review	7(2)(g) Maintain legal professional privilege	48(1)A That the public conduct of the whole or 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: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.

The meeting adjourned at 1.33pm and reconvened in Public Excluded at 1.34pm.

The meeting closed with a karakia at 1.48pm

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval