

AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 13 March 2025

Time: 9.30am – 11.43am (*Open*)
11.45am – 12.20pm (*Public Excluded*)

Venue Small Exhibition Hall
War Memorial Centre
Marine Parade
Napier

Present **Chair:** Bruce Robertson
Members: Mayor Wise, David Pearson, Councillors Crown
(Deputy Chair), Mawson and Browne

Also Present Councillors McGrath and Price, and Councillor Boag [via zoom]

In Attendance Chief Executive (Louise Miller) [via zoom]
Deputy Chief Executive / Acting Executive Director City Services
(Jessica Ellerm)
Chief Financial Officer / Acting Executive Director Corporate
Services (Caroline Thomson)
Executive Director Infrastructure Services (Russell Bond)
Executive Director Community Services (Thunes Cloete)
Senior Advisor Corporate Planning (Danica Rio)
Manager Strategy and Transformation (Stephanie Murphy)
Financial Controller (Talia Foster)
Risk and Assurance Lead (Dave Jordison)
EA to Deputy Chief Executive & Acting Director City Services
(JayJay Kettle)
Senior Project Manager (Stephen Moratti)
Chief People Officer (Jill Coyle)
Health and Safety Operations Manager (Andrew Wallace)
Health and Safety Advisor (Sage Gardner)
Audit New Zealand (Karen Young) [via zoom]

Administration Governance Advisor (Carolyn Hunt)

AUDIT AND RISK COMMITTEE – Open Minutes

TABLE OF CONTENTS

Order of Business	Page No.
Karakia.....	3
Apologies.....	3
Conflicts of interest.....	3
Public forum.....	3
Announcements by the Mayor.....	3
Announcements by the Chairperson.....	3
Announcements by the management	3
Confirmation of minutes	3
Agenda Items	
1. Annual Plan 2025/26 Underlying Information.....	4
2. Awatoto Wastewater Pipe Risk Report	6
3. Policy Update.....	7
4. Audit NZ Management Report 2023/24	8
5. Sensitive Expenditure - Mayor and Chief Executive	9
6. Risk Management Report.....	10
7. Health & Safety Report.....	11
8. Health & Safety Deep Dive.....	12
Minor matters.....	13
Resolution to Exclude the Public	14

ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

Nil

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

Bruce Robertson / Councillor Crown

That the Minutes of the Audit and Risk Committee meeting held on 29 November 2024 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. ANNUAL PLAN 2025/26 UNDERLYING INFORMATION

<i>Type of Report:</i>	Legal
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1829992
<i>Reporting Officer/s & Unit:</i>	Danica Rio, Senior Advisor Corporate Planning

1.1 Purpose of Report

To provide the Committee with underlying information related to the Annual Plan 2025/26. Officers are requesting the Committee review this information and provide any feedback to Council before the final adoption of reports for community consultation.

At the meeting

The Senior Advisor Corporate Planning, Ms Rio spoke to the report advising it was a summary of the information that will be included in the Annual Plan Consultation document, which will be put to Council on 27 March 2025 for adoption. Community consultation is scheduled from 31 March to 30 April 2025.

In response to questions the following was clarified:

- Ms Thomson advised the following controls have been put in place to lower the risk for the labour vacancies and operating efficiencies:
 - staff are currently working on a year-end forecast, which is nearly complete and will indicate how Council is tracking in its labour savings. This will be reported either to the Prosperous Napier Committee or to Council.
 - annual leave balances are actively being managed
 - currently there is a recruitment freeze for non-critical positions
 - staff are also analysing vacancy levels and managing casual labour levels.
 - the capital programme of work is progressing at pace which is challenging resourcing management.
 - The vacancy loading has been in place for a few years. The savings are being retained rather than being used to impact the next year's rates.
 - In regard to the liability assumption for the commercial activities, work is underway to investigate alternative management/leasing options.
 - The reason for rates revenue being \$4m lower was due to the 3 year plan forecasting a 11.7% rate increase for 2025, rather than the draft Annual Plan proposed rates increase of 7.9%.
-

-
- The depreciation costs will be based on Council's level of capital expenditure from the capitalisation from the previous years, the draft Annual Plan is based on more accurate data than when the 3 year plan was completed.
 - Assumption in the Annual Plan for delivery of planned capital is 80% being \$128m. Council is planning to deliver \$100m this financial year and is tracking almost to plan and forecast.
 - Mr Bond advised that there are some significant projects that will be going into the construction phase, e.g. the Te Aka project and Wastewater Outfall, along with the treatment plant and bore fields.
 - The Enterprise Project Management Office will be focussing on project delivery. Due to the scale of construction and ensuring community readiness and capacity, discussions have been undertaken with neighbouring Councils in an effort to co-ordinate rather than competing to ensure Hawke's Bay gets what it needs.
 - Ms Foster advised that Council would be borrowing for \$86m for the renewal of assets. The amount of \$159m is actually before the capital delivery assumption has been deducted. The \$37m proceeds from asset sales incorrectly included the capital delivery assumption. It was noted that these figures would be corrected in the financials.
 - The process for the Fees and Charges part of the Annual Plan development was initially adjusted by CPI (4.1%), and reviewed by managers in line with the Revenue and Finance Policy.
 - The principle behind the Schedule Fees and Charges is that the fees are consistent with the Revenue and Financing Policy in trying to achieve effective fees and charges from the activities delivered to reflect the private benefit received. A full review of the Revenue and Financing Policy is about to be launched and that will address facilities that are not operating within their revenue and financing policy bands.
 - The Parklands Residential Development Fund is in a negative position of \$17m pending sales of sections to recoup this amount. The \$17m is funded through internal debt.
 - Costs of capital programme are likely to increase with inflation, contractor and supply availability and from a risk perspective will need to be monitored.
 - The topics to be included for consultation in the Annual Plan are:
 - Proposed Rates Increase
 - Proposed changes to fees and charges
 - Reimagine facilities (Aquarium, Napier iSite, Par2 Minigolf and the Faraday Museum)
 - Kennedy Park and Ocean Spa commercialisation
 - Napier Library
 - Council Controlled Trading Organisations.

**COMMITTEE
RESOLUTION**

Bruce Robertson / David Pearson

The Audit and Risk Committee:

- a) **Receive** the information in this report as the underlying information for the Annual Plan 2025/26:
 - i. Annual Plan 2025/26 Draft Financial Statements (Doc Id 1834946)
 - ii. Draft Schedule of Fees & Charges 2025/26 (Doc Id 1834945)
 - iii. Draft Planning Assumptions (Doc Id 1834947)
-

-
- iv. Changes to the Capital Plan (Doc Id 1834948)
- b) **Endorse** the underlying information on which the Annual Plan 2025/26 is being prepared for adoption at the 27 March 2025 Council meeting.

Carried

2. AWATOTO WASTEWATER PIPE RISK REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Resource Management Act 1991
<i>Document ID:</i>	1834022
<i>Reporting Officer/s & Unit:</i>	Stephen Moratti, Senior Project Manager

2.1 Purpose of Report

This report provides an overview of the current risks facing the Awatoto Wastewater Outfall Pipe and provides risk mitigation strategies to manage those risk, providing the Audit and Risk Committee with insights to guide oversight and support effective decision making

At the meeting

The Senior Project Manager, Mr Moratti presented the report and displayed a PowerPoint presentation (Doc Id 1838600) providing a brief summary of the background, risks and what is required and solutions for the construction of a new Awatoto wastewater outfall pipeline.

In response to questions the following was clarified:

- Mr Moratti advised that bringing forward the construction by approximately 12 months, brings forward the significant construction costs, which impacts on the forecast budget and debt levels. To offset the early construction of the outfall pipe it is also proposed to delay some of the Flood Alleviation works for 12 months. Whilst these Flood Alleviation works have a budget, no work has yet started on the project.
 - The discharge will remain under the current consent which expires in 2036 and the construction of the new pipeline will require a resource consent.
 - There would be bigger risks associated with a new discharge consent, as this would raise the question of treatment and a lot more work would be involved especially with the recently proposed changes to the discharge limits. Using the current discharge consent will mitigate the risk of pipe failure and enable construction. There is money in the budget for the additional work that will be involved with the new consent in 2036.
 - Considerable research has been undertaken in relation to the likelihood of Napier having a land based solution covering all scenarios and the outcome is close to zero. There would still need to be the ability, especially during rain events, to discharge safely into the wastewater system outfall pipe.
-

- Mr Bond noted that land discharge complexity is around the interaction with the ground water aquifer and people utilising that. Land would have to be secured as a buffer to protect against any potential contamination risks to the ground water. It is an onerous process and requires a lot of treatment to maintain. Treatment costs to meet that level would be quite significant if applying for a water quality consent at the same time and would not negate the risk of this pipe failing.
- New standards allow for an outfall. An outfall to the ocean has the highest discharge capability as far as the treatment. Under the proposed new standards there will still be the requirement to improve and increase treatment.
- The new designs have trawler protection on the diffuser which will remedy issues that have been created by trawlers in the past. A CCTV camera has been installed to notify the Harbour Master of anyone in the vicinity of the outfall.
- Mr Moratti advised that the connection of the new pipe would be undertaken during a very short timeframe as there would not be a lot of time available between empty and full discharge. Installation of the emergency storage ponds at the Wastewater Treatment Plant is designed to provide a 24 hour window to allow for repair work.
- No funding has been included in the Long Term Plan for the project to decommission the existing outfall pipe, and this could be retained as an emergency discharge point.

COMMITTEE Mayor Wise / Councillor Browne

RESOLUTION

The Audit and Risk Committee:

- Receive** the Awatoto Wastewater Outfall Risk Review Report.
- Acknowledge** that the Committee have considered the risks for the planned replacement of the Awatoto Wastewater Outfall Pipe Construction in Financial Years 2028/2029 to 2029/2030.

Carried

Attachments

- 1 Wastewater Outfall Replacement (Doc Id 1838600)

3. POLICY UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1834910
<i>Reporting Officer/s & Unit:</i>	JayJay Kettle, EA to Deputy Chief Executive & Executive Director Corporate Services

3.1 Purpose of Report

To update the committee on the progress made updating policies.

At the meeting

The EA to Deputy Chief Executive / Acting Executive Director City Strategy, Ms Kettle presented the report noting that 14 policy reviews had now been approved by the Executive Leadership Team (ELT).

Ms Kettle advised an Election Protocols Policy has been approved, which is an overview for staff on conduct and guidelines for the upcoming elections.

The review periods were being reassessed as they went through ELT and workflow processes could be reinstated.

Ms Kettle clarified that “quick win policies” were more administrative and were policies that do not have any content change and can be redated and rolled out.

COMMITTEE RESOLUTION

Councillors Mawson / Crown

The Audit and Risk Committee:

- a) **Receive** the report titled “Policy Update” dated 13 March 2025.

ACTION: *Officer to provide a table of policies with review dates to elected members as a memo for information.*

Carried

4. AUDIT NZ MANAGEMENT REPORT 2023/24

Type of Report: Information

Legal Reference: N/A

Document ID: 1833922

Reporting Officer/s & Unit: Talia Foster, Financial Controller

4.1 Purpose of Report

To present the Audit New Zealand Management Report for the year ended 30 June 2024 for consideration.

At the meeting

The Financial Controller, Ms Foster spoke to the Audit New Zealand Management report for the year ended 30 June 2024 that was adopted at the end of 2024.

Ms Young made the following comments:

- Napier has a sound controlled environment.
 - A number of previous recommendations have been resolved.
 - There were fewer new recommendations.
-

- Observation that Napier are getting better at resolving recommendations.
- The register that has been implemented and the reporting to this Committee has assisted in monitoring outstanding recommendations.
- Council has improved in asset revaluations and fair value assessments, measuring well against its KPIs; however, further improvements are needed in this area.

In response to questions the following was clarified:

- In relation to fault response time a lot of changes have been put in place in the last few years with further ongoing changes happening.
- Work has begun for the audit this year with Audit New Zealand requesting information to confirm the training that has been in place. Ms Foster advised that they did not have confidence that it would be completed for the full year, but should be by year end. This could affect the opinion for 2024/2025.
- There have been difficulties in getting to Kennedy Park to check the progress on till takings. However an interim measure is in place which should meet Audit's requirements. An electronic sheet had been created to use online, however is not working for Kennedy Park who use a more manual process.

The Chair advised that this was unacceptable and raised the risk of fraud, because the matter has been so long outstanding. Kennedy Park needs to fix the problem.

**COMMITTEE
RESOLUTION**

Bruce Robertson / David Pearson

The Audit and Risk Committee:

- Receive** the Audit New Zealand Management Report for the year ended 30 June 2024.
- Recommend** that the Chair and Deputy Chair have delegation to approve the Audit Plan for the 2024/25 Annual Report on behalf of the Audit and Risk Committee, in consultation with the Chief Executive.

Carried

5. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1834241
Reporting Officer/s & Unit:	Talia Foster, Financial Controller Alister Edie, Business Improvement Manager

5.1 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 Financial Controller, Ms Foster spoke to the report confirming that all items identified in the report for this quarter complied with Council’s Policy.

In response to a query of a duplicate line in the table for the Chief Executive Sensitive Expenditure. Ms Foster confirmed this was an error, there was only one transaction for \$74.17 paid to Eventfinder for the Chief Executive's guest to attend a 150th event. This duplicate was not included in the total lines, so there is no adjustment required to anything else in the report.

COMMITTEE RESOLUTION

Councillors Mawson / Browne

The Audit and Risk Committee:

- a) **Receive** the 31 December 2024 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

6. RISK MANAGEMENT REPORT

Type of Report: Information

Legal Reference: N/A

Document ID: 1834236

Reporting Officer/s & Unit: Dave Jordison, Risk and Assurance Lead
Alister Edie, Business Improvement Manager

6.1 Purpose of Report

To provide the Committee an update on Council’s strategic and operational risk profiles and on key risk management workstreams.

At the meeting

The Risk and Assurance Lead, Mr Jordison provided a summary of the report.

In response to questions the following was clarified:

- A high number of out-of-appetite operational risks are due to risk owners requiring further training.
 - Risks of public Health and Safety should be captured in CAMMS. It is up to the various activity / asset managers to record their risk exposure in the Risk Register.
 - Ms Bailey advised that Council also manage legislation through compliance activities to ensure public safety through the Building Act and Food Act.
 - The key factor to ensure data is recorded is through staff entering data into the system. In the last few years there has been a dramatic increase in data recorded and strategic risks.
-

The system makes recording very capable and included in the redrafted framework is the assurance process.

**COMMITTEE
RESOLUTION**

Councillors Crown / Mawson

The Audit and Risk Committee:

- a. **Receive** the report titled “Risk Management Report” dated 13 March 2025.

Carried

The meeting adjourned at 11.00am and reconvened at 11.15am

7. HEALTH & SAFETY REPORT

Type of Report: Information

Legal Reference: N/A

Document ID: 1834828

Reporting Officer/s & Unit: Andrew Wallace, Health and Safety Operations Manager
Jill Coyle, People Operations Manager

7.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of Health Safety strategic progress, performance and activities covering the period November 2024 to 31st January 2025. The report enables the ARC to provide assurance to Council for the capability and functioning of Council’s health, safety hazard and risk management system and associated programme.

At the meeting

The Health and Safety (H&S) Operations Manager, Mr Wallace took the report as read.

In response to questions the following was clarified:

- For each of the critical hazard risks identified there are current processes and procedure controls for those activities. Since writing the report ELT had identified the top eight critical hazards for Council which will enable H&S to focus on what can be undertaken to bolster controls and begin reporting to ELT each month or quarterly on performance against those critical hazards. It will enable communication to staff or contractors working with the top eight hazards, what mandatory controls are required and that any breach will be significant.
 - A new Well Being Advisor has been appointed who will focus and manage the emerging risk of psychosocial risk assessment in the workplace.
 - The format for Health and Safety Committees has changed, Lead meets quarterly with the other committees having rotating chairs, and with an emphasis on workers engaging and reporting on actions. A key change is to encourage staff in H&S behaviour.
-

- Developing a H&S training programme for managers and team leads to ensure they are equipped to manage H&S risks. Senior leads will have once adopted, KPIs for their directorate on safe practises and how use Mysafety tool.
- Commitment by Governors to understanding and observing programmes and obligations under section 44 of the Act.
- Aggressive incidents for the Libraries for this quarter was four. The following aggressive incidents for 2023 and 2024 were:
 - Napier Library 2023 – 12
 - Taradale Library 2023 – 4
 - Napier Library 2024 – 45
 - Taradale Library 2024 – 28
- An aggressive customer displays a range of behaviours including but not limited to verbal threats, physical assault, threats to staff or customers, unwanted attention, anti-social behaviour. Mr Wallace advised the current controls of the security guards and City Assist officers appears to have alleviated the issue to some degree, but further review of incidents will confirm this over the following quarters.

COMMITTEE Councillors Crown / Mawson

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Health and Safety Report for the quarter ended 31 January 2025

Carried

8. HEALTH & SAFETY DEEP DIVE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1836103
<i>Reporting Officer/s & Unit:</i>	Jill Coyle, People Operations Manager Andrew Wallace, Health and Safety Operations Manager

8.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of the Health Safety deep dive of strategic risk 32.

At the meeting

The Health and Safety Operations Manager, Mr Wallace displayed a PowerPoint presentation (Doc Id 1839346) on strategic risk 32 which had been identified by ELT to warrant a deep dive to this Committee.

In response to questions the following was clarified:

- Mr Wallace advised that the intention for the list of actions would be for him to work with the control owners and ensure the treatment action aligns with their vision for what the control is.
- Reporting cycle would be demonstrated through the Health and Safety document to show it has trended down with the controls and the risk profile begins reducing.
- Reporting back to the Committee is that treatment actions are being implemented into strategic risk controls. The outcome as the treatment actions become effective is the SR32 risk profile will reduce.
- It was anticipated that by the next Audit and Risk Committee meeting 50% of the actions would be entered and operating. Some actions are operating, but not captured in CAMMS.
- The investment in planned actions would likely reduce the risk to medium. Following a treatment control being entered, the current risk is assessed and it is decided whether further resourcing is required to further reduce the risk or that it is at the right appetite.
- Training currently underway for tier 2 and 3 staff and would follow with training for elected members. Topics to be included in the training in addition to the Napier way to manager Health and Safety; officer duties with a focus under section 44 of the Health and Safety Act 2015; elected member safety; personal safety including public harm and cyber security.

**COMMITTEE
RESOLUTION**

Mayor Wise / Councillor Crown

The Audit and Risk Committee:

- Receive** the Health and Safety Deep Dive dated 13 March 2025.
- Receive** the analysis of SR32.

Risk No:	Risk Issue	Inherent RA	Revised RA	Risk Movement
SR32	Failure to maintain a safe and healthy workplace and safe systems of work (ie we do not proactively navigate H&S threats)	Extreme 160	High 28	Nil

- Approve** the report titled “Health and Safety Deep Dive” be presented to Council at its meeting 27 March 2025 for information.

Carried

Attachments

- Health and Safety Deep Dive (Doc Id 1839346)

Minor matters

There were no minor matters to discuss.

RESOLUTION TO EXCLUDE THE PUBLIC

Bruce Robertson / Councillor Crown

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

1. Audit New Zealand - Verbal Update
2. Chief Executive - Verbal Update

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.	Plain English reason for passing this resolution in relation to each matter.
1. Audit New Zealand - Verbal 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.	Commercial activity
2. Chief Executive - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the	Commercial activity

	disadvantage, commercial activities	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.	
Public Excluded Text			
Council has considered the public interest in the information above and balanced those interests with the reason(s) for withholding this information. This ensures Council has met the requirements for withholding information under section 7(2) of the Local Government and Official Information and Meetings Act 1987.			

*The meeting adjourned at 11.43am and reconvened in Public Excluded at 11.45am
The meeting closed with a karakia at 12.20pm*

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

Chairperson

Date of approval