

HUTT CITY COUNCIL**AUDIT AND RISK SUBCOMMITTEE**

Minutes of a meeting held in the Council Chambers, 2nd Floor, 30 Laings Road
Lower Hutt on

Tuesday 16 June 2020 commencing at 2.00pm

PRESENT:

Mayor C Barry (Chair)
Cr D Bassett
Cr C Milne (from 2.05pm)
Cr N Shaw¹

Cr J Briggs
Cr A Mitchell

APOLOGIES:

There were no apologies.

IN ATTENDANCE:

Cr B Dyer
Ms J Miller, Chief Executive
Ms A Blackshaw, Director Strategy and Engagement (part meeting)
Ms H Oram, Director Environmental and Sustainability (part meeting)
Ms A Welanyk, Director Transformation and Resources
Ms J Livschitz, Chief Financial Officer (part meeting)
Mr B Cato, Chief Legal Officer (part meeting)
Mr G Phillips, Treasury Officer (part meeting)
Mr G Craig, Head of City Growth
Mr D Newth, Financial Accounting Manager (part meeting)
Mr D Kerite, Head of Environmental Consents (part meeting)
Mr J Griffiths, Head of Mayor's Office (part meeting)
Ms T Lealofi, Committee Advisor

PUBLIC BUSINESS**1. APOLOGIES**

RESOLVED: (Mayor Barry/Cr Mitchell)

Minute No. ARSC 20401

*"That the apology for lateness received from Cr Shaw be accepted."*¹

2. PUBLIC COMMENT

There were no public comment.

3. CONFLICT OF INTEREST DECLARATIONS

There were no conflict of interest declarations.

Cr Milne joined the meeting at 2.05pm.

¹ Cr Shaw was not in attendance at the meeting.

4. MINUTES

RESOLVED: (Mayor Barry/Cr Bassett)

Minute No. ARSC 20402

"That the minutes of the Audit and Risk Subcommittee meeting held on Thursday 12 March 2020, be received and noted."

PRECEDENCE OF BUSINESS

Mayor Barry gave precedence of business to items 6, 7, and 8.

The items were recorded in the order in which they were listed on the order paper.

5. RECOMMENDATION TO COUNCIL - 28 JULY 2020

- i) Treasury Risk Management Policy review and update (20/9)

The Chief Financial Officer introduced Mr Brett Johanson and Ms Sarah Houston-Eastergaard from PricewaterhouseCoopers (PwC). The Chief Financial Officer elaborated on the report.

Ms Houston-Eastergaard advised there were three main technical provisions within the Treasury Risk Management Policy that PwC had recommended to be updated. These were debt profiling, interest rate risk management/risk control and lending to Council Controlled Organisations and Council Controlled Trading Organisations.

Mr Johanson advised that the recommended changes were consistent with changes recommended to other local authorities. He added the changes were still within the risk framework as required by the statutory objectives outlined in the Local Government Act.

In response to a question from a member, Mr Johanson elaborated on local government sector thinking around all matters dealing with risk in regard to COVID-19.

In response to a question from a member, Ms Houston-Eastergaard and Mr Johanson elaborated on the policy framework for the management of forecast of debt that local authorities used.

RECOMMENDED: (Mayor Barry/Cr Briggs)

Minute No. ARSC 20403

"That the Subcommittee recommends that Council approves the updated Treasury Risk Management Policy, attached as Appendix 2 to the report."

- a) RECOMMENDATION TO COUNCIL - 30 JUNE 2020

i) Review of Agreement to Lease Events Centre and Develop a Hotel
(20/427)

The Chief Executive advised that she had commissioned a review of the project shortly after the election at the request of Mayor Barry. She noted that she had asked Thomas Dewar, Lawyers to undertake an independent review. She highlighted the review was focused on what had happened, the interface between management and governance and the lessons learnt for the purpose of future projects.

Mr Gerard Dewar, Partner, Thomas Dewar elaborated on the report. He also elaborated on the lessons learnt which included benchmark preset, benchmark reporting between management and governance and tighter decision-making criteria for the terms of reference for projects.

In response to questions from members, Mr Dewar advised that commercial sensitivity was extremely high when parties were negotiating and there was the need for confidentiality. He also advised that it was not the role of lawyers to provide advice on the risk of ventures. He highlighted that the contract that was prepared for the project accurately reflected Council's decisions made in 2015. He reiterated the lesson learnt regarding benchmark reporting to Council.

Mayor Barry highlighted that the most important lesson learnt was ensuring that benchmark reporting to Council was in place for future projects.

Cr Milne expressed that no amount of reporting to Council would have saved the situation as contracts, budgets and underwrites were locked in. He believed that Council needed to employ high quality external experts when entering into business arrangements. He stated that the learnings should be that Council did not have the ability to run and manage commercial risks, including Fraser Park.

Cr Briggs expressed the need for the sharing of information with all members to ensure members were well informed. He also expressed the importance of being upfront with members and the community with future projects.

Mayor Barry thanked the officers for providing members and the community with a clear picture of what had happened. He spoke of the importance of transparency when using ratepayer funds for commercial deals. He advised that it was important to apply the lessons learnt to projects already underway.

RESOLVED: (Mayor Barry/Cr Briggs)

Minute No. ARSC 20404

"That the Subcommittee:

- (i) *notes the independent report of Thomas Dewar, Lawyers entitled Review of Events Centre and Hotel Development Contracts for Hutt City Council dated*

3 March 2020 attached as Appendix 1 to the report; and

- (ii) notes the conclusions and recommendations and applies the recommendations relating to reporting and review protocols for future projects."*

For the reasons that Council has commissioned an independent review of a series of contracts relating to the development of the Events Centre and Hotel in Lower Hutt.

6. TAX RISK GOVERNANCE FRAMEWORK UPDATE (19/492)

Report No. FPC2019/2/51 by the Financial Accounting Manager

The Financial Accounting Manager introduced Mr Phil Fisher from PricewaterhouseCoopers. The Financial Accounting Manager elaborated on the report.

Mr Fisher elaborated on the Tax Governance framework. He confirmed that Council's framework was consistent with other local authorities. He highlighted that Council was at the top end of the level of compliance. He elaborated on the key tax issues that local authorities were working through which included staff working from home, Three Waters and shared services. He concluded that Council had a healthy tax position.

In response to a question from a member, Mr Fisher advised that a review of Urban Plus Limited was undertaken in 2019. He noted that it may be timely to undertake another review. He highlighted that tax would be a small component of that review.

RESOLVED: (Mayor Barry/Cr Bassett)

Minute No. ARSC 20405

"That the Subcommittee:

- (i) notes and receives the report; and*
(ii) approves the Tax Governance Plan in relation to the years ending 30 June 2021 and 2022."

7. **SEISMIC PERFORMANCE REGISTER** (20/175)

Report No. ARSC2020/2/69 by the Senior Advisor to the Chief Executive

The Director Strategy and Engagement elaborated on the report. She advised that the new rating for the Hutt Recreation Ground grandstand was 45% New Building Standard.

The Chief Executive advised that the reporting of Asset Management Plans to the subcommittee was set down for early 2021.

Mayor Barry thanked and acknowledged officers for their work on the Seismic Performance Register.

RESOLVED: (Mayor Barry/Cr Bassett)

Minute No. ARSC 20406

"That the Subcommittee notes and receives the report."

8. **INFORMATION ITEM**

Audit and Risk Subcommittee Work Programme 2020 (20/198)

Report No. ARSC2020/2/33 by the Committee Advisor.

In response to a question from a member, the Chief Executive advised that she was reasonably confident the business of the subcommittee would be completed in a timely manner rather than a pre-COVID aspirational basis.

RESOLVED: (Mayor Barry/Cr Mitchell)

Minute No. ARSC 20407

"That the work programme be noted and received."

9. **QUESTIONS**

There were no questions.

10. **EXCLUSION OF THE PUBLIC**

RESOLVED: (Mayor Barry/Cr Mitchell)

Minute No. ARSC 20408

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

11. *Further Information on Agreement to Lease Events Centre and Develop a Hotel*
(20/432)

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

(A)

(B)

(C)

<i>General subject of the matter to be considered.</i>	<i>Reason for passing this resolution in relation to each matter.</i>	<i>Ground under section 48(1) for the passing of this resolution.</i>
<i>Further Information on Agreement to Lease Events Centre and Develop a Hotel.</i>	<i>The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities (s7(2)(h)). The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (s7(2)(i)).</i>	<i>That 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 exist.</i>

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above."

RESOLVED: (Mayor Barry/Cr Mitchell)

Minute No. ARSC 20409

"That Mr Gerard Dewar, Partner, Thomas Dewar Sziranyi Letts and Mr Kevin Podmore from Cambridge Asset Management Limited be permitted to remain after the public during consideration of the item as they have knowledge of the matter to be discussed that will assist the subcommittee in relation to this item."

There being no further business the Chair declared the meeting closed at 3.20pm and the non-public portion of the meeting closed at 4.26 pm.

Mayor C Barry
CHAIR

CONFIRMED as a true and correct record
Dated this 28th day of July 2020