

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 107 TE HEUHEU STREET, TAUPŌ
ON THURSDAY, 2 MAY 2024 AT 2.00PM**

PRESENT: Mr Bruce Robertson (in the Chair), Cr Danny Loughlin, Mr Anthony Byett, Cr Anna Park (until 4.43pm), Cr Rachel Shepherd, Cr Kevin Taylor (from 2.48pm), Mayor David Trewavas, Cr John Williamson

IN ATTENDANCE: Cr Kylie Leonard (until 2.51pm)
Chief Executive (J Gardyne), General Manager Organisation Performance (S Matthews), General Manager Strategy and Environment (W Zander), General Manager People and Community Partnerships (L O'Brien), Acting General Manager Operations and Delivery (T Hale), Legal and Governance Manager (N McAdie), Policy Manager (N Carroll), Finance Manager (J Paenga), Communications Team Lead (D Beck), Team Leader Corporate Planning (A Smith), Senior Policy Advisor (K Goode), Senior Policy Advisor (P Caruana), Policy Advisor (A Wilson), Senior Financial Planner (J Caldwell), Governance Quality Manager (S James)
Audit New Zealand representative, Mr Wikus Jansen van Rensburg (via MS Teams)

MEDIA AND PUBLIC: Nil

- Notes:
- (i) Cr Kevin Taylor entered the meeting at 2.48pm. He was not present for resolution RACC202405/01.
 - (ii) Cr Anna Park left the meeting at 4.43pm. She was not present for resolution RACC202405/02.

1 KARAKIA

Independent Chairperson, Mr Bruce Robertson led Committee members as they recited Taupō District Council's opening karakia.

2 WHAKAPĀHA | APOLOGIES

RACC202405/01 RESOLUTION

Moved: Mr Bruce Robertson
Seconded: Cr Anna Park

That the apology received from Cr Kevin Taylor (for lateness) be accepted.

CARRIED

Note: All members present at the Risk and Assurance Committee meeting voted in favour of resolution RACC202405/01 above.

3 NGĀ WHAKAPĀNGA TUKITUKI | CONFLICTS OF INTEREST

Nil

4 WHAKAMANATANGA O NGĀ MENETI | CONFIRMATION OF MINUTES

Nil

5 NGĀ RIPOATA | REPORTS**5.1 RECOMMENDATION TO COUNCIL TO APPROVE THE DRAFT LONG-TERM PLAN 2024-34 CONSULTATION DOCUMENT AND SUPPORTING INFORMATION FOR AUDIT NZ CONSIDERATION**

Members had before them the following documents:

- (i) Agenda, with attachments including draft significant assumptions; draft Revenue and Financing Policy; draft Rates Remissions and Postponement Policy; draft Performance Management Framework; draft Financial Strategy 2024-34 report and attachment; draft Infrastructure Strategy report and attachments; supporting information for the draft Long-term Plan 2024-34 including draft accounting policies, Funding Impact Statement and financial information.
- (ii) Attachments under separate cover 1, being the draft Treasury Management Policy; the draft Fees and Charges Schedule 2024-25; and the draft Development Contributions Policy.
- (iii) Attachments under separate cover 2, being the draft Infrastructure Strategy; and the draft Long-term Plan 2024-34 consultation document.

The Senior Policy Advisor (K Goode) advised that all documents had been provided for Risk and Assurance Committee endorsement prior to the Council meeting taking place the following morning (3 May 2024). Once Council had also considered the documents, they would be provided to Audit New Zealand for review over the next three weeks, followed by public consultation between 4 June and 5 July 2024.

Members considered documents in the order listed below.

Draft Development Contributions Policy

The Senior Policy Advisor (P Caruana) explained that:

- The draft policy included new provisions to ensure consistency with Te Ture Whenua Māori Act 1993.
- The two key factors impacting proposed charges were costs and population growth. Although costs were substantially higher, so was growth. Once both factors were taken into account, proposed development contributions charges were lower than the current policy in many cases.

In answer to a question, the General Manager Organisation Performance advised that the updated numbers contained in the draft Development Contributions Policy had taken into account proposed projects; predicted steady population growth; and debt. Growth assumptions in particular had changed significantly since the last Development Contributions Policy review.

A member suggested that the word “favourable” in the context of Māori land should be removed, as it was not reflective of the process to be followed.

In answer to a question, the Team Leader Corporate Planning explained that for development contributions, project costs were apportioned to areas of growth but also included other factors including benefits to surrounding areas. While general transport costs were district-wide, developers on the northern side of the Control Gates Bridge would pay higher development contributions due to benefits of the proposed new bridge and wastewater infrastructure projects in that particular area.

Draft Accounting Policies

The Finance Manager advised that the draft accounting policies had been updated to reflect matters captured in Council’s most recent Annual Report. The General Manager Organisation Performance added that reporting standards relating to “financial” as opposed to “operating” leases would change in future.

The Chairperson noted that Council was subject to an annual fair revaluation of assets process, which pinned the price of assets to depreciated asset costs. Council had a policy of fully funding depreciation, so the accounting policies had a significant impact on costs and therefore rates.

Draft Financial Information

The General Manager Organisation Performance confirmed that core services, network services and legislative requirements (including relating to 'three waters') had all informed the draft financial information.

The Chairperson observed that according to Council's prospective schedule of rates, rates would rise by 65% over the next 10 years, which was very low compared to other councils.

The General Manager Organisation Performance advised that elected members and management had worked hard to reach a position with a palatable average rates increase number up-front. No reduction to levels of service was proposed. The executive team had examined budgets to identify savings and efficiencies across the board, for example rationalising the vehicle fleet and removing data cards from laptops. The focus was on essential services, with projects pushed out to later years.

The Chairperson drew members' attention to the following key parts of the draft financial information:

- The depreciation and amortisation expense line in the Statement of Comprehensive Revenue Expenditure on page 173 of the agenda. Depreciation was important because it was the cost of the asset base required by Council to enable it to provide services to the district.
- On the same page (173), the forecast surplus of \$51k in Year 10, indicating a balanced budget as required by s100 of the Local Government Act 2002.
- The Statement of Cashflow on page 177, in particular the net cashflow operating activities line. It was important to consider the numbers to ensure Council was not 'over-rating'. The General Manager Organisation Performance advised that the approach was prudent, taking into account all relevant factors. The Chairperson observed that the numbers were greater than depreciation, which was another indicator that Council's proposed approach was reasonable.

Cr Kevin Taylor entered the meeting at this point (2.48pm).

Cr Kylie Leonard left the meeting at 2.51pm.

Funding Impact Statement

Members considered the Funding Impact Statement on page 178. The Chairperson explained that the funding balance numbers indicated costs to replace existing assets over time. Those numbers should therefore be compared to depreciation. Taking Year 1 as an example, depreciation was expected to be \$34m, however only \$26m was budgeted for replacement of existing assets. In Year 10, the figures were \$62m depreciation but only \$37m to replace existing assets.

The General Manager Organisation Performance advised that the splits would be examined again.

Deputy Chairperson, Cr Danny Loughlin asked for the blank cells to be checked and filled in. He also suggested that one particular asset of interest to people in the community could be selected and used to explain how depreciation and asset replacement was budgeted for over time.

In answer to a question, the General Manager Organisation Performance advised that Council would have to borrow to cover working capital requirements in the period 1 July to Long-term Plan adoption late September.

Funding Impact Statement (page 142)

The Finance Manager advised that not a lot of change was proposed. Changes included new wastewater rates and including electricity generation and utilities assets and networks in the industrial/commercial differential category.

In relation to the Uniform Annual General Charge (UAGC), which was not proposed to change at this time, it was noted that the appropriate approach was to consider what activities Council planned to fund, before then considering funding mechanisms.

A member suggested that civil defence emergency management would need to be taken into account nationally in the future, in relation to councils' UAGCs.

The meeting adjourned at this point (3.16pm) and reconvened at 3.28pm.

Draft Infrastructure Strategy

The Acting General Manager Operations and Delivery advised that some projects, including the Northern access solution and the Taupō North and Tūrangi Wastewater Consent projects, had been included as 'placeholders' in the draft Long-term Plan 2024-34 and the draft Infrastructure Strategy. Council was working with Iwi/Hapū in relation to these projects.

The Team Leader Corporate Planning added that the draft Infrastructure Strategy had a focus on resilience and included:

- Increased pipe renewals;
- Preventative maintenance – roading; and
- Ongoing wastewater compliance.

The General Manager Organisation Performance, Acting General Manager Operations and Delivery and the Team Leader Corporate Planning answered questions:

- Te Mana o Te Wai had been carried forward into the draft Infrastructure Strategy. Conversations with Iwi/Hapū in relation to this would continue.
- Pipe assets were monitored, with breakages tracked via service requests, however pipe failure could sometimes be random.
- The Infrastructure Strategy was informed by master planning exercises, which included analysis of growth, storage capacity, and other factors relating to resilience.
- Internal loans for three waters infrastructure were included in the later years of the Long-term Plan (as shown in the graph on page 37 of the attachments under separate cover 2).
- Renewals were funded from reserves, which were in turn defined in the Revenue and Financing Policy.
- In relation to the expired Tūrangi wastewater consent, a steering group was in place and Council was working closely with hapū and keeping Waikato Regional Council informed of progress. Extensions had been applied.

Members agreed that the terms short-term (one to three years) and medium-term (10 years, i.e. the LTP period) should be defined in the Infrastructure Strategy.

Financial Strategy

In relation to the essential services benchmark not being met in Years 8, 9 and 10, it was noted that Council was front-loading work in the earlier years and the proposed breach should correct in years beyond the LTP.

In answer to a question about debt and Council's self-insurance via the TEL fund, the General Manager Organisation Performance advised that this would be discussed at a future Risk and Assurance Committee meeting, when the Committee considered insurance renewals in conjunction with AON.

The Chairperson observed that Taupō District Council was dealing capably with 'three waters', which was not the case for all councils around the country.

Draft Consultation Document

An updated draft consultation document was tabled (A3552011).

The General Manager People and Community Partnerships advised that while the consultation document was a legislative requirement, it was one tool Council would use as part of wider engagement with the community. She added that it had been drafted to be as easy to understand as possible, including making the point that if the community wanted Council to do something, then that would come at a cost.

Members endorsed the simple tone of the draft consultation document and agreed that the four issues outlined were the correct issues to be consulting on, however the first question ("do you agree with our proposed approach of focusing most of our effort and money on essential services?") could be re-worded to support Council's conversation with the community to a greater extent.

Cr Anna Park left the meeting at this point (4.43pm).

Audit New Zealand representative, Mr Wikus Jansen van Rensburg addressed the Committee, explaining that Audit New Zealand's role was not to give assurance, but rather to review information and highlight any concerns with the Risk and Assurance Committee Chairperson and management.

RACC202405/02 RESOLUTION

Moved: Mr Bruce Robertson

Seconded: Cr Danny Loughlin

That the Risk and Assurance Committee recommends to Council that it approves the following documents, subject to editing:

1. the draft Long-term Plan 2024-34 Consultation Document for Audit NZ consideration;
2. the draft Financial Strategy for Audit NZ consideration;
3. the draft Infrastructure Strategy for Audit NZ consideration; and
4. the draft supporting information for Audit NZ consideration which includes but is not limited to:
 - a. Draft Development Contributions Policy
 - b. Draft Accounting Policies
 - c. Draft Financial Information
 - d. Draft Funding Impact Statement

CARRIED

Note: All members present at the Risk and Assurance Committee meeting voted in favour of resolution RACC202405/02 above.

6 NGĀ KŌRERO TŪMATAITI | CONFIDENTIAL BUSINESS

Nil

The meeting closed at 4.47pm with all members present reciting Taupō District Council's closing karakia.

The minutes of this meeting were confirmed at the Risk and Assurance Committee Meeting held on 2 July 2024.

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CHAIRPERSON