Audit and Risk Committee

AGENDA

Notice of Meeting:

A meeting of the Audit and Risk Committee will be held on:

Date:	**Wednesday 25 June 2025**
Time:	**12.45pm**
Venue:	**Hine Paaka Council Chamber, Te Whare Whakatere**
	2 Baring Square East, Ashburton

Membership

Chairperson	Russell Ellis
Deputy Chairperson	Leen Braam
Members	Carolyn Cameron Liz McMillan Richard Wilson Murray Harrington (external appointee) Mayor Neil Brown (ex-officio)

Audit & Risk Committee

Timetable	
12.45pm	Meeting commences

ORDER OF BUSINESS

4. *Audit & Risk Committee – 14 May 2025*

Minutes of the Audit & Risk Committee meeting held on Wednesday 14 May 2025, commencing at 1.00pm, in the Hine Paaka Council Chamber, Te Whare Whakatere, 2 Baring Square East, Ashburton.

Present

Mayor Neil Brown, Councillors Russell Ellis (Chair), Leen Braam, Carolyn Cameron, Murray Harrington (via MS Teams), Liz McMillan and Richard Wilson.

Also present:

Councillors Phill Hooper, Lynette Lovett, Rob Mackle and Tony Todd.

In attendance

Hamish Riach (CE), Helen Barnes (GM Business Support), Sarah Mosley (GM People & Facilities), and Carol McAtamney (Governance Support).

Staff present for the duration of their reports:

Erin Register (Finance Manager), Lauretta Artz (Accountant), Richard Wood (Sport & Recreational Manager), Ellen Nicol (Recreations Services Manager), Katie Perry (People & Capability Manager), Rebecca Lees (Safety & Wellness Lead).

1 Apologies

Nil.

2 Extraordinary Business

That pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987 the following item be introduced as extraordinary business, to be taken as Item 10:

- Management of Accounts Receivable

McMillan/Braam Carried

3 Declarations of Interest

Nil.

4 Confirmation of Minutes

That the minutes of the Audit & Risk Committee meeting held on 26 March 2025 be taken as read and confirmed.

Cameron/Braam Carried

5 EA Networks Centre Poolsafe Audit Outcome

Recommendation to Council

1. **That** the Audit and Risk Committee receives the EA Networks Centre Poolsafe Audit report 2025

Braam/Wilson Carried

6 Audit Management Letter 2023/24

Outstanding Issues/Recommendations

It was noted that a number of the recommendations in the audit report have been included in the report for a two/three year period. This is in part due to the fact that a number of the recommendations are not necessarily agreed on. It is intended that a report will be provided to the Committee on a six monthly basis on the progress of the recommendation, whether that is to close and agree to disagree or to implement the recommendation.

That the Audit and Risk Committee receives the 2023/24 Audit Management letter.

Ellis/Murray Carried

7 Transwaste Canterbury Limited Constitution and Shareholders Agreement

Recommendation to Council

That the Audit and Risk Committee recommends that Council receives the report noting the changes to Transwaste Canterbury Limited's Constitution and Shareholders Agreement.

Cameron/McMillan Carried

10 Management of Accounts Receivable

That the Audit and Risk Committee receive the reports of accounts receivable.

Cameron/Wilson Carried

Business transacted with the public excluded – 1.50pm

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

Item No	General subject of each matter to be considered:	In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:	
8	**Audit & Risk Committee minutes**	Section 7(2)(a)	Protection of privacy of natural persons
10	**Health and Safety Report**	Section 7(2)(a)	Protection of privacy of natural persons

Wilson/McMillan Carried

The meeting concluded at 2.13pm

5. Ashburton Contracting Limited's 2025/26 Statement of Intent

Author *Helen Barnes, Group Manager Business Support*
Executive Team Member *Hamish Riach, Chief Executive*

Summary

- The purpose of this report is for the Audit and Risk Committee to agree to the Ashburton Contracting Limited (ACL) 2025-26 final Statement of Intent (SOI).
- Council, through the Audit & Risk Committee's 26 March 2025 meeting, reviewed ACL's draft 2025-26 SOI and formally notified ACL of recommended changes to incorporate into the SOI.
- ACL have subsequently sent back their final SOI for 2025-26 incorporating the recommended changes. It is recommended that the Audit and Risk Committee now formally agree to the final SOI.
- The final Statement of Intent must be placed on Council's website for a period of seven years.

Recommendation

1. **That** the Committee agree to the final 2025-26 Statement of Intent for Ashburton Contracting Limited.

Attachment

Appendix 1 Ashburton Contracting Limited 2025-26 Statement of Intent

Background

1. The Audit and Risk Committee reviewed ACL's draft Statement of Intent at the March 2025 Committee meeting and referred the SOI to Council to advise ACL if they had any comments to add.

2. Under the Local Government Act 2002 Council, as the shareholder, Council must notify ACL before 1 May 2025 of any comments they wish ACL to consider. Council notified ACL on 17 April of the changes it recommended to the SOI.

In receiving the draft Statement of Intent, the Committee recommended the following changes:

cl. 6 Performance Measures

a) Reword to ACL Parent excludes LHEP but does not extend to any future joint ventures

g) Any breaches of the Resource Management Act be reported to Council

cl. 13 Dividend Policy

13.2 adjust to exclude any future joint ventures

The Committee requested further information from ACL, namely a copy of the financial forecast for the 2027/28 financial year *(cl. 8)* and a list of the charities that receive support under the Charitable Gifts Policy *(cl.14)*.

Clarification will be sought on

- *cl. 13.1* of the Dividend Policy reference regarding "subject to capital requirements of the Company", and
- *cl. 15.1* Procedures for Acquisition of Interests in other Companies or Organisations.

The current situation

3. ACL have subsequently submitted their final 2025-26 Statement of Intent (Appendix 1) for Council to receive.

4. Council must place the final version of ACL's Statement of Intent on its website for a period of seven years.

Options analysis

Option one – Accept the Statement of Intent (Recommended)

5. Council provided feedback to ACL on its draft SOI which has subsequently been incorporated into the final version of the Statement of Intent.

Advantages:	Disadvantages:
• The Committee remains consistent with Council recommendations and their communication to ACL by receiving the final SOI.	• There are no disadvantages.
Risks: • There are no apparent risks.	

Option two – Do not accept the Statement of Intent (Not recommended)

6. The Audit and Risk Committee can choose to not agree to the final SOI.

Advantages:	Disadvantages:
• There are no advantages.	• The decision would be inconsistent with earlier communication to ACL.
Risks: • Reputational, as ACL incorporated changes into its final SOI based on feedback received from Council.	

Legal/policy implications

7. Council responsibilities to their Council Controlled Organisation are detailed in Part 5 of the Local Government Act 2002.

Review of legal / policy implications	
Reviewed by In-house Counsel	Tania Paddock; General Counsel

Climate change

8. There is no impact.

Strategic alignment

9. The recommendation relates to Council's community outcome of "a prosperous economy based on innovation and opportunity" as Council encourages local economic development for all.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Shareholding in ACL. Council's investments provide a return to the community and contributes to economic development
Environmental		
Cultural		
Social		

Financial implications

Council receives dividends from ACL, which benefits the community as these dividends subside the cost of rates.

Requirement	Explanation
What is the cost?	There is no cost
Is there budget available in LTP / AP?	Not applicable
Where is the funding coming from?	Not applicable
Are there any future budget implications?	Yes, Council will receive dividends in the 2025/26 financial year from ACL's activities which are detailed on their SOI.
Reviewed by Finance	Erin Register; Finance Manager.

Significance and engagement assessment

10. This is not deemed significant.

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	N/A
Level of engagement selected	Inform, One way communication
Rationale for selecting level of engagement	Council consulted with the community prior to becoming a shareholder of ACL. This report is simply meeting the obligations of the Local Government Act 2002 relating to requirements around Statements of Intent. The final Statement of Intent will be placed on

	Council’s website so that it is publicly available to the community as per Section 64(9) of the Local Government Act 2002.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

ASHBURTON CONTRACTING LIMITED

STATEMENT OF INTENT FROM 1 JULY 2025

(covering the Financial Year ended 30 June 2026)

Dated 27th May 2025

27 May 2025

ASHBURTON CONTRACTING LIMITED

STATEMENT OF INTENT FROM 1 JULY 2025
(Covering the Financial Year Ended 30 June 2026)

1. **PREAMBLE**

This Statement of Intent (SOI) is required by section 64 of the Local Government Act 2002.

The Board of a Council Controlled Trading Organisation must deliver to the Council a draft Statement of Intent on or before 1 March each year. The Board must;
a) consider any comments on the draft Statement of Intent that are made to it within two months of 1 March by the Council, and
b) deliver the completed Statement of Intent to the shareholders on or before 30 June each year.

2. **GOVERNANCE**

Role of the Board

The collective responsibility of the Directors is to direct the management of the Company.

The Board carries out its responsibilities by setting the Company's strategic direction, providing leadership to put this into effect, appointing the Chief Executive Officer (CEO), agreeing targets and objectives and monitoring performance. The CEO has been delegated responsibility for the day-to-day management of the Company. He has an executive team to assist him.

Board Composition

The Company's Constitution provides the Board will consist of not more than five directors of whom not more than one shall be a member or employee of any Local Authority. Directors of the Company are appointed by the shareholder by notice in writing to the Company. The term of appointment shall be for a maximum period of three years, but may be for a lesser period as specified by Council at the time of appointment. Retiring directors are eligible for re-election.

Board Meetings

Each year there are a minimum of eleven scheduled directors' meetings. The Board is able to meet at other times if there is business to be conducted. Any two directors have the power to summon a meeting of the Board.

Remuneration of Directors

The Shareholder by ordinary resolution from time to time sets a total maximum amount payable for annual directors' fees divided among the directors as they consider appropriate.

Director's Fees may be reviewed on an annual basis with a maximum review interval of two years. The Directors shall engage an independent consultant to provide a recommendation to the Shareholder.

Board Interaction with Management

Board policy is to make site visits to view Company operations and to familiarise directors with issues associated with the business. These visits usually involve interaction between directors and management and direct access to employees when their particular area of expertise is required. Most contact is with the CEO whom the Directors hold accountable for the operational performance of the Company.

Directors Obligations

Directors' Interests

A Directors' Interests Register is maintained and records particulars of notices given by Directors in regard to positions and shareholdings held in other companies and entities. The Register is reviewed annually as part of the Company's annual reporting process. All Board Meetings contain an agenda item addressing any changes to Directors Interests or Conflicts of Interest.

Officers Interests

A Register of interests of senior management is maintained.

Directors' and Officers' Insurance and Indemnity

The Company has arranged Directors' and Officers' Liability Insurance which ensure directors and officers will incur no monetary loss as a result of actions undertaken by them as directors and officers. Certain actions are specifically excluded, for example, criminal acts and the incurring of penalties and fines which may be imposed in respect of breaches of law.

Financial Results

Management prepare monthly accounts which are provided to the Directors as part of the Board Report for review.

Unaudited half yearly summary reports are prepared for the Ashburton District Council.

The Company prepares Annual Accounts which are audited by Audit New Zealand. The directors review and sign the Annual Accounts which are incorporated in the Annual Report.

External Auditor

Section 70 of the Local Government Act 2002 requires that the Auditor General is the auditor of Council Controlled Organisations.

3. OBJECTIVES

The principal objectives of Ashburton Contracting Ltd are in accordance with section 59 of the Local Government Act 2002 to:

a) be a successful business; and
b) be a good employer; and
c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
d) conduct its affairs in accordance with sound and ethical business practice.

4. NATURE AND SCOPE OF ACTIVITIES

The nature of the Company's activities are that of civil and roading contracting and associated sectors. Its activities include excavation, transport, construction, drainage, civil works, pipeline installation and surfacing (chip sealing/hotmix).

The company manufactures hotmix and readymix concrete.

The company has vehicle repair workshops and paint shop which service internal and external customers.

The company carries out quarrying and the supply of aggregates and landscaping products.

The company maintains water, sewer and wastewater facilities.

The company is a partner in the Lake Hood Extension Project (LHEP) joint venture.

The company supplies goods, materials, services and equipment for sale or hire.

The company engages in any other relevant activity as determined by the directors in consultation with the Shareholder from time to time.

5. RATIONALE AND OBJECTIVES FOR ASHBURTON DISTRICT COUNCIL OWNERSHIP

The rationale for the ongoing ownership of the Company in terms of contributing to the Ashburton District Council Long Term Plan is;

a) To ensure local capacity and capability to undertake civil works, particularly focused on infrastructure.

b) To promote competition in the district for civil construction and maintenance activities.

c) To form part of a balanced portfolio of Council investments.

d) To provide a commercial rate of return on the Council's investment.

e) Assist Ashburton District Council in civil emergencies.

6. PERFORMANCE MEASURES

a) Budgeted profit before tax for ACL Parent is achieved. ACL Parent excludes LHEP Joint Venture.

b) The annual rate of return on ACL Parent average shareholder's funds will be a *target* of *10%* before tax based on the rolling average of the last 5 years (excluding any subvention payments and the before tax profit or loss relating to the LHEP, but including before tax profit or loss of other Joint Ventures whether incorporated or unincorporated).

c) The Company will achieve its annual budgeted external revenue.

d) Health & Safety:

   i. The Company will maintain its ISO 45000 Health and Safety certification.

   ii. The Company will strive to reduce its lost time injury (LTI) frequency rate year upon year.

   iii. The Company will strive to reduce its medical treatment injury (MTI) rate year upon year.

e) Environmental: The Company will maintain its ISO 14001 Environmental certification.

f) Quality Systems: The Company will maintain its ISO 9001 Quality certification.

g) The Company will comply with the Resource Management Act. Any breaches are to be reported to the CEO of the Ashburton District Council.

h) The Company will ensure business management procedures and practices meet with the requirements of the Auditor such that the Company receives an unqualified audit report of its annual Financial Statements.

i) Environmental Sustainability: The Company will monitor and work to reduce its carbon outputs. The Company's ability to reduce carbon outputs is subject to ongoing advancements in technology and the capability of the supply chain to provide cost effective solutions for the reduction of carbon.

7. LAKE HOOD EXTENSION PROJECT (LHEP) POLICY

The Company will actively participate in and manage the performance of its investment in the Lake Hood Extension Project and report on its progress in the Notes to the Financial Statements of the Annual Report.

8. FINANCIAL FORECASTS

The budget projection for the year ending 30 June ***2026*** and forecast projections for each of the years ending 30 June ***2027*** and 30 June ***2028*** will be disclosed to the shareholder, on a confidential basis, in a timely manner to enable the Council to incorporate this information in its Annual Plan.

9. RATIO OF EQUITY TO TOTAL ASSETS

a) Equity is defined as the paid-up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".

b) Total Assets are defined as the sum of all current assets, investment assets and fixed assets of the Company.

c) The ratio of Equity to Total Assets will be no less than 50%.

10. DIRECTORS' ESTIMATE OF THE COMPANY VALUE

The Directors estimate that the commercial value of the shareholder's investment in Ashburton Contracting Ltd will be represented by the opening balance of Equity.

11. REPORTING TO SHAREHOLDER

The Company will report to the Shareholder on both a regular basis and as and when necessary. The following information will be available to the shareholder based on an annual balance date of 30 June:

11.1 Draft Statement of Intent

The Directors shall deliver to the shareholder a Draft Statement of Intent on or before 1 March each year which fulfils the requirements of section 64 of the Local Government Act 2002.

11.2 Completed Statement of Intent

The Directors shall deliver to the shareholder a completed Statement of Intent on or before 30 June each year, which fulfils the requirements of section 64 of the Local Government Act 2002.

11.3 **Reporting**

Within two months after the end of the first half and the second half of each financial year, the Directors will meet with the shareholder and deliver to the Shareholder, a report containing the following unaudited information as a minimum in respect of the period year under review:

a) An Income Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous financial year.
b) A Statement of Changes in Equity with comparative figures for the same period in the previous financial year.
c) A Balance Sheet period with comparative figures for the same period in the previous financial year.
d) An abbreviated Statement of Cash Flows with comparative figures for the same period in the previous financial year.
e) A commentary on the results for the period under review. Where the Report is in respect of the first six months, the report will contain an outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook.
f) Commentary on the Company’s performance with regard to Health and Safety including appropriate graphical information on the Company’s performance and KPIs.

11.4 **Quarterly Reports**

In addition, an abbreviated report, content to be agreed between the Board and the Ashburton District Council to maintain an overview on the Company and its operations, be provided at quarterly intervals between the half yearly report and the annual report.

11.5 **Annual Report**

Within three months of the end of each financial year, the Directors shall deliver to the Shareholder, an Annual Report which shall contain audited Financial Statements in respect of the financial year, containing the following information as a minimum:

a) A Directors’ Report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.

b) An Income Statement disclosing actual and budgeted revenue and expenditure with comparative figures from the previous Annual Report.

c) A Statement of Changes in Equity at the end of the year with comparative figures from the previous Annual Report.

d) A Balance Sheet at the end of the year with comparative figures from the previous Annual Report.

e) A Statement of Cash Flows with comparative figures from the previous Annual Report.

f) An auditor's report on the above statements and the measurement of performance in relation to objectives.

12. ACCOUNTING POLICIES

The accounting policies adopted for Ashburton Contracting Limited are documented in Appendix 1. The Company will report at 30 June 2025 under NZ IFRS Tier 1 of the New Zealand Accounting Standards Framework as a large, for-profit entity that has annual expenses exceeding $30m.

13. DIVIDEND POLICY

13.1 ACL is committed to maximising the long-term sustainable distribution flow to the shareholder and maintain a distribution intent of paying 50% of the ACL Parent Profit after Tax Profit as a return to the shareholder, subject to capital requirements of the Company. Any distribution needs are to be prudent in the circumstances and meet Solvency Tests.

13.2 The ACL Parent Profit after Tax, excludes any realised capital gains/losses, revaluation movements, any material one-off non-cash items, and any after tax profits/losses arising from LHEP joint venture, but includes any other joint venture profits/losses.

13.3 Some, or all, of the distributions to the Shareholder may be made, with agreement of the Shareholder, by subvention payment or other mutually agreed method after taking account of all tax considerations.

14. CHARITABLE GIFTS POLICY

14.1 The Company may make charitable gifts to qualifying entities in terms of the Income Tax Act 2007. Qualifying entities are those entities which are not carried on for private pecuniary profit and whose funds are wholly applied to charitable, benevolent, philanthropic or cultural purposes within New Zealand. The limit of the gifts is the level of taxable income for the Company. Charitable gifts for less than $20,000 in total in any one financial year will not require prior formal approval of the Ashburton District Council.

14.2 Any charitable gift in excess of $20,000 must have the formal agreement of the Company Directors and the Ashburton District Council regarding the recipient qualifying entity, the project and the amount of the gift.

15. PROCEDURES FOR ACQUISITION OF INTERESTS IN OTHER COMPANIES OR ORGANISATIONS

15.1 As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the proposed investment(s).

15.2 If the directors believe that the Company should invest in, or otherwise acquire, an interest in another company or organisation, the directors will obtain prior approval of the shareholder by special resolution.

16. SALES OF GOODS/ SERVICES TO LOCAL AUTHORITIES

16.1 The Company will provide goods and services to the Ashburton District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.

16.2 Ashburton Contracting Limited, under any contract with Ashburton District Council, will be required to meet levels of service determined by the Council.

Appendix I

ACCOUNTING POLICIES

Significant Accounting Policies

Ashburton Contracting Limited (the “Company”) is a company domiciled in New Zealand.

The Company is a Council Controlled Trading Organisation as defined in Section 6 (1) of the Local Government Act 2002, wholly owned by the Ashburton District Council and is a profit-orientated entity for financial reporting purposes.

The Company’s business includes contracting for physical works, both maintenance and construction, offering goods and services for sale and plant and equipment for hire. These activities occur predominantly in the Ashburton district and immediate surrounding areas and may be undertaken in other geographical areas.

Statement of Compliance

The financial statements have been prepared in accordance with the Companies Act 1993, Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the pronouncements of the Chartered Accountants of Australia and New Zealand (CAANZ) and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Company is a Tier 1 for-profit reporting entity under the New Zealand Accounting Standards Framework on the basis that it is a large, for-profit entity that has annual expenditure over $30 million. The Company has in previous years elected to report under the reduced Tier 2 disclosure regime. The Company has in some cases chosen to include information within its accounts used for the financial reporting requirements of its parent.

Basis of Preparation

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except for Land and Buildings, Investment Properties, and certain other investments, which are stated at fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where otherwise stated.

Changes in Accounting policies and disclosures

New and amended standards and interpretations

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses, except for Land and Buildings which are valued annually by a registered valuer and are stated at fair value.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Costs
Further expenditures are added to cost only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense when incurred.

Depreciation
Depreciation is charged to profit or loss on either straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Lower value assets (cost less than $50,000) are depreciated at the current maximum rates allowed by the Inland Revenue Department as these rates approximate the useful lives and residual values associated with these assets. Land is not depreciated.

The estimated useful lives are as follows:

• Buildings	30- 50	years
• Plant and Equipment	3-38	years
• Office Equipment & Fixtures	3-10	years
• Land Improvements	20	years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible Assets
Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets with a finite life is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of software is three to ten years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating-unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Inventories
Inventories are stated at the lower of cost or net realisable value using weighted average. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Civil construction and contracting
Civil construction and contracting services include drainage, sealing, asphalt laying, utilities and rural contracting.

Construction services within a contract are deemed to represent a single performance obligation, which is satisfied progressively over the construction period. Performance is measured using an output method, by reference to regular progress claims and assessments by client contract engineers.

Any expected loss on construction contracts is recognised immediately as an expense in profit or loss.

Any variable consideration, such as liquidated damages, included in the Company's revenue contracts is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Payment is due as specified in the payment schedules.

Rendering of services

Contracts for workshop and transport services are comprised of one performance obligation, with revenue being recognised over time. Payment is generally due upon completion and acceptance by the customer. An input method (cost incurred) is used as a measure of progress.

Production and sale of goods

The Company earns revenue from the sale of goods, including ready-mix concrete and aggregates. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Payment is generally due based on standard 30-day trading terms.

Contract assets, contract liabilities and trade receivables

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Company presents the contract as a contract asset, unless the Company's rights to that amount of consideration are unconditional, in which case the Company recognises a receivable. Trade receivables are measured at the transaction price determined under NZ IFRS 15.

When an amount of consideration is received from a customer prior to the Company transferring a good or service to the customer, the Company recognises a contract liability.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Warranties

The Company provides for defects liability periods in accordance with NZ IAS 37.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 3 months. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments

Other Investments

Investments in equity securities held by the Company are recorded at fair value through profit or loss.

Advances and other financial assets at amortised cost

If there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the instrument.

Joint Venture

The Joint Venture has been incorporated into the financial statements using the equity method.

Impairment of non-financial assets

The carrying amount of the Company's assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of the indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss. For revalued assets the impairment loss is recognised in other comprehensive income for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss.

Reversal of Impairment

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. For revalued assets the reversal of an impairment loss is recognised in other comprehensive income and credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates or substantively enacted at the balance date.

Current tax and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the tax is dealt with in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee Entitlements

The Company has made provision in respect of entitlements for annual leave, long service leave, and retirement gratuities. The provision is calculated on an actual entitlement basis at current rates of pay.

The Company recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Company anticipates it will be used by staff to cover those future absences.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss when they are due.

Expenses

Net Financing Costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and dividend income. Interest income is recognised in profit or loss as it accrues. Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established.

Trade and Other Payables

Trade and Other Payables are stated at amortised cost. Due to their short-term nature, they are not discounted.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Loans

Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.
The impact of Covid-19 has been considered in the impairment assessment. The impact on the company was not significant and has not resulted in any impairment of goodwill.

Impairment of Goodwill

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The amount of the impairment loss is measured as the difference between the assets carrying amount and the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their market value less cost to sell and value in use.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of an asset carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.
An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimated use to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if not impairment loss had been recognised.

Leases

Right-of use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Lease liabilities

At commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. These lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of an option reasonably certain to be exercised by the Company and penalties for terminating the lease if the lease term reflects the Company’s exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses a borrowing rate at the lease commencement that best represents the term of the lease. For plant and vehicle leases the company uses the Bank fixed interest rate for the term of the lease and for property, an appropriate market yield is used. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases i.e. those with a lease term of 12 months or less from the commencement date with no purchase option.

The Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Management has defined this as assets which are, when new, valued at $7,000 or less.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Goods and Services Tax (GST)
All amounts are shown exclusive of GST, except for trade receivables and payables that are stated inclusive of GST.

New Accounting Standards
Not applicable.

6. EA Networks Centre heat pump insurance claims

Author	*Richard Wood, Sport & Recreation Manager*
Executive Team Member	*Sarah Mosley, Group Manager People & Facilities*

Summary

- The purpose of this report is to inform Council of the outcome of the two insurance claims for the Heat pump failures that occurred in October 2022 and September 2023 at EA Networks Centre, as per earlier officer reports (dates 15/03/2023 & 20/12/2023).
- Settlement was challenging due to technical challenges that verified the point of failure, protracted delays in claim processing and analysis of business interruption costs.
- Council received $241,624.41 including GST in total for the two insurance claims.

Recommendation

- **That** the Audit and Risk Committee receives this report.

Attachment

Appendix 1 Copy of 20/12/2023 Heat Pump Installation Report
Appendix 2 Copy of 17/05/2023 Heat Pump Installation Report

Background

Background

1. Officers reported to Council the failure of two large heat pumps that are the primary source of heating pool water and provide all underfloor heating to other areas within the facility.

2. Heat pump 1 failed on 17 October 2022, with a request for emergency expenditure from Council on 15 March 2023. Heat pump 1 was replaced with three medium sized modern heat pumps on 27 July 2023.

3. Heat pump 2 failed on 27 September 2023, with a request for emergency expenditure from Council on 20 December 2023. Heat pump 2 was replaced with three medium sized modern heat pumps on 15 April 2024.

4. Marsh Insurance oversaw these claims, with the Mechanical Breakdown Policy and Business Interruption Policy provided by QBE Sedgwick. Settlement was protracted, with inhouse legal advice invaluable.

5. The total cost for the replacement of heat pumps 1 and 2 was $649,977. Due to inhouse project and risk management, the projects were completed under the initial estimate of $765,000.

6. Whilst repair was the insurers preferred option, technical advice challenged this with Council opting to support officers' recommendation of replacement with more modern, resilient and efficient heat pump banks.

7. When comparing 2022 to 2024 the efficiencies of the new heat pumps, Council is saving between $10,000 to $15,000 per annum due the new heat pumps being able to work at lower temperatures, reducing our use of the LPG boiler in cooler months. Future annual Plan budgets will reflect this reduction in expenditure once full data is available.

Insurance Outcomes

8. The total insurance proceeds amount to $205,380 excluding GST ($241,624.41 including GST), with the following breakdown.

Claim 1 (Insurer's Reference Number FC000387321	
Material Damage	$94,303.65
Business Interruption	$37,281.99
Total including GST, net of excess	$131,585.64

Claim 2 (Insurer's Reference Number FC000429081	
Material Damage	$94,303.65
Business Interruption	$15,735.12
Total including GST, net of excess	$110,038.77
Total settlement offer for both claims	**$241,624.41**

Legal/policy implications

Delegations

9. As per Council's delegations GM Business Support accepted the insurance settlements on 05/06/2025.

Climate change

10. The decision to proceed with the replacement heat pumps supported Council's sustainability goals through reduction in LPG usage. The new heat pumps are configured to operate to a lower outside ambient temperature (2 degrees) vs the previous (7 degrees), resulting in less LPG backup boiler usage.

Strategic alignment

11. The recommendation relates to Council's environmental and social community outcomes.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Insurance proceeds support the outcome.
Environmental	✓	This decision would be an example that illustrates Council's commitment within its Climate Change Policy.
Cultural		
Social	✓	The community continue to utilise and enjoy the facilities offerings at an existing level of service.

Financial implications

12. The replacement heat pumps were funded from a combination of the Commercial Property activity (depreciation funding) and the Recreation and Facilities activity (Depreciation funding and operating surplus). Therefore the insurance recoveries will be split between each of these activities as operating income.

Requirement	Explanation
What is the cost?	There is no cost, Council is receiving $241,624.41 (Incl GST) from our insurer which will be apportioned between Commercial Property and Recreation and Facilities.
Is there budget available in LTP / AP?	N/A
Where is the funding coming from?	N/A
Are there any future budget implications?	No
Reviewed by Finance	Helen Barnes; GM Business Support

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	N/A
Level of engagement selected	Inform
Rationale for selecting level of engagement	Insurance claims are an internal process. This was a decision made under delegation to maintain the service going forward. No wider community engagement is required.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

Appendix 1

Council

20 December 2023

EA Networks Heat Pump Installation

Author/Activity Manager	*Richard Wood, Sport & Recreation Manager*
Executive Team Member	*Sarah Mosley, GM People & Facilities*

Summary

- EA Networks Centre facility is primarily heated and cooled (air, water & underfloor) by multiple commercial heat pumps.
- In October 2022 the first large heat pump (of two, which were installed prior to EANC opening), "ASHP1" failed. Council approved extraordinary funding for this to be replaced with three new smaller heat pumps and subsequently commissioned in late July 2023.
- Officers have been closely monitoring the status of Heat Pump 2 (ASHP2 – the second of the large heat pumps installed at opening) following the failure of Heat Pump 1.
- Following the completed install of the three new smaller heat pumps, officers engaged Innovative Technical Solutions (ITS) to investigate the operation of Heat Pump 2, with this work concluding that it is now no longer capable of producing sufficient heat to the EANC Heating loop.
- The purpose of this report is to request extraordinary funding to remove and replace Heat Pump 2, so that the EANC Heating loop returns to full capacity.

Recommendation

1. **That** Council approves up to $386,545+GST additional expenditure, funded from depreciation reserves, to remove the existing Heat Pump 2 and instead replace and install three smaller Mitsubishi heat pumps at EA Networks Centre.

2. **That** officers will report to Audit & Risk Committee with the final insurance settlement.

Background

The current situation

1. On 27 July 2023 ITS and EANC Plant & Maintenance Officer completed and commissioned the installation of 3 Mitsubishi heat pump units to replace the failed ASHP1 Aermec Heat Pump. The total cost of this project was $327,117.40 + GST, with approved project budget of $379,000 (including contingencies).

2. Following installation ITS expressed their concern at the status of ASHP2 Aermec Heat Pump and its ongoing ability to support the heating loop.

3. Through subsequent testing it was determined that one of the heat pumps two heating circuits had failed and that the other is running lower than would be expected. (Appendix 1 – ITS Report dated 15 October 2023).

4. Officers had hoped that heat pump would last until 2024-25 year (and had initially budgeted for its replacement in year 1 of the LTP); however this is no longer an option and it was shut down upon advice from ITS on 10 November 2023.

5. There are no practical repair options for the existing Aermec units as noted in the previous report to Council as parts for these units are now hard to source and have very long lead times from Europe, if available at all. Additionally, the gas required for repair is extremely costly and conflicts with Council's Climate Change goals.

6. Officers and ITS believe it is best to replace the unit with three additional Mitsubishi units bringing the heating loop back to full capacity and reducing pressure on the three smaller heat pumps (commissioned in July 2023).

7. An LPG Boiler remains as the cold weather backup option or redundancy to the overall system.

8. Design works (circa $22,000) for the already installed Mitsubishi heat pumps, also catered for when the second Aermec unit needed replacing, so no additional funding is required for design.

9. Officers and external consultants remain confident in the product selection due to the lower operating temperatures and costs compared with a greater reliance in previous years on the LPG boiler, however availability of the required consultants have delayed this comparison.

Insurance Claim

10. The insurance claim for Heat Pump 1 is still progressing. The settlement (circa $92,000) has not yet been accepted. Officers have recently obtained data to show an increased use of LPG during the failure period (circa $20k) and have recently also shared with our insurance broker the ITS report on Heat Pump 2's damage. Neither item has been approved as subsequent cost or damage by the Insurance company yet, although at the outset of the insurance conversations regarding Heat Pump 1 we raised these as concerns.

Options analysis

Option one – Approve the use of depreciation reserves to purchase and install 3 Mitsubishi BDT Heat pumps to replace ASHP2 with install completed by ITS (recommended option)

11. The cost estimates/quotes involved in this option are (all exclusive of GST):

3x 180Kwh units supplied by Black Diamond Technologies	$190,780
Removal & Installation, Building Control Reconfigurations	* $154,350
Installation Contingency	$ 41,415
Total	**$386,545**

Advantages:	***Disadvantages:***
• Consistency approach to installation of Heat Pump 2. • ITS is a trusted contractor, who will install the yet to be purchased items • Utilising the Powell Fenwick design work • Replica project, which proved to be the least costly installation option when market pricing was sourced in February 2023. • Any additional insurance funding (if approved) will reduce the cost of Heat Pump 2.	• Purchase and installation projects remove the project risk, however a premium price is paid.
Risks: Council is absorbing project risk. A 12% contingency is allowed to mitigate this risk.	

Option two – Delay replacement and add project funding into Year 1 of the LTP.

12. Officers initially included a value in the Long-Term Plan for replacement of ASHP2 of $400,000 in Year 1. This has since been removed, but officers would request the reinstatement of this value should Council not approve option 1.

13. Waiting for this process would put potential unnecessary strain on the existing 3 Mitsubishi units and would result in higher LPG usage.

Advantages: • Council can budget through the LTP for the replacement. • The insurance claim outcome should be known. • Utilising the Powell Fenwick design work when installation occurs.	***Disadvantages:*** • LPG Usage • Potential detrimental effects to current units
Risks: The current weather variability continues over the summer months, increasing demand on the current units.	

Legal/policy implications

14. ADC's Procurement Policy guides officers on how to procure goods and services on behalf of Council. The recommendation falls into the 'high' expenditure category, requiring either an open tender or a closed tender in certain circumstances. The Chief Executive has approved the exception to the policy to allow for direct purchase, subject to funding.

Climate change

15. The recommended Mitsubishi units are more efficient in varied temperature and contain refrigerant that has a lower GWP (Global Warming Potential) rating.

16. The recommended option is therefore consistent with the policy direction in Council's Climate Change Policy, including ensuring Council makes informed decisions which take into account the impact that Council's actions may have on climate change.

Review of legal / policy implications	
Reviewed by In-house Counsel	Tania Paddock; Legal Counsel

Strategic alignment

17. The recommendation relates to Council's environmental and social community outcomes.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic		
Environmental	✓	This decision would be an example that illustrates Council's commitment within its Climate Change Policy.
Cultural		
Social	✓	The community will continue to be utilise and enjoy the facilities offerings at an existing level of service.

Financial implications

Requirement	Explanation
What is the cost?	$386,545 is required for the purchase, installation and commissioning cost including contingency.
Is there budget available in LTP / AP?	No
Where is the funding coming from?	Officers are recommending the use of depreciation reserves for this outcome as it is replacing at existing asset
Are there any future budget implications?	Yes, reduction in accumulated depreciation reserve for EANC equipment, and increased depreciation cost in the EA Networks cost centre moving forward.
Reviewed by Finance	*Leanne Macdonald, Group Manager – Business Support*

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	Maintaining a current strategic asset. Council's investment will be partially offset by an insurance payment.
Level of engagement selected	1. Inform – one way communication, when/if appropriate to release from public excluded.
Rationale for selecting level of engagement	Community would expect the current service level within the facility is maintained.
Reviewed by Strategy & Policy	Toni Durham: GM Democracy & Engagement

Appendix 1 – ITS Evaluation of ASHP2

INNOVATIVE TECHNICAL SOLUTIONS
Mechanical & Electrical Engineers

Technician's Investigation report

15th October 2023

EA Networks Centre

20 River Terrace

Ashburton

Attention: Dave Folley

Subject: Ashburton Pool ASHP2 failure investigation

Make: Aermec

Model: NRL1800*H*EV01**

Serial: 1402006272950001

We observed that after the failure of ASHP1, ASHP2 was running continuously at 100%. This was because ASHP2 was trying to maintain the loop temperature required to sustain the required building & pool loop temperatures. ASHP2 has two circuits of three compressors per circuit.

Each machine was designed to only provide 50% of the required load to maintain temperatures. When the required temperatures are at setpoint, the two machines start to cycle back the number of compressors running. Meaning each machine will switch off one compressor at a time and only have one or two compressors running of the six to hold the set point.

As ASHP1 was broken down and out of normal service (from 17th October 2022 to 27 July 2023) this required ASHP2 to run continuously, and the compressors were unable to cycle as the loop temperatures were not being met. The continuous running at 100% is detrimental for these machines as they start to run hotter than designed. During normal maintenance onboard alarms were showing and after further investigation it showed that the machine was losing refrigerant pressure in one circuit. After extensive leak detection methods and regassing attempts were carried out (6 Sept 2023 to 13 Sept 2023) and without finding any other parts of the circuit leaking, we can only assume that the plate heat exchanger was leaking on circuit two due to excessive running at 100% and creating higher than normal temperatures within the circuit.

These heat exchangers are non-serviceable and non-repairable. At this point circuit one is not leaking past the heat exchanger, for how long before it starts to leak is unknown. We have done a service on circuit one and put it back into service. It must be noted that we are down to only three of the six compressors running.

ASHP2 was running normally prior to ASHP 1 failing and we can only assume that the additional load required upon ASHP2 running at 100% has contributed to these issues.

Three new Mitsubishi heat pumps have been installed to replace the failed ASHP1. These three new heat pumps provide 52% of the building's energy requirements, and with ASHP2 back in operation running on one circuit only there is now only 77% of the energy required to heat the building water loop.

We have some concerns that now the three new Mitsubishi heat pumps might work harder to try and compensate for the 25% loss from ASHP2, which concerns us as to the life expectancy being reduced due to these machines running at 100%.

Kind Regards

Oscar McFerrier
Refrigeration Engineer
o.mcferrier@itsnzltd.co.nz
mobile: 0220970558

Mechanical and Electrical Engineers
www.itsnzltd.co.nz

Appendix 2

Council

17 May 2023

EA Networks Heat Pump Installation

Author/Activity Manager	*Richard Wood, Sport & Recreation Manager*
Executive Team Member	*Sarah Mosley, GM People & Facilities*

Summary

- EA Networks Centre facility is primarily heated and cooled (air, water & underfloor) by commercial heat pumps.
- On 15 March 2023 Council approved up to $247,000 plus GST to purchase and install three Mitsubishi heat pumps through insurance proceeds, accumulated depreciation and if any balance remains that this can be loan funded.
- The purpose of this report is to request additional funding to install the heat pumps, as officers initial estimates were significantly less than all tenders received.

Recommendation(s)

1. That Council approves $132,000 +GST additional expenditure, funded from 2022-23 activity capital budgets, to install and commission three Mitsubishi heat pumps at EA Networks Centre.

2. That Council approves officers undertaking a direct purchase of installation services from Innovative Technical Solutions (ITS) as an exception to the ADC Procurement Policy due to 'no acceptable responses were received through open competition for the same core requirements, carried out within the last 12 months', as per clause 7(d).

Background

The current situation

1. On 15 March 2023 Council approved up to $247,000 plus GST for the purchase and installation of three Mitsubishi 180Kwh E-Series Commercial Heat Pumps. Until the replacement heat pumps are installed, Council is using a combination of heating sources (LPG & the remaining heat pump) to maintain our levels of service.

2. The recommended value stated in the above report was based on the following:

3x 180Kwh units supplied by Black Diamond Technologies		*$185,000*
Design fees (Powell Fenwick)		*$ 22,000*
Removal & Installation, Building Control Reconfigurations	*	*$30-40,000*
Total		***$237 -247,000***
*Less Current Insurance Provisional Sum*****		*$89,000*
Estimated Total Cost to Council		***$158,000***

The cost estimates/quotes involved in this option are (all exclusive of GST):

***Verbal indications from our broker is that this sum may increase as not all policy provisions have been included within the provision sum, also to note Sedgwick are yet to agree and use Active Refrigeration's revised estimates.*

3. Officers engaged Powell Fenwick to commence the tender process, following Council's decision to purchase the three Mitsubishi Heat pumps. This was not completed sooner to limit the upfront cost, should Council have not decided to purchase the three Mitsubishi Heat pumps. However, when all four tender prices ranged from $136,171 + GST to $238,965 + GST, compared with the estimate ($30-$40k), this decision was regretted.

4. Despite the unexpectedly high installation costs, officer and external consultants remain confident in the product selection due to the lower operating costs, reduction in cold weather reliance on LPG backup, lower Global Warming Potential rating and the resilience soon to be with the EANC heating/cooling system.

Review processes

5. Officers then engaged Viv Eyberg to review the Powell Fenwick tender document and tenders received to see if any cost savings or errors could be identified. Shortly after the completion of this exercise. Officers became aware that the lowest tenderer, BenMax was in voluntary liquidation and AMT Mechanical, another tenderer also withdrew.

6. Officers then contacted the remaining three tenderers and informed them that the installation pricing was significantly more than expected and the job was placed on hold.

7. Innovative Technical Solutions (ITS), who is EANC's main mechanical and electrical engineer for heat pumps and chillers further engaged with officers and suggested to achieve a lower cost the installation could be completed as a maintenance job vs tendered install.

8. Advice from GM Infrastructure Services & Open Spaces was sought and he confirmed that the tender process can be concluded without awarding it, and the option to complete the install as a maintenance job is a legitimate option, as long as the alternative process follows the provisions in the ADC Procurement Policy.

9. This alternative/maintenance option has since been reviewed further by officers and Viv Eyberg and they both believe there are cost savings to made due to the risk premium included within the tender prices due to one or more of the following reasons; the majority of tenders were completed off the papers (no site visit), other commercial influences or current high demand for services.

10. Our existing relationship with ITS and confidence in their knowledge and workmanship is the critical factor that provides officers the confidence to recommend the maintenance option.

11. Detailed pricing of the maintenance option including a 12% contingency, totals $172,000 for installation, with this being $36,000 less than the lowest remaining tenderer ($208,000).

12. Insurance Claim

13. The insurance claim continues to progress slowly. An insurance assessor completed a site visit on 31 March 2023 and we are awaiting the findings of this visit, and whether this has impacted the provisional sum initially indicated ($89,000 + GST).

Options analysis

Option one – Approve the maintenance job performed by ITS (recommended option)

14. The cost estimates/quotes involved in this option are (all exclusive of GST):

3x 180Kwh units supplied by Black Diamond Technologies	$185,000
Design fees (Powell Fenwick)	$ 22,000
Removal & Installation, Building Control Reconfigurations*	$153,414
Installation Contingency	$ 18,586
Total	**$379,000**
Less Council approved expenditure (15/3/23)	-$247,000
Difference (15/3/23 vs 17/5/23)	**$132,000**

Less Existing Activity Budget Funding	
2022-23 Capital Expenditure Activity Budget (150.51009/51018.5020)	$ 35,000
2022-23 Depreciation Activity Budget (282.30704)	$ 125,000
	$ 160,000

Extraordinary funding required	**$0**

Advantages: • Consistency of trusted contractor • Utilising the Powell Fenwick design work • Least costly installation option	***Disadvantages:*** • Costs and time associated with the tender process of limited value, other than for price comparisons.
Risks: Council is absorbing project risk. A 12% contingency is allowed to mitigate this risk.	

Option two – Recommence the tender process.

15. The lowest tender price (after 2 tender withdrawals) was $208,124 for David Brown Contracting (DBC). This quote was valid until 3 April 2023, however DBC have confirmed that they would hold this price.

16. The cost estimates/quotes involved in this option are (all exclusive of GST):

3x 180Kwh units supplied by Black Diamond Technologies	$185,000
Design fees (Powell Fenwick)	$ 22,000
Removal & Installation, Building Control Reconfigurations*	$208,124
Total	**$415,124**
Less Council approved expenditure (15/3/23)	-$247,000
Difference (15/3/23 vs 17/5/23)	**$168,124**
Less Existing Activity Budget Funding	
2022-23 Capital Expenditure Activity Budget (150.51009/51018.5020)	-$ 35,000
2022-23 Depreciation Activity Budget (282.30704)	$ 125,000
	$ 160,000

Extraordinary funding required	**$ 8,124**

Advantages:	**Disadvantages:**
• Tender process followed until completion. • Utilising the Powell Fenwick design work	• DBC initially installed mechanical equipment at EANC, but is not currently familiar as all subsequent work has been done by ITS.
Risks: Spending more than required.	

Legal/policy implications

17. Despite the additional costs being offset by existing capital provisions within EANC activity budgets Council needs to be aware that the value of the total project has increased from $247,000 plus GST to $379,000 plus GST.

18. With budget provision for the additional cost ($132,000 plus GST) identified, ADC's Procurement Policy then guides officers on how to procure goods and services on behalf of Council. The proposed additional cost falls into the 'high' expenditure category, requiring either an open tender or a closed tender in certain circumstances. The Chief Executive or Council can approve exceptions to these required procurement options, for example, for a direct purchase.

19. A closed tender process was performed by Powell Fenwick on behalf of Council, and initially we received four tenders, with two subsequently withdrawing. As explained earlier in this report, officers do not propose to complete the tender process, but instead undertake a direct procurement by engaging ITS to undertake the installation works.

20. As set out in the recommendations, officers are seeking an amendment to an earlier resolution regarding the total budget for this work and seeking approval for a procurement policy exception.

21. The policy provides a list of exceptions (part 7 d) that if they apply and are approved, can alter how the goods or services are procured. The policy exceptions relevant to option one which could potentially justify the granting of an exception are listed below, with officers believing point 3. as sufficient justification on its own:

1. The services required are specialist technical or professional services

3. No acceptable responses were received through open competition for the same core requirements, carried out within the last 12 months;

5. The overall rates offered are the same or lower than the that received through open competition for the same core requirements, carried out within the last 12 months.

8. The goods or service are only available from a few suppliers;

10. There is limited time for procurement processes.

Strategic alignment

22. The recommendation relates to Council's environmental and social community outcomes.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic		
Environmental	✓	This decision would be an example that illustrates Council's commitment within its Climate Change Policy.
Cultural		
Social	✓	The community will continue to be utilise and enjoy the facilities offerings at an existing level of service.

Financial implications

Requirement	Explanation
What is the cost?	$132,000k is required for the additional installation and commissioning cost. The total cost of design, purchase, installation and commission of the heat pump project now tallies up to $379,000 plus GST.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Officers have identified $160,000 plus GST from existing capital activity budgets to offset the extra installation and commissioning cost. The remaining amount ($219,000) of the $379,000 plus GST will be funded through insurance proceeds and accumulated depreciation. Council approved up to $247,000 plus GST in March for this project.
Are there any future budget implications?	Yes, reduction in accumulated depreciation reserve for EANC equipment.
Reviewed by Finance	Erin Register; Finance Manager.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low
Rationale for selecting level of significance	Maintaining a current strategic asset. Council's investment will be partially offset by an insurance payment.
Level of engagement selected	1. Inform – one way communication, when/if appropriate to release from public excluded.
Rationale for selecting level of engagement	Community would expect the current service level within the facility is maintained.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

7. Bancorp Treasury Report – March 2025

Author	*Alifia Baramatiwala, Financial Accountant*
Activity Manager	*Erin Register, Finance Manager*
General Manager responsible	*Helen Barnes; Group Manager Business Support*

Summary

- The Bancorp Treasury Services Ltd provides a quarterly report as part of the contractual treasury services.
- Attached is the third report for the 2024-25 financial year, being for the quarter ending 31 March 2025. Please note: the Economic Commentary on Page 2 of appendix 1 is as at 30 April 2025, due to the timing of the report.
- This report is presented for Council's information, and is made up of four sections –

  1 Economic Commentary
  2 Liquidity, Funding and Hedging Bands
  3 Interest Rate Risk Management
  4 Investment Portfolio.

Recommendation

1. **That** Council receives the Bancorp Treasury report for the March 2025 quarter.

Attachments

Appendix 1 Ashburton District Council Treasury Dashboard Report - 31 March 2025.
Appendix 2 Council Cost of Funds Comparison at 31 March 2025

Background

1. Bancorp Treasury Services Ltd (Bancorp) provide a service to Ashburton District Council to support Council in managing their Treasury - Investment and Liability Policy.

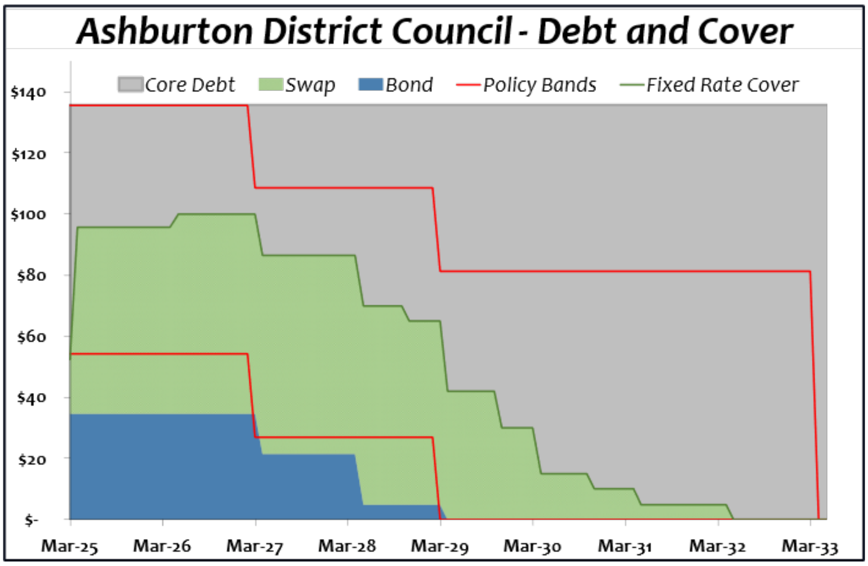
2. Bancorp provide quarterly treasury reports that covers global and NZ market updates, along with Ashburton District Council specific updates on our investment and liability portfolios.

Key Highlights

3. Council's Treasury policy contains limits for liquidity and interest rate management purposes. These limits are in place to give Council a degree of certainty in relation to future treasury outcomes and promote a prudent approach to treasury management. Council's fixed rate hedging percentages are set in three bands as indicated in the table below.

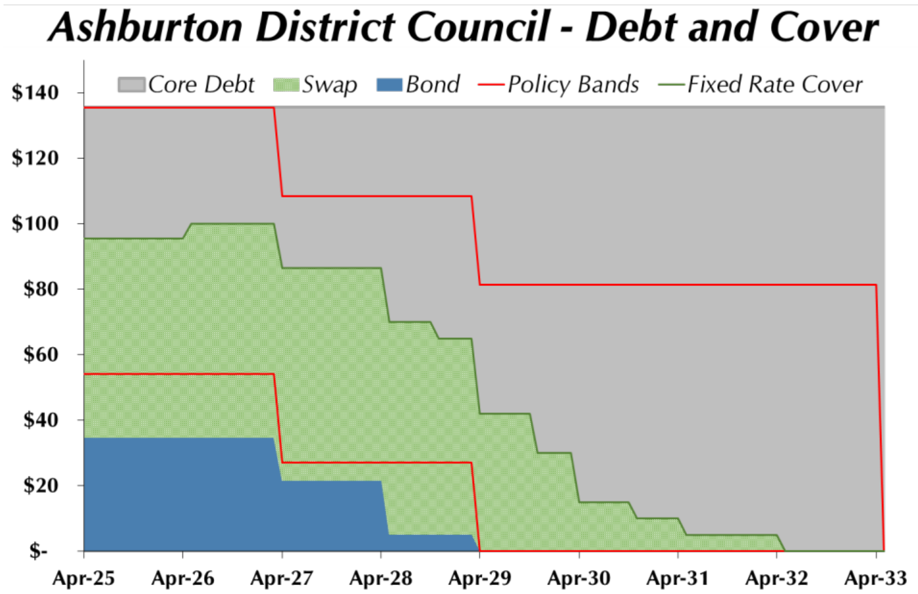
Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0-2 years	40%	**100%**
2-4 years	20%	**80%**
4-8 years	**0%**	**60%**

4. As noted on page three of Appendix 1, Council breaches one of the three Fixed Rate Hedging Bands on 31 March 2025. The policy breach in the 0-2 year timeframe reports interest rate hedging at 39 percent against the policy minimum of 40 percent and is shown in the graph below.



5. The breach is classed as a technical breach as whilst Council was outside of policy for a short period of time, the approach was undertaken to secure a more favourable longer-term position for Council's treasury portfolio. This was achieved by securing four swaps

on 27 March 2025 with a forward start date of 15 April 2025. Deferring the start date of the swaps from 31 March to 15 April delivered a yield advantage of two basis points, or $19,500 over the life of the swaps. Once the swaps were active, Council's fixed rate cover percentage increased to 70 percent from 15 April 2025 moving back into policy compliance across all three bands of fixed interest hedging. Policy compliance is demonstrated in the graph below.



6. Technical breaches are not uncommon, or cause for concern in the day-to-day management of a treasury function provided they form part of the strategy to maintain longer term compliance with policy. Some councils mitigate this approach by including a provision in their treasury policy to allow for short term movements outside of policy for up to 90 days. A change to the Treasury Policy to give effect to this approach could be incorporated in the next policy review.

7. ADC's debt at 31 March 2025 was $135.7m. This debt has all been drawn from the Local Government Funding Agency.

8. OCR was at 3.50% at 30 April. With market expectations for a 1% cut to the OCR before 09 July 2025.

9. Council's average cost of funds at 31 March 2025 is 3.68% (down from 3.92% in previous quarter). Officers will continue to monitor interest rates, keeping a fine line between balancing floating and fixed rates, while continuing to operate within our treasury policy.

10. ADC's Fixed Interest Portfolio had a nominal value of $4,000,000 and a market value of $4,132,488 on 31 March 2025.

Legal/policy implications

11. There are no legal implications.

Financial implications

12. There are no financial implications as this report forms part of Bancorp's contractual services.

Requirement	Explanation
What is the cost?	This reporting is part of the annual contractual fee paid to Bancorp of $33,000 plus GST.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Treasury Consultancy - 132.30308.0000.
Are there any future budget implications?	No
Finance review required?	Helen Barnes; GM Business Support

Significance and engagement assessment

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low
Level of engagement selected	Inform - one way
Rationale for selecting level of engagement	The community will be informed of the Bancorp Report through the usual media channels.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

Next steps

13. There are no further steps.

Ashburton
DISTRICT COUNCIL

Treasury Dashboard Report

31 March 2025

BANCORP
BANCORP TREASURY SERVICES LIMITED

Economic Commentary (as at 30 April)

Global Commentary

The unknowns around tariffs and their impact on global economic conditions are the key focus for both debt and equity markets. To highlight the extent of the issues, it is not known if the Chinese and Americans are even communicating, let alone making any progress toward a trade deal.

To illustrate the uncertainties, here is a summary of key global central banks' approaches to the tariff uncertainties.

- The US Federal Reserve has been attacked by Trump, as they grapple with Trumpflation (the combination of higher inflation, weaker growth and higher unemployment). Despite market projections, many believe that the Fed will be patient and cautious before delivering any rate cuts in 2025/
- The Bank of Canada has stopped publishing forecasts/
- The European Central Bank is not providing any forward guidance, warning that markets should be ready for large moves in either direction/

Uncertainty and confusion around key policy settings are already causing damage to global economies, and the longer the wait, the greater the damage. Beyond the economic damage, market volatility has been extreme in bond and equity markets, with some movements being seen as the largest in decades.

An associated consideration is that many investors are questioning how much exposure they should have to the US markets given hits to its international reputation and perceived trustworthiness. Asset allocation decisions and associated investment flows have the potential to see continuing market volatility/

The International Monetary Fund slashed its global growth forecasts last week off the back of tariff turmoil and deteriorating sentiment. The IMF now sees global growth slowing to 2.8% in 2025, down from an earlier estimate of 3.3%.

New Zealand Commentary

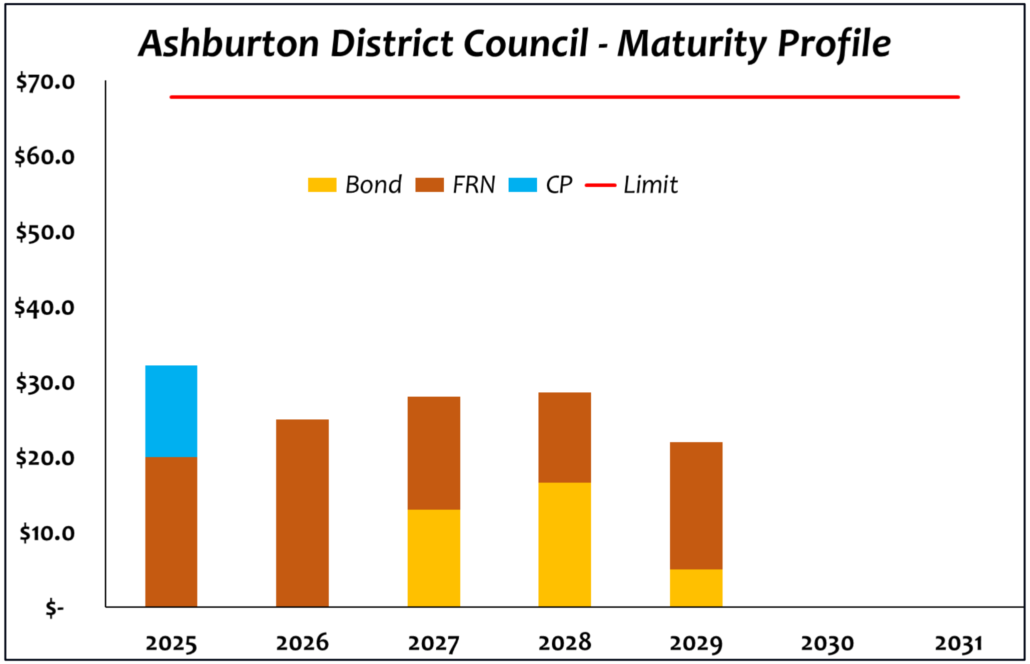
	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
30-Apr-25	3.50%	3.43%	3.05%	3.17%	3.43%	3.66%	3.93%

While the Q4 2024 GDP number at +0.7% was better than expected and Q1 2025 CPI inflation was slightly higher than expected, these data releases have been "Trumped" by global turmoil, which has seen the market and economists' price in further rate cuts throughout 2025. ANZ is now forecasting two additional OCR cuts down to 2.50% (from a 3.00% trough earlier) while tentatively forecasting two increases in Q4 2026, taking the OCR back to 3.00% (the currently perceived neutral rate). ANZ cited weak NZ data, such as the QSBO, Performance of Services Index and electronic card transactions and global uncertainty as being behind the call saying that the NZ economy is likely to need more monetary support throughout 2025. Markets are currently forecasting a 100% probability of the OCR falling to 2.75% low by the end of 2025.

Shorter-term rates in New Zealand have fallen significantly in the last month, while longer-term swap rates have fallen to a lessor degree as the volatile US bond market has had a greater influence at the longer end of the yield curve.

In the last month, the 2-year swap rate has fallen from 3.37% at the end of March to its current level of 3.05%, while the 5 and 10-year swap rates have fallen from 3.66% (down 0.23%) and 4.10% (down 0.15%) respectively.

Liquidity, Funding and Hedging Bands



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	No
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

The policy breach in the 0-2 year timeframe was a technical one with the fixed rate cover percentage at 39% compared to the policy minimum of 40%. However the fixed rate cover percentage increases to 70% in April which is shown in the graph on the following page.

Debt
$135.7m
External Council Drawn Debt

LGFA Debt
$135.7m
Funds Drawn from LGFA

Headroom = cash in bank, term deposits and fixed rate bonds
$16.19m

Liquidity Ratio (must be ›110%)
111.93%
Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as at 31 March 25
3.68%

Fixed Rate Hedging Bands

	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Breach
2 - 4 years	20%	80%	Compliant
4 - 8 years	0%	60%	Compliant

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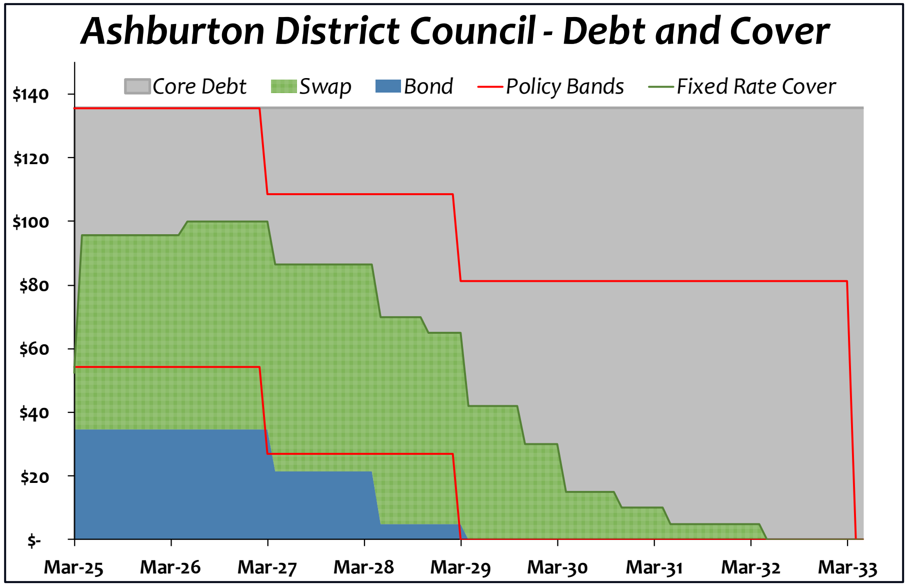
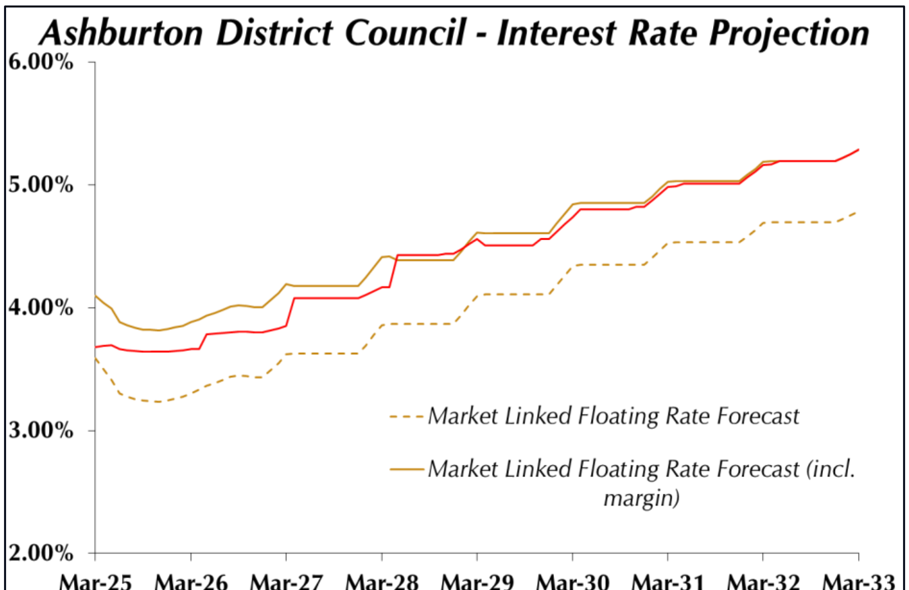
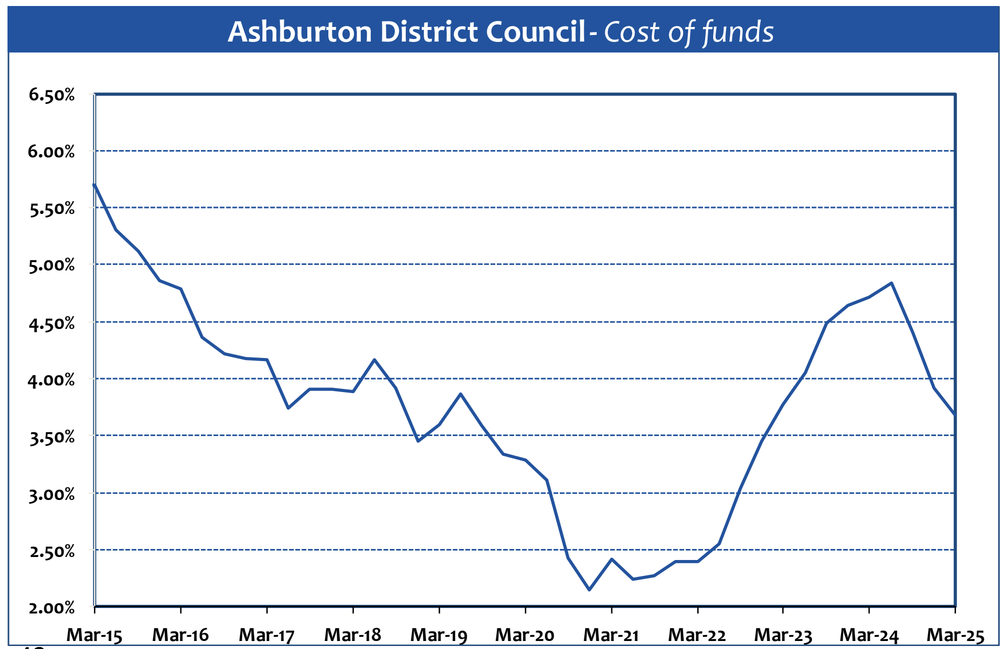
Interest Rate Risk Management



Current % of Debt Fixed	38.8%
Current % of Debt Floating	61.2%
Value of Fixed Rate (m)	$52.6
Value of Forward Starting Cover	$72.0
Value of Floating Rate (m)	$83.0
Total Facilities In Place	$135.7





Ashburton DC funding

As at 31 March 2025

Listed below are Ashburton DC's individual debt tranches as at 31 March incorporating Commercial Paper ("CP"), Floating Rate Notes ("FRN"), and Fixed Rate Bonds ("FRB"). All of which are sourced from the LGFA. These total $135.7m.

Instrument	Maturity	Yield	Margin	Amount
LGFA FRN	15-Apr-25	4.48%	0.37%	$7,000,000
LGFA FRN	15-Apr-25	4.41%	0.29%	$3,000,000
LGFA FRN	15-Apr-25	4.47%	0.35%	$5,000,000
LGFA FRN	15-Apr-25	4.53%	0.41%	$5,000,000
LGFA CP	22-May-25	3.92%	N/A	$12,117,278
LGFA FRN	15-Apr-26	4.75%	0.63%	$10,000,000
LGFA FRN	15-Apr-26	4.50%	0.38%	$5,000,000
LGFA FRN	15-Apr-26	4.72%	0.60%	$5,000,000
LGFA FRN	15-Apr-26	4.57%	0.45%	$5,000,000
LGFA FRB	15-Apr-27	1.23%	N/A	$5,000,000
LGFA FRB	15-Apr-27	0.97%	N/A	$5,000,000
LGFA FRN	15-Apr-27	4.67%	0.55%	$5,000,000
LGFA FRN	15-Apr-27	4.86%	0.74%	$5,000,000
LGFA FRB	15-Apr-27	5.19%	N/A	$3,000,000
LGFA FRN	15-Apr-27	4.55%	0.43%	$5,000,000
LGFA FRB	15-May-28	2.01%	N/A	$16,600,000
LGFA FRN	15-May-28	4.57%	0.76%	$7,000,000
LGFA FRN	15-May-28	4.62%	0.81%	$5,000,000
LGFA FRN	20-Apr-29	4.66%	0.60%	$10,000,000
LGFA FRB	20-Apr-29	5.08%	N/A	$5,000,000
LGFA FRN	20-Apr-29	4.80%	0.74%	$7,000,000
				$135,717,278

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Ashburton DISTRICT COUNCIL

LGFA Borrowing Rates

As at 31 March 2025

Listed below are the credit spreads and applicable interest rates as at 31 March 2025 for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which Ashburton District Council ("ADC") could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	3.76%	N/A
6 month CP	0.15%	3.64%	N/A
April 2025	0.28%	3.89%	4.05%
April 2026	0.41%	4.02%	3.81%
April 2027	0.52%	4.13%	3.94%
May 2028	0.68%	4.29%	4.20%
April 2029	0.74%	4.35%	4.38%
May 2030	0.84%	4.45%	4.55%
May 2031	0.90%	4.51%	4.76%
May 2032	0.96%	4.57%	4.89%
April 2033	1.03%	4.64%	5.05%
May 2035	1.09%	4.70%	5.25%
April 2037	1.17%	4.78%	5.45%

Investment Portfolio

As at 31 March 2025

As at 31 March, ADC's Fixed Interest Portfolio ("FIP") had a nominal value of $4,000,000 and a market value of $4,132,488. The makeup of the FIP as at 31 March, including its valuation, is shown in the following table.

Issuer	Rating	Maturity Date	Coupon Frequency	Nominal Value	Coupon Rate	Yield	% of Portfolio	Duration	Capital Price	Accrued Interest	Gross Price
ANZ	A	17-Sept-26	2	$1,000,000	3.00%	4.99%	23.55%	1.40	$972,262	$1,141	$973,403
Westpac	A	16-Sept-27	2	$1,100,000	6.19%	4.96%	27.43%	2.26	$1,130,934	$2,775	$1,133,709
Kiwibank	AA	19-Oct-27	2	$1,000,000	5.74%	4.05%	25.80%	2.31	$1,040,562	$25,704	$1,066,266
Westpac	A	14-Feb-29	2	$900,000	6.73%	5.08%	23.21%	3.38	$951,581	$7,529	$959,110
Total				**$4,000,000**	**5.40%**	**4.76%**	**100.00%**	**2.33**	**$4,095,338**	**$37,150**	**$4,132,488**

Disclaimer

IMPORTANT NOTICE

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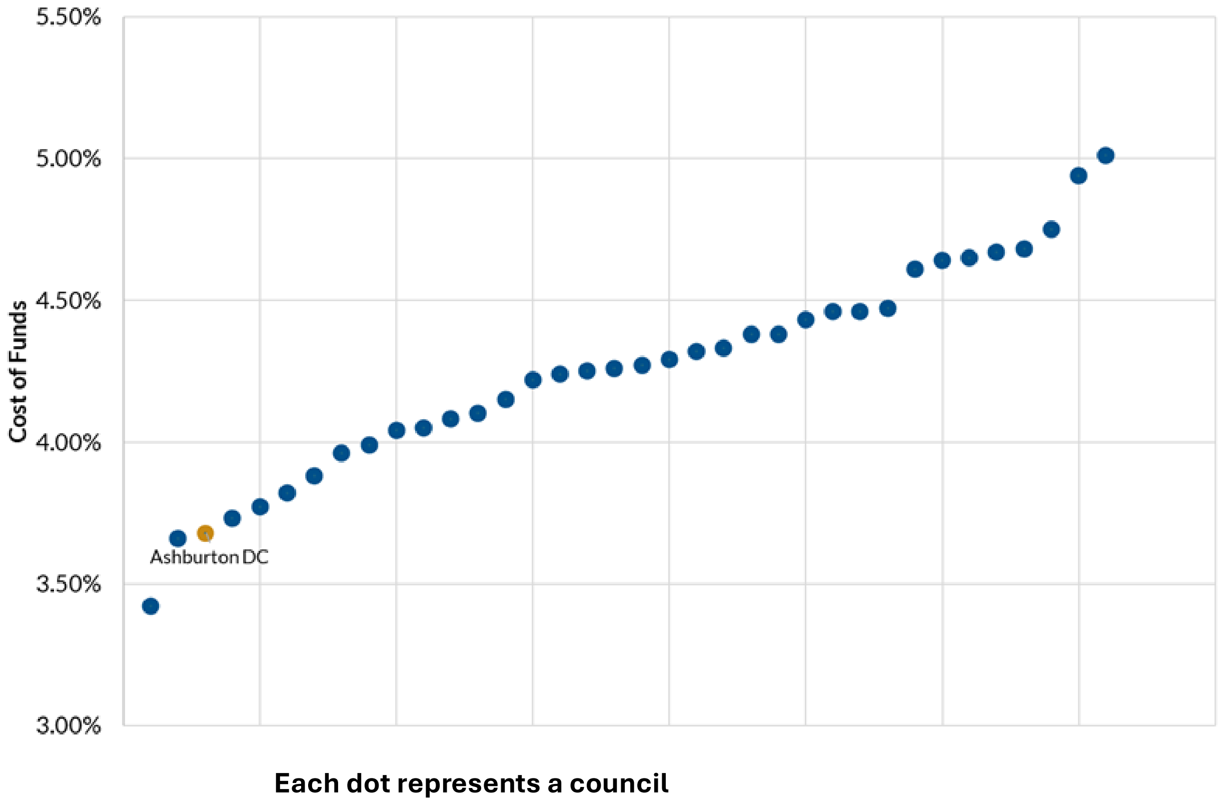
09 912 7600

www.bancorp.co.nz

Appendix 2 – Local Government Cost of Funds Comparison at 31 March 2025.



The graph above shows Council clients of Bancorp, plus some additional publicly reported data for other councils. This is to compare where ADC Cost of Funds sits amongst its peers.

8. Riskpool Update

Author — *Helen Barnes, GM Business Support*

Executive Team Member — *Hamish Riach; Chief Executive*

Summary

- The purpose of this report is to provide the Audit and Risk Committee with an update on the activities of Riskpool of which Ashburton District Council is a member.
- Council last received a request from Riskpool in March 2025, which advised a further call on members of $2.5 million. Council's contribution was $17,404 plus GST, which has since been paid.
- Council's ongoing liability remains, as Riskpool is still not able to wind up their operation pending resolution of existing claims. Riskpool have indicated there may be claims on further funding shortfalls from prior years with a likely call being made in August 2025, subject to the progress of litigation and reinsurance negotiations of around $3.3 to $3.7 million across the group.
- Due to the ongoing litigation that Riskpool is involved in, there is no way to determine Ashburton District Council's final and total liability to Riskpool. Council maintains the risk of having to make further unbudgeted payments in the future until Riskpool is wound up.
- As part of Riskpool's ongoing governance review, amendments are required to the Trust Deed to provide clear provisions for indemnifying Directors; as well as modifications to bring the governance framework in line with best practice. Riskpool will be consulting with members to make these amendments.

Recommendation to Council

1. **That** the Audit and Risk Committee recommends to Council to receive the update from Riskpool on:
   - **a.** Riskpool's progress on winding up; and
   - **b.** Council's ongoing liability, including the anticipated further call on members in August 2025.

Attachment

Appendix 1 Riskpool's May 2025 update letter

Background

Background to Riskpool

1. New Zealand Mutual Liability Riskpool (**Riskpool**) is a mutual liability fund that offered public liability and professional indemnity cover to its council members from 1 July 1997 to 30 June 2017. Ashburton was a member of this fund. Riskpool is governed by a trust deed, with cover provided by its members via a series of pooled funds.

2. Riskpool is administered by Civic Financial Services Limited.

3. The Local Government Mutual Funds Trustee Limited (**LGMFT**) is a wholly owned subsidiary of Civic Financial Services Limited. LGMFT is a trustee company that was set up to act as a trustee of the Riskpool scheme and to hold and apply the scheme funds in accordance with the Trust Deed for Riskpool.

4. Riskpool operated on the basis that all members made an annual contribution, part of which was used to purchase re-insurance. This reinsurance cover, along with the pooled funds, provided cover for claims made against members. In addition, LGMFT can call on its members for financial support for Riskpool's funds (referred to as "calls").

5. At the time of establishing this fund, Riskpool was able to offer a competitively priced cover and risk management service. However, due to the financial impact of the leaky buildings crisis and a dwindling number of council members, Riskpool was not able to maintain this competitive advantage.

6. As a result, Riskpool made the decision to cease providing cover from 1 July 2017 and has been in run-off mode since this time. As a result of significant litigation proceedings, Riskpool has not yet been able to wind up.

Update from Riskpool

7. Riskpool have provided an update to shareholders in relation to future calls and its ongoing governance review.

8. Pending the outcome of domestic litigation and the position taken by Riskpool's insurers in relation to coverage, a further call is anticipated for August 2025. The call is expected to be in the region of $3.3 to $3.7 million across the membership base and is to cover operating and other costs for the 2025/26 financial year.

9. Riskpool's Trust Deed originates from 1997 with further amendments made in 2007 and has been through an ongoing governance review process. Riskpool have advised that changes are required to the Trust Deed to align the governance framework with best practice and to provide clear provisions for indemnifying directors of the trustee

company. Initial consultation with members will be held through various methods between June and July with formal consultation in August.

Legal/policy implications

10. Council, as a member of Riskpool, has a legal obligation to pay any call made by LGMFT on its members. By accepting membership into Riskpool, Council is bound by the Deed of Trust and Scheme Rules that govern the operation of the scheme.

11. The Riskpool trust deed provides LGMFT with the legal ability to request additional contributions from its members. The trust deed further provides that:

    a. Any call must be paid within 20 days of receipt of notice; and

    b. If any member fails to pay by the due date, LGMFT can charge interest on any outstanding balance. Further, any outstanding balance constitutes a debt payable and debt recovery proceedings can be brought against any member who fails to pay.

12. Council is therefore obligated to pay the further call once it is received, or it could face debt recovery proceedings.

Climate Change

13. There is not anticipated to be any impacts on, or impacts from climate change as a result of the recommendation in this report.

Strategic alignment

14. The recommendation relates to Council's community outcome of "*a prosperous economy built on innovation, opportunity and high quality infrastructure*" because all future calls on Council are a cost to Council and will have financial implications for our district.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Any future call made by Riskpool will have an impact on the community as this will be funded by future rates or existing cash reserves.
Environmental		
Cultural		
Social		

Financial implications

Requirement	Explanation
What is the cost?	Currently unknown.
Is there budget available in LTP / AP?	No
Where is the funding coming from?	This will be determined once Council receives the further call that is expected in August 2025.
Are there any future budget implications?	Potentially yes, but the extent is unknown.
Reviewed by Finance	Erin Register; Finance Manager.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low – Councils liability is 0.41% of any call on members.
Rationale for selecting level of significance	At 0.41%, Councils liability remains a low level risk.
Level of engagement selected	1. Inform – one-way communication
Rationale for selecting level of engagement	This is a report for information only and the community will be informed of the receipt of the notification through the usual channels.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

Next steps

Date	Action / milestone	Comments
August 2025	Further report to Council	Once Council is advised of its liability for its portion of the next call, officers will bring a report to Council.

26 May 2025

Hamish Riach
Ashburton District Council
PO Box 94
ASHBURTON
7740
hamish.riach@adc.govt.nz

Dear Hamish

Riskpool - Update and Proposed Member Consultation

We are pleased to note the positive response to Riskpool's March 2025 call for funding. Your continued engagement and support are valued and essential as we work through the complex task of managing legacy claims and continue to represent the financial interests of members.

Riskpool was established to provide collective risk protection to local government entities in New Zealand, and the Board remains firmly committed to upholding this founding purpose. We continue to operate in accordance with the principles on which Riskpool was founded: shared responsibility, prudent financial management, and mutual support among members. In that spirit, we aim to keep you well informed and closely involved in key developments affecting the Scheme.

With that in mind, we write to update you on the following:

Further Calls

We recognise that many Member Councils operate under tight fiscal constraints, and that advance warning of any call for funding is essential.

As outlined in our prior correspondence in March 2025, any future call for funding will depend primarily on two factors:

i. The outcome of ongoing domestic litigation; and
ii. The position taken by Riskpool's reinsurers in relation to coverage.

Developments in these areas indicate that a further call is likely in future. We will provide Members with as much advance notice as possible to support budget planning.

At this stage we anticipate a further call to members will be made in August 2025, subject to the progression of litigation and reinsurance negotiations. The call, which we expect to be in the region of $3.3 to $3.7 million, (across the membership, not per individual member) will be to cover operating and other costs for the 2025/2026 financial year.

Please note, the division of contributions to Members will depend upon the relevant fund years in deficit and may vary from the call issued in March 2025.

Ongoing Domestic Litigation

Riskpool is currently involved in significant domestic litigation. Following the Supreme Court's decision in Local Government Mutual Funds Trustee Ltd v Napier City Council [2023] NZSC 97, which addressed the treatment of claims that involved a mixture of non-weathertightness and weathertightness claims (**mixed claims**) under the Scheme, Riskpool has accepted three claims, including the Napier City Council Waterfront Apartments claim, for two separate members.

At present, there are several other claims that involve mixed claims. Two of these claims are currently listed for trial in September 2025. The Board is working closely with its legal advisers to ensure the efficient preparation for trial. These cases are important in clarifying the scope of Riskpool's historical obligations and the interpretation of past Scheme terms. Riskpool is also keeping reinsurers updated of developments on the progress of the domestic litigation.

We will continue to keep Members informed as these proceedings evolve.

Reinsurance Negotiations

In parallel with the domestic litigation, Riskpool continues to actively pursue reinsurance coverage. Riskpool's reinsurance policies are governed by English law, with any dispute to be resolved in the English courts. There are several reinsurers in the so-called reinsurance "tower" for each fund year. Riskpool continues to work with its London-based broker and has instructed English counsel and a New Zealand-based counsel team to assist, all specialised in reinsurance disputes.

These efforts are critical to Riskpool's ability to meet any future liabilities without placing further funding pressure on Members in so far as is possible.

The outcome of these reinsurance negotiations is likely to take time and may require litigation in the English Courts. We will endeavour to keep Members updated with any relevant developments.

Proposed Amendments to the Trust Deed

The Riskpool Trust Deed dates from 1997, with further amendments having been made in 2007. As part of our ongoing governance review, we have identified deficiencies in the current Trust Deed that require correction to bring the governance framework into line with best practice.

On review, it has become apparent that the Trust Deed lacks clear provisions for indemnifying directors of the trustee company. This exposes them to personal liability despite acting in good faith in a complex, high-value scheme. This is not consistent with standard practice in the governance of comparable entities.

To ensure Riskpool can continue to attract and retain capable Board members, and to protect those serving in this capacity, we will shortly be consulting members about the following key amendments:

i. introducing clear indemnity provisions for the trustee company / its directors;
ii. clarifying the trustee company / its directors' powers in relation to the Scheme; and
iii. modernising technical provisions to reflect Riskpool's current structure.

These proposed changes are essential to support effective governance as Riskpool moves toward wind-up. A draft Amended Trust Deed and supporting materials will be circulated for Member consultation and approval (see Upcoming Dates below).

We encourage all Member Councils to engage in this process. Riskpool will offer virtual briefings and one-on-one sessions to discuss the changes and answer any queries. Formal consultation will follow, and Members will have ample opportunity to consider and approve the proposed amendments.

Upcoming Dates

The following dates have been scheduled to support member engagement and to consult on the proposed amendments to the Trust Deed outlined above:

12 June 2025

Taituarā Local Government Professionals conference in the Tākina Wellington Convention & Exhibition Centre, Te Whanganui-a-Tara Wellington, Wellington.

Representatives from Riskpool will be in attendance at the conference to give a presentation on the current operation of the Scheme. Many of our Members' CE's are members of Taituarā and we look forward to meeting with you in person.

13 June 2025

Riskpool's Annual Members Meeting will take place at 12:00pm at Meredith Connell's office, Aon Centre, Level 23/1 Willis Street, Wellington.

All Members are welcome to attend and meet the Board of Directors who will be happy to answer any questions raised.

July 2025 (on a date to be confirmed)

We plan to hold a members' webinar shortly after the AGM on 13th June, to provide a further update on the wind up of the scheme, discuss the proposed variations to the Trust Deed and respond to Member queries.

Riskpool's November 2024 webinar provided a valuable opportunity for us to engage with Members directly, and for Members to raise any questions or concerns. We look forward to building on that dialogue and strengthening our working relationship ahead of formal consultation on the Trust Deed in August.

We will notify members of the webinar date and details on how to participate as soon as these are finalised.

August 2025 (on a date to be confirmed)

We will commence a formal consultation with Members on the proposed amendments to the Trust Deed.

Should you have any questions in the meantime or members wish to discuss any matter raised in this letter, please do not hesitate to contact us.

Yours sincerely

Charlie Howe
Civic Financial Services Ltd

Marty Grenfell
Chair of LGMFT (Riskpool)

9. Transwaste Dividend

Author *Erin Register; Finance Manager*

GM Responsible *Helen Barnes; Group Manager Business Support*

Summary

- The purpose of this report is to update the Council on Transwaste Canterbury Limited. dividends for the year.

Recommendation

1. **That** Council receives the Transwaste Canterbury Ltd, dividends report.

Appendix 1: Transwaste_ADC Final Dividend Cover Letter & Dividend Statement May 2025.

Background

1. Council holds 600,000 shares in Transwaste Canterbury Ltd, which equates to 3% of the total shares (total shares being 20,000,000).

2. Transwaste Canterbury Ltd owns Tiromoana Station Ltd, which owns the land at Kate Valley and the landfill site, and the Burwood Resource Recovery Park (BRRP), which was set up to receive and process demolition material from the Christchurch earthquakes.

3. The final dividend received from Transwaste Canterbury Ltd. is $150,000.

Options analysis

Option 1 – Receive the Report

4. There are no options other than to receive the report, which is for information only.

Legal/policy implications

5. There are no legal /policy implications as a result of receiving this report.

Strategic alignment

6. The recommendation relates to Council's community outcome of Economic and Social because it benefits the rate payers (both commercial and residential) by reducing the reliance on rates to support the districts needs which in turn, supports Ashburton district in being an affordable place to connect, grow, live, work and play.

Wellbeing		Reasons why the recommended outcome has an effect on this wellbeing
Economic	✓	Dividends reduce reliance of rates, supporting businesses to prosper in Ashburton district.
Environmental		
Cultural		
Social	✓	Dividends offset the cost of rates keeping it an affordable to live for families.

Financial implications

7. Dividends from Transwaste Canterbury Ltd for the year report at $589,500 against a full year budget of $500,000.

Requirement	Explanation
What is the cost?	Not applicable
Is there budget available in LTP / AP?	Not required as receiving funding.
Where is the funding coming from?	Not applicable
Are there any future budget implications?	Additional Dividends will go against the dividend reserve to be used in future years as Council determines.
Finance review required?	Yes or No <*if no, provide brief explanation*>

Significance and engagement assessment

8. The report is for information only. There are no significance and engagement issues.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low
Level of *engagement* selected	Inform –One-way communication
Rationale for selecting level of engagement	The report is information only.
Reviewed by Strategy & Policy	Mark Low; Strategy and Policy Manager

30 May 2025

Hamish Riach
Ashburton District Council
PO Box 94
ASHBURTON 7740

By Email: hamish.riach@adc.govt.nz

Dear Hamish

The Transwaste Board has resolved to pay the final BRRP project dividend totalling $5,000,000. We are pleased to confirm that the final dividend is in line with the dividend of $5,000,000 that was forecast in the 2025 Statement of Intent.

The council's share of the dividend has now been paid by electronic transfer.

The dividend statement is attached for your information.

If you have any queries please contact me.

Ngā mihi

Jeremy Parker
Commercial Manager
Transwaste Canterbury Limited
M: +64 27 220 4828
E: jparker@wastemanagement.co.nz

TRANSWASTE CANTERBURY

PO Box 11337
Sockburn
CHRISTCHURCH

Ashburton District Council
PO Box 94
ASHBURTON 7740

30-May-2025

Statement of Dividend Payment

Declared *26-May-2025*
Payable *30-May-2025*

Gross Dividend		208,333.33
Less Imputation Credits		(58,333.33)
Net Dividend		150,000.00
Less RWT		-
		150,000.00
Plus Equalisation per CRLJC advice		
CCC		-
Waimakariri DC		-
Net Payable	**$**	**150,000.00**

The payment represents your share of the fully imputed final BRRP dividend totalling $5,000,000

Audit and Risk Committee

Terms of Reference

Purpose

The purpose of the Audit & Risk Committee is to provide oversight of Council's audit processes, statutory compliance and internal risk management in a manner that promotes the current and future interests of the community (Local Government Act 2002).

Membership

Membership of the Committee comprises:

- Cr Russell Ellis (Chair)
- Cr Leen Braam (Deputy Chair)
- Cr Carolyn Cameron
- Cr Liz McMillan
- Cr Richard Wilson
- External appointee – Murray Harrington
- Mayor, Neil Brown (ex-officio)

The quorum is four members.

Meeting Frequency

The Audit & Risk Committee will meet on a six-seven weekly cycle, or on an as-required basis as determined by the Chair and Group Manager Business Support.

Committee members shall be given not less than 5 working days' notice of meetings.

Delegations

The Audit & Risk Committee has no delegated authority to make decisions. Its role is to consider and review matters of strategy, policy or significance in its sphere of Council business, and (if appropriate) to make recommendations to full Council.

Sphere of business

- To receive and consider the project plan and timetable for the following projects –

  - Long Term Plan (LTP) and any amendments
  - Annual Plan & Budget
  - Annual Report and Audit

- To receive progress reports on the above projects, where appropriate, and review significant issues and risks arising.
- To establish and maintain effective relationships with Council's auditors, including meeting with the audit representatives regarding significant policy and planning processes as appropriate, reviewing the Annual Audit Plan, and considering matters of significance raised by Council's auditors and action required.
- To receive reports on all external party audits of any and all Council activities, and review significant issues and risks arising.

- To be the primary monitoring mechanism for Council's Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs) and shareholdings. Review the CCOs' draft statements of intent and advise CCOs of any comments.
- To provide overview of Council's performance management framework as included in the Council's LTP and Annual Plan documents.
- To provide overview of Council's statutory compliance and legal matters, monitoring any areas of statutory non-compliance.
- To provide overview of risk management and insurance. Review corporate risk assessment and internal risk management practices. Review insurance arrangements annually and monitor insurance claims.
- Monitor and review Health & Safety related matters. Participate in national risk management practices and implementation of risk management processes.
- To consider matters of organisational services in the area of Health & Safety.

Reporting

The Audit & Risk Committee will report to the Council.

Reviewed

26/03/25