

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE AGENDA

WEDNESDAY 23 MAY 2012

AT 1PM

IN COMMITTEE ROOM 1, SECOND FLOOR, CIVIC OFFICES, 53 HEREFORD STREET

Subcommittee: Councillor Sally Buck (Chair)
Councillors Helen Broughton, Jimmy Chen and Jamie Gough
and Messrs John Hooper and Michael Rondel.

**General Manager
Corporate Services**
Paul Anderson
Telephone: 941-8528

Committee Adviser
Rachael Brown
Telephone: 941-5249

INDEX

ITEM NO	DESCRIPTION	PAGE NO
1.	APOLOGIES	
2.	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	
3.	DEPUTATIONS BY APPOINTMENT	
4.	CORPORATE FINANCE REPORT FOR PERIOD ENDED 30 APRIL 2012	
5.	RESOLUTION TO EXCLUDE THE PUBLIC	

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE 23. 5. 2012

1. APOLOGIES

Nil.

2. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Attached.

It is recommended that the subcommittee confirm the minutes of its meeting on 29 February 2012.

It is recommended that the subcommittee confirm the minutes of its meeting on 20 April 2012.

3. DEPUTATIONS BY APPOINTMENT

Nil.

CHRISTCHURCH CITY COUNCIL

MINUTES OF A MEETING OF THE AUDIT AND RISK MANAGEMENT SUBCOMMITTEE
HELD AT 1.05 PM ON WEDNESDAY 29 FEBRUARY 2012

 **PRESENT:** Councillor Sally Buck (Chairperson), Councillors Helen Broughton, Jimmy Chen and Jamie Gough, Messrs John Hooper and Michael Rondel.

IN ATTENDANCE: Councillor Johanson

Paul Anderson, General Manager Corporate Services
Chris Till, General Manager Human Resources
Diane Brandish, Unit Manager Corporate Finance
Ian Thomson, Solicitor, Legal Services
Graeme Nicholas, Senior Auditor
Amanda Wall, Committee Adviser

Murray Harrington, Risk and Controls Solutions, PricewaterhouseCoopers
Scott Tobin, Audit New Zealand
Julian Tan, Audit New Zealand

1. APOLOGIES

An apology for lateness was received and accepted from Michael Rondel.

2. CONFIRMATION OF MINUTES

MEETING OF 6 DECEMBER 2011

It was **resolved** on the motion of Mr Hooper, seconded by Councillor Buck, that the open minutes of the Subcommittee meeting held on Tuesday 6 December 2011 be confirmed.

3. DEPUTATIONS BY APPOINTMENT

Nil.

4. CORPORATE FINANCE REPORT

Diane Brandish presented the corporate finance report for the period ended 21 January 2012 to the Subcommittee.

Scott Tobin summarised the matters contained in attachment 3 of the report (*Report to the Council on the audit of Christchurch City Council for the year ended 30 June 2011*).

It was **resolved** on the motion of Councillor Gough, seconded by Councillor Chen, that the report be received.

5. RESOLUTION TO EXCLUDE THE PUBLIC

It was **resolved** on the motion of Councillor Broughton, seconded by Mr Hooper, that the resolution to exclude the public set out on page 47 of the agenda be adopted.

29. 2. 2012

- 2 -

6. CONCLUSION

The meeting concluded at 2.15pm.

CONFIRMED THIS 23RD DAY OF MAY 2012

COUNCILLOR BUCK (CHAIR)

CHRISTCHURCH CITY COUNCIL

MINUTES OF A MEETING OF THE AUDIT AND RISK MANAGEMENT SUBCOMMITTEE
HELD AT 4 PM ON FRIDAY 20 APRIL 2012

PRESENT: Councillor Sally Buck (Chair), John Hooper, and Michael Rondel.
Councillors Helen Broughton and Jimmy Chen.

IN ATTENDANCE: Councillors Tim Carter, Yani Johanson, Claudia Reid, Sue Wells
Paul Anderson, General Manager Corporate Services
Diane Brandish, Unit Manager Corporate Finance
Julian Tan and Andrew Timlin, Audit NZ
Murray Harrington, Price Waterhouse Coopers
Shane Twemlow, David MacDonald and Paul McKay, Aon New Zealand
Rachael Brown, Committee Adviser.

1. APOLOGIES

Apologies were accepted from Councillors Gough, Button, Livingstone and Beck.

Apologies for early leaving were accepted from Councillors Wells and Broughton.

2. DEPUTATIONS BY APPOINTMENT

David Lynch presented a deputation on the Council's insurance process (clause 5).

The sub-committee noted that staff had provided a detailed response to an email from Mr Lynch and extended an invitation for staff to meet with Mr Lynch and his client regarding his concerns over insurance cover, and asked staff to respond in writing to his deputation.

3. RESOLUTION TO EXCLUDE THE PUBLIC

It was **resolved** on the motion of Councillor Broughton, seconded by Councillor Chen that:

- a. the resolution to exclude the public (as set out on page 3 of the agenda) be adopted, and
- b. that Shane Twemlow, David MacDonald and Paul McKay of Aon New Zealand could remain in the meeting.

5. COUNCIL INSURANCE PLACEMENT 2012/13

There was a presentation from Aon New Zealand explaining the Council's insurance cover that had been placed for the twelve months starting 31 March 2012 and the financial package underpinning it.

It was **resolved** on the motion of John Hooper, seconded by Councillor Chen that the report be received.

Councillors Broughton and Wells left at 5 PM.

6. INSURANCE CLAIM PROCESS

Staff gave a verbal briefing on the Council's insurance claim process, including how the process is managed and how information is shared with key stakeholders.

The committee noted that staff would provide an update at the next Council Earthquake meeting on the problems that are being experienced with the Earthquake Commission (EQC) in quantifying the damage to Council housing and how the Council will engage with EQC on this issue.

06. 12. 2011

- 2 -

The sub-committee noted that the process for prioritisation of community facilities within each ward is being undertaken through consultation with each Community Board and will be reported to Council on 3 May 2012.

The meeting concluded at 5.50 PM

CONFIRMED THIS 23RD DAY OF MAY 2012

COUNCILLOR BUCK (CHAIR)

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE 23. 5. 2012

4. CORPORATE FINANCE REPORT FOR PERIOD ENDED 30 APRIL 2012

General Manager responsible:	General Manager Corporate Services, DDI 941-8528
Officer responsible:	Corporate Finance Manager
Author:	Unit Manager Corporate Finance (Diane Brandish)

PURPOSE OF REPORT

1. The purpose of this report is to provide the Audit and Risk Management Subcommittee with an update on key financial and treasury matters for the period ending 30 April 2012.

TREASURY

2. Since the meeting of 29 February 2012 we have borrowed \$50 million through the Local Government Funding Agency (LGFA). The funds were borrowed on 26 March for a five and a half year term at 3.9 percent. LGFA was used in preference to the undrawn \$50 million of the \$100 million Commonwealth Bank of Australia (CBA) committed facility, as the undrawn balance operates as a type of overdraft giving us the flexibility that we require under the current conditions.
3. The position with New Zealand Transport Association (NZTA) and Canterbury Earthquake Recovery Authority (CERA) is unchanged. Cabinet approved payment of around \$24 million but despite a verbal assurance from CERA officials that it would be paid prior to Anzac Day nothing has been received. In addition, we have received an \$18 million payment from the Earthquake Commission (EQC) as an interim payment towards the cost of repairing the Social Housing portfolio. We have requested the assessment work EQC have performed on this portfolio so staff can make recommendations to Council on whether this settlement should be accepted.
3. The table attached as **Appendix 1** sets out the key treasury performance measures. We remain outside of the upper and lower limits of the Liquidity and Funding Risk Management policy. As previously reported this is because of the short duration negotiated for the last \$250 million of borrowings in the expectation that Central Government would meet their funding commitments.
4. At the February meeting we indicated that the intention was to approach the Local Government Funding Agency for \$140 million of borrowing with a 5-7 year term and to repay the CBA facility which would have brought us back within the policy guidelines. The first \$50 million was drawn down and we were then advised of pending payments from insurers, CERA and EQC which, if received in the near future, will negate the need to borrow further until July 2013.
5. Because of the ongoing uncertainty around the timing of reimbursement, particularly from Central Government, the Treasury Review team decided to repay only \$50 million of the facility. This will bring the 0-3 year borrowings back to 65 percent, lift the 3-5 year borrowings to 20 percent and the over five year term to 15 percent. Under current conditions we feel that this is a prudent position to adopt.

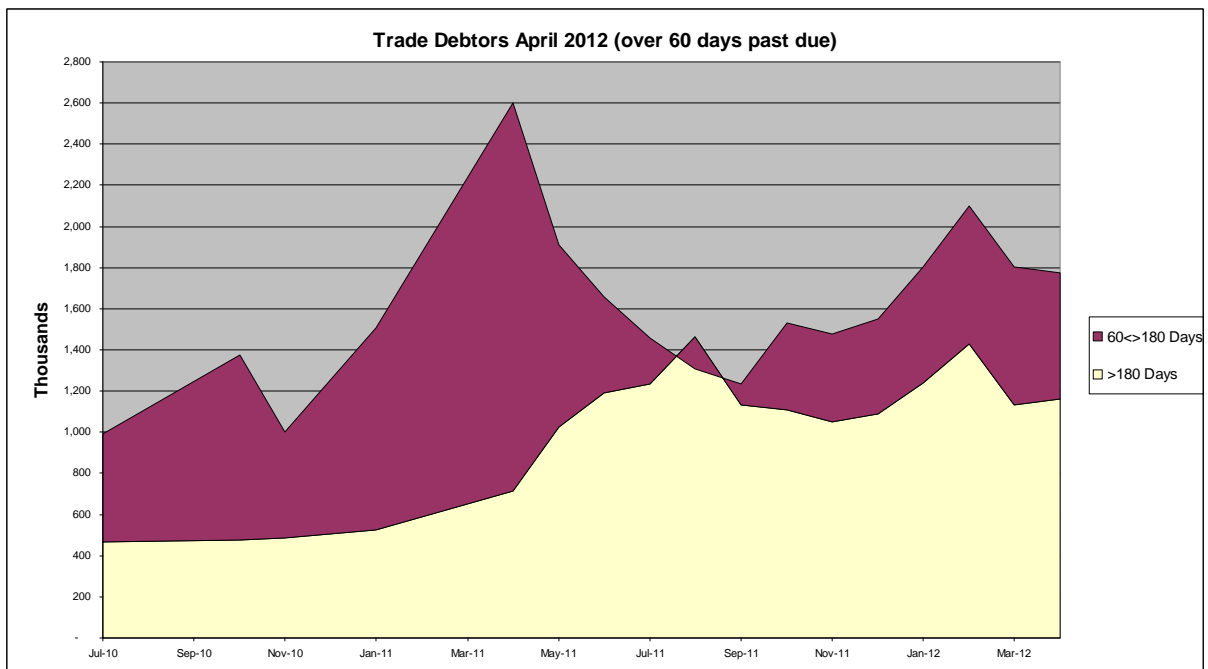
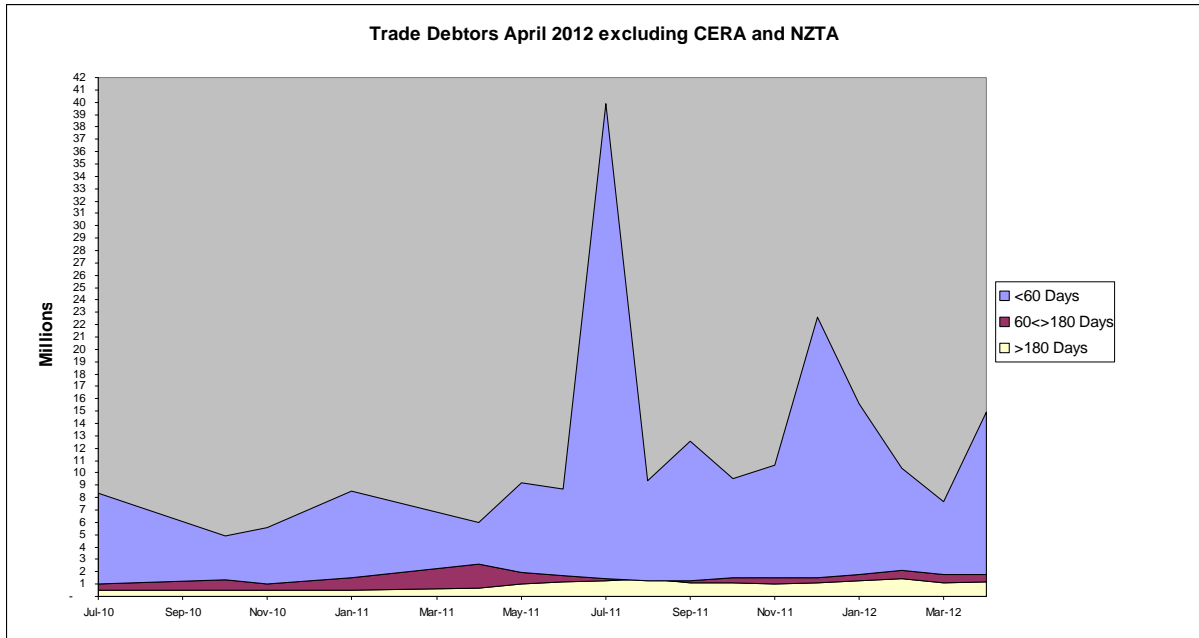
DEBTORS

6. At 30 April 2012 the debtors' balance stood at \$35.6 million, \$35.5 million below that reported in February. \$56.0 million of invoices raised on CERA and NZTA were credited and replaced with one for \$24 million after discussion with a senior CERA official, which accounts for most of the change. Total building consents have increased by \$300,000 to \$1.9 million and resource consents have increased by \$443,000 to \$2.0 million. Other categories are largely unchanged.
7. Overdue debtors remain at \$1.8 million, but because of the drop in total debt the percentage has increased from 2.5 percent to 5.0 percent of total debt. The September figures were \$1.5 million and 16.1 percent.

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE 23. 5. 2012

4 Cont'd

8. \$289,000 has been written off for the year to date compared to \$180,000 for the same time last year. Further detail is provided in **Appendix 2** (attached). As for previous reports the main reason for the write off in each area is that debtors cannot be located.



INSURANCE VALUATION METHODOLOGY

9. At the April 20 meeting information was requested around the process followed by the valuer appointed to value the Council's buildings for insurance purposes, and in particular CBS Arena. A report from Will Blake of Knight Frank, setting out the process followed is attached as Appendix 3.

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE 23. 5. 2012

4 Cont'd

INSURANCE RECOVERIES

10. The table below summarises the recovery position for each category of claim as at 30 April 2012.

Monthly recoveries summary report as at 30/04/2012							
\$(m) All Figures are GST Exclusive							
	Total	Crown	NZTA	LAPP (I)	LAPP (F)	Other	Notes
Emergency and Response							
Cost incurred to date	480.1						
Recoveries accrued	345.9	184.0	90.6	45.9	20.0	5.4	
Recoveries received	220.6	115.0	88.8	14.1	0.1	2.6	
Recoveries claimed but unpaid	77.4	72.8	0.0	3.1	0.0	1.4	* Ferrymead Bridge contract works cover
Balance unclaimed to date	265.9	-3.8	1.8	28.6	19.9	1.4	*Demolitions accrued at 60% but claimed at 100%
Increased Costs of Working							
Cost incurred to date	3.0						Excluding Office Accom due to Civic Building net rebate
Claims to be lodged (estimate)	2.7				2.7		
Rebuild							
Cost incurred to date	268.7						
Recoveries accrued	213.1	81.2	66.3	50.3	15.2	0.0	
Recoveries received	34.9	0.0	29.9	0.0	5.0	0.0	
Recoveries claimed but unpaid	34.8	24.8	10.0	0.0	0.0	0.0	
Balance unclaimed to date	143.4	56.5	26.4	50.3	10.2	0.0	
Significantly Damaged Buildings (No rebuild cost incurred but indemnity recovery claimed)							
Recoveries accrued	53.6	0.0	0.0	0.0	47.4	6.3	Overcap properties claim from EQC (\$6.3m)
Recoveries received	53.1	0.0	0.0	0.0	34.9	18.2	EQC \$21 million (incl gst) payment received in April
Recoveries claimed but unpaid	12.5	0.0	0.0	0.0	12.5	0.0	
Balance unclaimed to date	-11.9	0.0	0.0	0.0	0.0	-11.9	

EQC PROCESS

11. At the meeting 20 April, a summary was requested of our interaction with EQC and the problems that Council officers are experiencing. The key issues are as follows:
- (a) Following the September 2010 earthquake small teams were established with City Care and EQC personnel on each to inspect the Council housing, and scope and cost the damage. It was a process that worked well for the Council as we had visibility and ownership over the work done. As part of the process 60 units were identified as having damage in excess of the \$100,000 cap and in November 2010 EQC agreed that \$6 million was to be paid immediately.
 - (b) In the period after November 2010, numerous requests were made to EQC for payment of the \$6 million but without success. Over the past 17 months every avenue has been considered including involvement of CERA officials and the EQC Chief Executive Officer that the matter be investigated but with no success. No official explanation has been supplied and no meaningful dialogue has been established.
 - (c) After the February 2011 event, EQC changed their process and decided that no City Care or Council staff would be involved in the scoping work, it was all to be done by EQC personnel. Council staff assisted where possible by facilitating access to individual housing units so that damage inspections could be completed, and by answering all queries around insurance, ownership and claims information. They had no visibility of the scoping work and have not yet received the scoping reports.
 - (d) On 24 April Council was advised that \$18.2 million, plus GST, was to be paid but with no explanation of what it covered. Council officers have clearly advised EQC that the payment is not accepted as being full and final but there is further work still to be done around the cost of project management.

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE 23. 5. 2012

4 Cont'd

- (e) On 1 May EQC advised that scope and costing information would be provided by close of business 11 May 2012 but as yet has not arrived. Until this information is received Council is unable to begin to repair damaged units. Once it is received there is a significant amount of work to be done to validate the EQC process. The risk to Council is that the work is under-scoped or under-costed, and there is no understanding of whether the variation process that existed after September will still apply should either scope or cost be wrong.

FINANCIAL AND LEGAL CONSIDERATIONS

- 12. There are no financial or legal implications other than those covered above.

STAFF RECOMMENDATIONS

It is recommended that the report be received.

Christchurch City Council Treasury Management Report for period to 30 April 2012

Key Performance Measures			
	Policy Limits	Actual 2011/12 period ended 30 April 2012	
INVESTMENT POLICY			
Counterparty Credit Risk Limits (see attachment for split per bank)			
Max Investment per counterparty			
NZ Govt	unlimited		
NZD Registered Supernationals	\$50 m		
SOEs	\$15 m		
NZ Registered Bank (A- / A2)	\$50 m		
NZ Registered Bank (Govt guaranteed)	Up to guarantee maximum		Within Limits [see (a) & (c)]
Corp Bonds/CP	\$10 m		
Local Govt Stock/Bonds/FRN/CP	\$40 m A-/A2 rated \$25 m unrated		
Interest rate risk mgmt instrument max per counterparty			
Counterparty Credit Risk Limits			
NZ Registered Bank (per bank) - Min long-term/short-term credit rating	A-/A2		
- Interest rate risk mgmt instrument max	\$70 m		Within Limits [see (b) & (c)]
LIABILITY MANAGEMENT POLICY			
Liquidity & funding risk management			
0-3 years ^{1 & 2}	10 - 60%	67%	Outside limits
3-5 years	20 - 60%	19%	Outside limits
5 years plus ²	15 - 60%	14%	Outside limits
¹ CBA \$100m facility (\$50m drawn to date) is a two year facility but draw downs roll every 60 to 90 days.			
² Short term debt facilities have been established to accommodate timing differences between payment of response and recovery costs and receipt of funding from the Crown.			
Borrowing mechanisms & limits			
Net debt as a percentage of equity	<20%	6.4%	Within limits
Net debt as a percentage of total revenue ³	<100%	68.9%	Within limits
Net interest as a percentage of total revenue ³	<10%	0.6%	Within limits
Net interest as a percentage of annual rates income (debt secured debenture)	<15%	1.7%	Within limits
Liquidity (term debt+committed loan facilities+liquid investments to current external debt)	>120%	123.3%	Within limits
³ excludes non-govt capital contributions			
<i>When 24-month forecast net debt exceeds \$25 million:</i>			
Interest rate exposure			
Master fixed/floating risk control limit	50 - 95%	63.6%	Within limits
Fixed maturity profile limit			
1-3 years	15 - 60%	19.1%	Within limits
3-5 years	15 - 60%	27.8%	Within limits
5 years plus	10 - 60%	53.1%	Within limits

* Council became a net borrower as at 30 September 2011

(a) Counterparty Credit Risk Limits

Counterparty	Min Long Term/Short Term credit rating	Max Investment per counterparty	Interest rate risk mgmt instrument max per counterparty **	Total max per counterparty (c)
NZ Govt	A- / A2	unlimited	none	unlimited
NZD Registered Supernationals	AAA	50m	none	50m
SOEs	A- / A2	15m	none	15m
NZ Registered Bank	A- / A2	50m	70m	70m
NZ Registered Bank	Govt guaranteed	Up to guarantee maximum	none	Up to guarantee maximum
Corp Bonds/CP	A- / A2	10m	none	10m
Local Govt Stock/Bonds/FRN/CP	A- / A2 (if rated) unrated	40	25	40m 25m

** To determine the counterparty amount for Interest Rate Risk Management, the formula $\text{notional principal} \times \text{maturity (years)} \times 3\%$ is used. (Per LTCCP 2009-19)

Max investment per Counterparty

	Actual \$m	Max allowed \$m	Credit rating	
ANZ	4.2	50.0	AA-	Within limits
ASB Bank	32.1	50.0	AA-	Within limits
Auckland International Airport	4.5	10.0	A-	Within limits
Bank of New Zealand	31.7	50.0	AA-	Within limits
Canty Museum Trust Board	2.6	25.0	Unrated	Within limits
Far North District Council	2.0	25.0	Unrated	Within limits
Fonterra Co-op Group	3.0	10.0	A+	Within limits
Horowhenua DC	3.0	25.0	Unrated	Within limits
HSBC	10.8	50.0	AA-	Within limits
Interstar NZ Millennium	0.1	10.0	AA-	Within limits
Kiwibank	49.3	50.0	AA-	Within limits
Manukau City Council	5.0	25.0	Unrated	Within limits
Masterton District Council	3.0	25.0	Unrated	Within limits
New Plymouth District Council	2.0	40.0	AA+	Within limits
Rabobank	0.0	50.0	AA	Within limits
Rotorua District Council	5.0	25.0	Unrated	Within limits
SBS Oreti	0.2	50.0	AA-	Within limits
Selwyn DC	5.0	25.0	Unrated	Within limits
Tauranga City Council	5.0	50.0	A+	Within limits
TCNZ Finance Ltd	2.0	10.0	A-	Within limits
Westpac Inst. Bank	0.0	50.0	AA-	Within limits
Whangarei District Council	10.0	25.0	Unrated	Within limits

Interest rate risk mgmt instrument max per counterparty

	Actual \$m	Max allowed \$m	Credit rating	
ANZ	39.7	70.0	AA-	Within limits
BNZ	15.2	70.0	AA-	Within limits
Westpac	34.4	70.0	AA-	Within limits

(b) Counterparty Credit Risk Limits

	Actual \$m	Max allowed \$m	Credit rating	
ANZ	43.9	70.0	AA-	Within limits
Bank of New Zealand	46.9	70.0	AA-	Within limits
Westpac Inst. Bank	34.4	70.0	AA-	Within limits

(c) Total max per counterparty

	Actual	Max allowed	Credit rating	
ANZ	43.9	70.0	AA-	Within limits
ASB Bank	32.1	50.0	AA-	Within limits
Auckland International Airport	4.5	10.0	A-	Within limits
Bank of New Zealand	46.9	70.0	AA-	Within limits
Canty Museum Trust Board	2.6	25.0	Unrated	Within limits
Far North District Council	2.0	25.0	Unrated	Within limits
Fonterra Co-op Group	3.0	10.0	A+	Within limits
Horowhenua DC	3.0	25.0	Unrated	Within limits
HSBC	10.8	50.0	AA-	Within limits
Interstar NZ Millennium	0.1	10.0	AA-	Within limits
Kiwibank	49.3	50.0	AA-	Within limits
Manukau City Council	5.0	25.0	Unrated	Within limits
Masterton District Council	3.0	25.0	Unrated	Within limits
New Plymouth District Council	2.0	40.0	AA+	Within limits
Rabobank	0.0	50.0	AA	Within limits
Rotorua District Council	5.0	25.0	Unrated	Within limits
SBS Oreti	0.2	50.0	AA-	Within limits
Selwyn DC	5.0	25.0	Unrated	Within limits
Tauranga City Council	5.0	50.0	A+	Within limits
TCNZ Finance Ltd	2.0	10.0	A-	Within limits
Westpac Inst. Bank	34.4	70.0	AA-	Within limits
Whangarei District Council	10.0	25.0	Unrated	Within limits

Debt written off - summary report for the year ended 30 June 2012

	July	August	September	October	November	December	January	February	March	April	May	June	YTD Total	%
Write Offs < \$2000.00	25,700.95	34,220.36	3,807.56	9,060.34	3,026.55	4,020.10	15,581.96	47,552.62	51,017.43	31,231.24			225,219.11	78.0%
Write Offs => \$2000.00	17,409.99	3,811.57	8,159.36	9,767.70			6,706.01	7,181.70	10,545.73				63,582.06	22.0%
Total to approve	43,110.94	38,031.93	11,966.92	18,828.04	3,026.55	4,020.10	22,287.97	54,734.32	61,563.16	31,231.24	-	-	288,801.17	
<i>Breakdown:</i>														
Parking	448.45	528.35	243.00	102.40	70.00		355.97						1,748.17	0.6%
Residential Rents	18,718.26	11,527.91	1,070.89	11,435.95			6,083.50	3,577.70	20,220.17				72,634.38	25.2%
Regulatory	436.72	830.97	3,805.12	1,113.49	122.15		5,638.56	238.85	7,371.84	2,155.82			21,713.52	7.5%
Library (ex SAP)													-	0.0%
Library - Unicorn Only	8,761.38	21,407.32	620.65		2,834.40	4,020.10	9,859.19	13,587.03	31,459.77	7,710.25			100,260.09	34.7%
Sundry	14,746.13	3,737.38	6,227.26	6,176.20			350.75	37,330.74	2,511.38	21,365.17			92,445.01	32.0%
Abandoned Vehicle													-	0.0%
Street Pole													-	0.0%
Commercial													-	0.0%
Total 2011-2012	43,110.94	38,031.93	11,966.92	18,828.04	3,026.55	4,020.10	22,287.97	54,734.32	61,563.16	31,231.24	-	-	288,801.17	
Total 2010-2011	32,333.68	5,321.06	47,952.25	13,637.54	14,756.63	10,772.44	11,645.35	33,116.02		10,758.96	10,228.69	24,172.62	214,695.24	
Variance to Last Year	10,777.26	32,710.87	- 35,985.33	5,190.50	- 11,730.08	- 6,752.34	10,642.62	21,618.30	61,563.16	20,472.28	- 10,228.69	- 24,172.62	74,105.93	



Ref: CCC Insurance

2nd May, 2012

The Corporate Finance Manager
Christchurch City Council
Christchurch

Attn: Diane Brandish

Email: Diane.brandish@ccc.govt.nz

Dear Diane,

Valuation of CBS Arena, etc.

Further to your email of today we provide some explanation as to how insurance valuations are arrived at, in a general sense and also in particular with relation to the CBS Arena.

It should be recognised that insurance valuations by valuers generally are made on a high level basis only, as an attempt to reflect the estimated cost of replacing a building asset with the modern equivalent.

Typically we would refer to published information such as the Rawlinsons Construction Handbook, which provides a range of estimates for various types of buildings, and other agencies like Maltbys.

Essentially it a process of applying a replacement rate per square metre to the building floor area.

It is not a detailed item by item build up of costs as might be supplied by a quantity surveyor, requiring a detailed take off of the various building elements. This process, although theoretically more accurate, is relatively time consuming and undoubtedly would result in fees running into thousands of dollars for individual building assessments.

Whilst the valuer has an obligation to be as accurate as possible, it should also be recognised that estimates of cost to replace are exactly that, estimates. There is always going to be a range, just as if individual building contracts are put to tender one would expect a range of prices from suppliers.

We also refer to our internal records in relation to analysis of building contracts, and whilst these are accurate in terms of specific building projects, they can only be a guide to the estimated replacement cost of other buildings.

Turning specifically to the CBS Arena, our valuation has been based on the original cost.

Our records show that the original costs dating from around 1999, were in the order of \$35 million.

The building area as advised is 14,000 square metres.

The “modal rate”, or theoretical rate per square metre for a standard residential building, was in the order of \$930 at that time. Accordingly the cost of the CBS building was about 2.7 times that of the theoretical residential building at the time of construction.

We expect such ratios and relationships to remain fairly constant over time, and accordingly have applied the same ratio of 2.7 to the standard theoretical cost of a residential style building. We have identified this at \$2,000 per square metre, and therefore the adjusted cost to rebuild the structure today is in the order of \$5,400 per square metre.

This can be checked against other published information such as Rawlinsons, where the latest edition of the handbook refers to a theatre/auditorium including equipment having a replacement range in the order of \$6,500 - \$6,800 per square metre.

Clearly the above approach is only appropriate where costs are available, and is, we believe, probably the most reliable method for highly specialised substantial buildings that have been constructed relatively recently.

For other buildings the insurance values are likely to be calculated on a simple replacement rate per square metre multiplied by the gross floor area, with the replacement rate derived from such published material and known costs as referred to above.

In order to calculate the indemnity value, allowance is made for the physical deterioration and wear and tear over time. A building might be expected to have a life of say 75 – 100 years, and be depreciated accordingly, although there is invariably some offset with improvements and maintenance over time. A fair amount of valuer judgement can be required.

Trusting this explanation is of some help at this time. If we can do something further please don't hesitate to be in touch.

Yours faithfully

Knight Frank Valuation & Consultancy

W Blake, ANZIV/SPINZ

Director Valuation & Consultancy

Registered Valuer

william.blake@nz.knightfrank.com

5. RESOLUTION TO EXCLUDE THE PUBLIC

Attached.

23. 5. 2012

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items 6, 7, 8 and 9.

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:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
6. CONFIRMATION OF PUBLIC EXCLUDED MINUTES OF MEETINGS: 29 FEBRUARY 2012 AND 20 APRIL 2012)	
7. INTERNAL AUDIT ACTIVITY REPORT – 2012 QUARTER FOUR)	
8. ADDITIONAL INSURANCE OPTIONS)	GOOD REASON TO WITHHOLD EXISTS UNDER SECTION 7
9. OVERDUE DEBTORS OVER \$20,000 AS AT 30 APRIL 2012)	SECTION 48(1)(a)
10. UPDATE BY AUDIT NEW ZEALAND)	
11. LEGAL COMPLIANCE UPDATE)	

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

Item 6	Maintain legal professional privilege	(Section 7(2)(9))
Item 7	Prevention of improper advantage	(Section 7(2)(j))
Item 8	Prejudice commercial position	(Section 7(2)(b)(ii))
Item 9	Protection of the privacy of natural persons Prejudice commercial position	(Section 7(2)(a)) (Section 7(2)(b)(ii))
Item 10	Prevention of improper advantage	(Section 7(2)(j))
Item 11	Maintain legal professional privilege	(Section 7(2)(9))

Chairperson's

Recommendation: That the foregoing motion be adopted.

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

- (a) Shall be available to any member of the public who is present; and
- (b) Shall form part of the minutes of the local authority.”