



Kaipara te Oranganui

KAIPARA
DISTRICT

Two Oceans Two Harbours

Audit, Risk, and Finance Committee Open Meeting Agenda

Date: Thursday 11 March 2021
Time: 10.00 am
Location: Mangawhai Meeting Room
Kaipara District Council Offices
The Hub, 6/6 Molesworth Drive
Mangawhai

Committee members: Independent Chair (vacant)
Councillor Peter Wethey (Deputy Chair)
Deputy Mayor Anna Curnow
Councillor Jonathan Larsen
Councillor David Wills
Councillor Eryn Wilson-Collins

*For any queries regarding this meeting please contact
the Kaipara District Council on (09) 439 7059*

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9.	Closure	
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**Open Minutes of the Ordinary meeting of
Audit, Risk, and Finance Committee**

Date: Thursday 10 December 2020
Time: 10.05 am – 12.06 am
Location: KDC Mangawhai Office
The Hub
6/6 Molesworth Drive
Mangawhai

Members Present: Councillor Peter Wethey (**Deputy Chair**)
Councillor Jonathan Larsen
Deputy Mayor Anna Curnow
Mayor Dr Jason Smith

Apologies: Stana Pezic (**Chair**)
Councillor Eryn Wilson-Collins
Councillor David Wills

[Secretarial note: Cr Wethey (Deputy Chair) took the Chair for the Meeting due to the approved absence of Stana Pezic (Independent Chair).]

1. Opening

1.1 Karakia

Mayor Smith opened the Meeting with a Karakia.

1.2 Apologies

[Secretarial note: it was requested that a note be made advising that the current Independent Chair has resigned, and her term will finish on 01 Feb 2021.]

Moved: Deputy Mayor Curnow

Seconded: Mayor Smith

That the Audit, Risk, and Finance Committee:

- a) Accepts the apologies from Stana Pezic (Independent Chair), Councillor Eryn Wilson-Collins, and Councillor David Wills.

Carried

1.3 Confirmation of agenda

Moved: Cr Larsen

Seconded: Deputy Mayor Curnow

That the Audit, Risk, and Finance Committee:

- b) Confirms the agenda for the meeting held 10 December 2020.

Carried

1.4 Conflict of interest declaration

There were no Conflicts of Interest.

2. Minutes

Moved: Mayor Smith

Seconded: Deputy Mayor Curnow

That the Audit, Finance, and Risk Committee:

- a) Confirms the Ordinary Meeting Minutes of 10 September 2020 as a true and accurate record.
- b) Confirms the Extraordinary Meeting Minutes of 27 November 2020 as a true and accurate record.

Carried

3. Audit

3.1 Monitoring Report – Territorial Authority Building Control Functions

Moved: Cr Larsen

Seconded: Mayor Smith

That That the Audit, Risk and Finance Committee:

- a) Notes the MBIE performance monitoring assessment of Kaipara District Council's territorial authority functions.

Carried

3.2 Building Consent Authority IANZ Accreditation Assessment Report 2020

Moved: Mayor Smith

Seconded: Deputy Mayor Curnow

That Audit, Risk and Finance Committee:

- a) Notes the BCA Accreditation Assessment Audit Report from IANZ.

Carried

[Secretarial note: The Committee requested that a note be made congratulating staff on the positive work and achievements to date on item 3.2.]

4. Risk

4.1 Legal compliance update

Moved: Deputy Mayor Curnow

Seconded: Cr Larsen

That the Audit, Risk and Finance Committee:

- a) Notes the legal compliance update report.

Carried

[Secretarial note: item 5.1 – Quarterly Report was moved to this position with the full agreement of the Committee due to the presenter being delayed.]

5.1 Quarterly Finance report November 2020

Moved: Cr Larsen

Seconded: Deputy Mayor Curnow

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report at 31 October 2020.

Carried

[Secretarial note: the agenda returned to the original agenda order confirmed at item 1.3.]

4.2 Health and safety update

Moved: Cr Larsen

Seconded: Deputy Mayor Curnow

That the Audit, Risk and Finance Committee:

- a) Notes the health and safety update for 1-July-2020 to 30-Sep-2020.

Carried

5. Finance

5.2 Treasury Management report

Moved: Cr Larsen

Seconded: Mayor Smith

That the Audit, Risk and Finance Committee:

- a) Notes the treasury management report for October 2020.

Carried

6. Resolution to move in Public Excluded Session

Moved: Mayor Smith

Seconded: Deputy Mayor Curnow

- a. That the following items are considered with the public excluded:

Item	Grounds for excluding the public
Contract monitoring and reporting	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (LGOIMA s7(2)(i))
Insurance renewal update	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (LGOIMA s7(2)(i))

Carried

The Meeting into Public Excluded Session at 11.40 am.

7. Return to Open Session

The Meeting returned to Open Session at 12.01 pm.

8. Closure**8.1 - Karakia**

Mayor Smith closed the Meeting with a Karakia.

The Meeting closed at 12.06 pm.

Unconfirmed

Resolution of past audit recommendations – March 2021 update

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Sue Davidson, GM Sustainable Growth and Investment

Purpose/Ngā whāinga

The Audit, Risk and Finance Committee can gain assurance that staff are following up on recommendations from external audits.

Executive summary/Whakarāpopototanga

This report gives details of the follow up on items from previous audits:

- NZTA Investment Audit December 2018
- Barker & Associates report on Planning Processes August 2019
- Cyber Security Audit March 2020.
- Land Information Memorandum Audit September 2020
- Recognised Agency Assessment Report – Food Health September 2020
- Monitoring Report – Territorial Authority Building Control Functions December 2020
- Building Consent Authority IANZ Accreditation Assessment Report December 2020

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the resolution of past audit recommendations report and attachments.

Context/Horopaki

Each year Council has a number of audits undertaken on various processes and records in a number of departments. Many of these are undertaken as a result of statutory requirements. This report gives details on the follow up of the recommendations made from these audits.

Significance and engagement/Hirahira me ngā whakapāpā

This is not an item for the public to be consulted on, but the public will be notified by the report being on the Council website.

Next steps/E whaiake nei

All recommendations are started and working towards completion.

Attachments/Ngā tapiritanga

	Title
A	Updates on Recommendations from Audits Received 2018-2020

Audit, Risk & Finance - Updates on Recommendations from Audits Received 2018-2020

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
NZTA Investment Audit Report 12 December 2018	Q4 b) Completes exemption declarations when it considers a road safety audit is not required for a construction period or renewal	Completed/On-going	21/08/20 NTA have a dedicated safety team comprising of four people, who ensure safety audits are done as per NZTA Standards and exemptions from the same where an audit is not required
Barker & Associates Report August 2019	Technology:		
	<ul style="list-style-type: none"> Integrate technological systems across Council. 	Complete	Te Aka migration due for completion week commencing 22 nd February 2021
	<ul style="list-style-type: none"> Provide reliable technology for Council asset management and engineering plan approvals. 	In Progress	Development Engineers in Infrastructure have sought alignment of technology used by customers submitting plans so that updates and training of systems are aligned. Progress through review of engineering standards but generally subject to Infrastructure budgets
	Consultants		
	Consolidate the consultant base, based on skills, experience and local knowledge.	In Progress	Planning Panel establishment in progress.
	Contractually bind consultants to delivering quality professional services in a timely and cost certain manner.	In Progress	Planning Panel establishment in progress
	Consent conditions		
	Undertake an annual audit of the standardised conditions and update as necessary	Completed/On-going	Principal Planner tasked with review
	Communication and Customer Service		

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	<ul style="list-style-type: none"> Implement standardised emails to inform customers that their communications have been received and state a clear and realistic timeframe for response. 	Completed/On-going	Complete
	<ul style="list-style-type: none"> Create consistency in the tone and approach to managing customers to reflect that customers have been listened to, understood and that action will be taken, where appropriate. 	Completed/On-going	Resource Consent Co-Ordinator appointed to further provide this customer service.
	Templates and Checklist		
	<ul style="list-style-type: none"> Enforce the use of templates and checklists by staff and consultants. 	Completed/On-going	Template reports with conditions available and being used at present by staff and consultants
	<ul style="list-style-type: none"> Undertake an annual audit of the templates and checklists and update as necessary. 	Completed/On-going	Templates revised and updated as system improvement identified.
	Mentoring and Training		
	<ul style="list-style-type: none"> Support and encourage staff to utilise external NZPI mentoring opportunities. 	In progress	Barkers & Associates have included staff in 2 updates which has been beneficial. Networking opportunities to be investigated
	<ul style="list-style-type: none"> Continue the identification of training programmes and courses for staff in the individual performance development plans. 	Completed/On-going	In-house training (Know How Tuesday's) as well as online opportunities and NZPI courses being used successfully.
	<ul style="list-style-type: none"> Develop personalised KPIs for all staff. 	Completed/On-going	
	Workstream Prioritisation, Workloads and Work-Life Balance		
	<ul style="list-style-type: none"> Undertake quarterly strategic forward planning sessions between executive team, managers and team leaders to project focus and allocate resources and timeframes. 	Completed/On-going	
	Governance and Management of External Enquiries		
	<ul style="list-style-type: none"> Ensure clarity with respect to the processes for political involvement in planning processes and the answering of enquires 	Completed/On-going	GM working with Resource Consent Manager to involve her in reporting for Council

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	<ul style="list-style-type: none"> Improve staff education and protocols around responding to enquiries 	Completed/Ongoing	Resource Consents Help Desk Co-Ordinator engaged and referring to planners for technical response.
	Geographical Context		
	<ul style="list-style-type: none"> Hold regular whole department meetings in varying locations to share travel, time and distances for staff 	Completed/Ongoing	Regular quarterly group meetings and fortnightly department meetings. Use of teams has improved communication between policy and planning. Resource Consents Manager with greater presence in Dargaville
Cyber Security Audit March 2020	<ul style="list-style-type: none"> Develop effective and documented procedures and processes that meet the requirements of the stated Policy and Standards 	In progress	Still in progress. New service desk system allow us to create SOPS Staff training is required to progress. ETA 31/12/21
	<ul style="list-style-type: none"> Develop and maintain information systems risk strategy 	Not started	
	<ul style="list-style-type: none"> Implement formalised IT asset management system for external, hardware and software assets. 	In progress	Nearly complete. ETA 30/6/21
	<ul style="list-style-type: none"> Formalise IT network documentation and diagrams 	In progress	Work in progress as network diagrams are 'live' documents liable to change. ETA 30/6/21
	<ul style="list-style-type: none"> Develop and maintain information asset register 	In progress	As above. Nearly complete. ETA 30/6/21
	<ul style="list-style-type: none"> Develop and maintain information systems standard operating procedures 	In progress	Still in progress. New service desk system allow us to create SOPS but staff training is required. ETA 31/12/21
	<ul style="list-style-type: none"> Develop and maintain information asset register for critical infrastructure 	In progress	Nearly complete. ETA 30/6/21
	<ul style="list-style-type: none"> Develop and maintain information asset register for risk 	In progress	Nearly complete. ETA 30/6/21

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	<ul style="list-style-type: none"> Implement formalised IT user and account management 	In progress	Nearly complete. ETA 30/4/21
	<ul style="list-style-type: none"> Replace legacy remote access system 	Not started	Funding provided in LTP. ETA End FY 21/22
	<ul style="list-style-type: none"> Secure data at rest and at transit 	Not started	
	<ul style="list-style-type: none"> Implement edge or boundary protections for all sites. Intrusion detection and prevention. Web filtering, data exfil, traffic monitoring 	Not started	Funding provided in LTP ETA End FY 21/22
	<ul style="list-style-type: none"> Develop and maintain data and system backup and recovery plan 	In progress	No ETA
	<ul style="list-style-type: none"> Develop and establish cybersecurity awareness programme for continuous training, education and awareness (TEA) 	In Progress	Outsource to approved 3 rd party vendor, funding provided in LTP
	<ul style="list-style-type: none"> Implements centralised logging and analysis system 	In progress	Central logging server installed and operational. ETA 31/3/21
	<ul style="list-style-type: none"> Implements centralised vulnerability analysis system 	Not started	
	<ul style="list-style-type: none"> Replace static signature-based endpoint protection with advanced persistent threat protection 	In progress	Vendor selection ETA 30/4/21
	<ul style="list-style-type: none"> Develop and establish cybersecurity incident response plan 	In progress	ETA 30/6/21
	<ul style="list-style-type: none"> Develop effective and documented BCP plans and procedures that meet the requirements of Council when responding to a wide range of scenarios 	In progress	No ETA

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
Land Information Memorandum Audit September 2020	Direct input of information from each department to a shared LIM report database will speed up the process and eliminate the possibility of errors caused by double-handling information.	Completed/on going	Council's Magiq software is a shared system however it is not used by all departments. Digitalising the property and consent files and having them available in Te Aka will speed up the process. A separate shared system is not possible currently.
	Regular training and collaboration of all staff involved in producing LIM reports will be beneficial.	In progress	Meeting with the waters team has resulted in updated stormwater information. With LIM numbers being incredibly high since November last year training across all departments hasn't been easy.
	Improved usage of hyperlinks to relevant information on the KDC website will provide a higher level of customer service by making information more accessible.	Completed	Links to the specific documents on the website i.e. The Wastewater Drainage Policy and Bylaw have been included. Page numbers for larger documents have also been added.
Recognised Agency Assessment Report – Food Health September 2020	KDC is recommended to update their verification procedures to include Remote Checks, in case a requirement to conduct such verifications arises in future.	Completed	Documented in EHA Quality Manual Section 2.2.17
	In considering how to manage food businesses who do not cooperate with verifiers for closing out corrective actions, KDC is recommended to consider what their options are and document these accordingly. For example, a visit to the food business, temporary suspension, etc. A review of the relevant legislation would assist in determining what KDC's rights and responsibilities are in this regard.	Completed	Documented in EHA Quality Manual Section 2.3, and improved performance has been reported by MPI in our monthly stats
	It is anticipated that it would be unlikely for a verifier to have to "change hats" to the role of Food Safety Officer, now that a second full-time verifier had been appointed. KDC had indicated that they will be looking at a procedure to follow should this be required, and they are recommended to document such instances on the conflict of interest register in the unlikely event that they occur.	Completed	Documented in EHA Quality Manual Section 2.3
	If process-based audits are to be undertaken, it would be recommended that process maps be developed which would indicate how the different processes interact, and how the different procedures relate to the identified processes. Objectives would need to be specified, since process audits focus on results and evaluate outcomes; and	Completed	The EHA team have reverted back to procedural based audits which are backed up with audit checklists to ensure a more objective approach

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	<p>understanding of what the objectives are, and whether or not they have been met, is therefore important. Specific checklists should also be developed, since without checklists findings could be interpreted as being a subjective account of what was being done, rather than an objective account of what is or isn't being done. Due to the limited resources that are usually available in Councils, KDC is encouraged to consider whether the above approach of process-based audits is suitable for them. Procedure-based audits can be just as effective as identifying potential or actual shortcomings and can be simpler to manage. KDC is reminded that the Food Act legislation does not specify whether process-based audits or procedure-based audits are a requirement, and they should therefore choose the system that most suits their operations. The vertical audits being conducted by KDC, which look at a particular food business, are already process-based audits, and there is scope to develop this type of audit into a much more thorough tool. Registration, records, verification outcomes and findings, reporting and timeframes, competencies, training records, peer reviews, etc. are all aspects that could be included in these audits. By combining a selection of these vertical audits along with the procedure-based audits during the year, KDC would ensure that their audits are systematic and thorough. It is strongly advised that detailed checklists be developed, which would assist with objectivity and consistency. KDC could also consider whether their audit procedure needs to be revised to reflect these practices.</p>		
	<p>Many of the findings from internal audits had been classified as minor findings. This was determined based on the risk to the business and how easy it would be to correct. It is recommended that this be documented, which would assist with consistency.</p>	Completed	<p>The audit form template includes guidance on classifications of findings actions required and associated timeframes for completion based on each classification</p>
	<p>It is recommended that for system improvements (where applicable) and for audit findings, that the actual causes of issues are investigated. This will allow for corrective action to be implemented which will prevent the non-conformance or issue from recurring. For example: SI 48 dealt with a food operator only submitting the first three pages of the registration form. A similar incident occurred for the food operator related to the verification for FP0190 on 14</p>	Completed	<p>The System Improvement Register now includes actual causes of issues and investigation outcomes.</p>

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	22/01/2019, where only the alternate pages of the registration form had been scanned. If the root cause of such instances is identified, it will allow a procedure or process to be put in place to prevent such an occurrence from happening again.		
	The contractors had not previously been included in the team meetings. While it is acknowledged that the contractors will no longer be working for KDC, KDC are reminded that if any contracted verifiers are employed in future, they should be included in the team meetings. As would be the case for full-time employees, if the contractors are not able to be present, the minutes should then be forwarded to them.	Completed	Contractors now attend meetings and /or receive copies of meeting minutes for their review and feedback
	Verifiers are reminded that it is good practice to document all their observations, not just those cases where the operator was missing something. While the observations noted in the verification checklists were generally good, there were several instances when they could have been more detailed to provide evidence of what was actually covered during the verification. The documentation of more detailed notes also relates to the comments provided on the CPD forms. For example, both verifiers (for the allergens exercise) stated “conveying the importance of allergen management to the operator during a verification” for the question on “examples of how this has impacted your practice”. Their evidence would have been more robust if they had stated which verification (name, date) they were referring to.	Completed	Verification form template has been modified to assist in ensuring the verifier observes and records all required topics including evidence to support this. Independent reviews of verification reports are undertaken internally based on a checklist
	KDC is recommended to reconsider what a partial verification is. While it is a requirement to consider the Mandatory topics and the Top 5 topics, it is expected that verifiers prioritise the other verification topics and should include at least one topic from each verification criterion. This implies that verifiers do not need to cover ALL topics for every verification.	Completed	Processes no longer allow for partial verifications
	Not all the verification reports which were compiled for the remote checks, indicated that they were done remotely (for example, FP0380, 12/05/2020). KDC is recommended to include a description in the reports when there has been a deviation to the standard verification practice, such as a remote check instead of an on-site verification.	Completed	Verification form template has been modified to ensure all remote checks are documented and classified

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	Photographs were sometimes being used to record evidence at a food business. It is recommended that these are stored in the client files in MagiQ, rather than on the verifier's phone.	Completed / Ongoing	Photographs are now either recorded in the verification report and or uploaded into MagiQ
	Whiteout had been used on some of the forms. It is best practice that errors are crossed out by drawing a line through the error and writing the correction next to it. This relates to all records.	Completed	No longer practiced
	It is recommended that induction requirements be documented somewhere, to ensure consistency (e.g. induction checklist, which gets ticked off by trainer and trainee). In addition, the Competence procedure should include mention of induction.	Completed	Induction template developed and implemented which is linked to the training and development system
	It is recommended that general verification skill requirements are included somewhere in the quality system (e.g. HACCP, Tiritiri training modules, auditing, etc.). This will allow someone to see at a glance what competencies a new verifier would need when they are initially recruited.	Completed	Documented in the training and development template
	The Competency Review forms, which were sometimes being used for peer reviews, do not allow for recording of the verification details (food business, date, etc.). These details had been filled in for verifier (1)'s review on 21/0/2020, but not on verifier (2)'s review on 18/11/2019. One of the outcomes of peer reviews is the ability to monitor the consistency and reliability of verification outcomes, and this is only possible if the details of the relevant verification have been filled in.	Completed	Both forms have been amalgamated into a single form
	It had been noted in the previous Recognised Agency Assessment Report (JASANZ, 2/06/2019) that it would be beneficial to review the procedure for critical non-compliances to ensure consistency of processes across staff and contractors. This had not been investigated by KDC. During the previous year, one of KDC's contractors was the only verifier who had noted a critical non-compliance, and while it is possible that this may reflect the actual situation, it is suggested that this may be an opportunity for improvement. Options for consideration would be to research and document examples of critical non-compliances, develop a critical non-compliance procedure, provide training to verifiers, etc.	Completed	This was cancelled as it was in fact a KDC verifier who had noted the critical non-compliance and not that of the contractor as originally thought

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
Monitoring Report – Territorial Authority Building Control Functions December 2020	KDC should consider reviewing and rewriting their policy and procedure document for administering the means of restricting access to residential pools' requirements. The policy should have high-level objectives followed by a series of procedures for performing the functions.	Completed/ Ongoing	Positive feedback from initial review by MBIE, and awaiting formal response to close
	Ensure public information on pool barriers is easy to locate and legislatively correct, up to date and covers off the key 'new' provisions.	Completed/ Ongoing	Positive feedback from initial review by MBIE, and awaiting formal response to close
	KDC have only carried out 76 pool barrier inspections (out of 470) in the last 3 years. It is a statutory requirement that TAs ensure inspections of pool barriers are carried out at least once every 3 years. This has not happened, which is a serious concern.	Completed/ Ongoing	KDC has 337 registered pools that require scheduled inspections. Since August 2020, we have completed 49 pool barrier inspections which MBIE has noted as a vast improvement on previous numbers, and this has been aided by the additional FTE now on board. We are confident we will now be able to complete all swimming pool / barrier inspections within the required timeframes
	It is strongly recommended that more full-time equivalent (FTE) resource be employed/assigned to carrying out pool barrier inspections in order to complete the remaining inspections and ensure all pool barriers are inspected during each 3-year cycle.	Completed/ Ongoing	MBIE has acknowledged KDC's efforts in appointing the second FTE
	KDC's 'how to guide' for compliance schedule and BWoF matters is limited to providing general guidance about these functions and would not be seen as a policy or procedure document. KDC should document and adopt a policy and procedure document for administering the compliance schedule and BWoF requirements. The policy should have high-level objectives followed by a series of procedures for performing the functions.	Completed/ Ongoing	Positive feedback from initial review by MBIE, and awaiting formal response to close
	The compliance schedules reviewed as part of the assessment did not comply with the Building (Amendment) Act 2012, lacked sufficient information and in many cases were not building-specific enough.	In progress	
	Ensure prescribed forms received from external parties comply with legislation and ensure council staff request any non-compliance to be corrected.	In progress	

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	Ensure sufficient staff resource to carry out functions in relation to compliance schedules and BWoFs. KDC has a ratio of 2350 compliance schedule per FTE which is very high. Over the last 3 years, KDC have only carried out 24 BWoF audits, which equates to about 3.4% of buildings per year.	Completed/ Ongoing	MBIE has acknowledged KDC's efforts in appointing the second FTE
	KDC could not advise how many of their compliance schedules need to be amended to comply with the Building Amendment Act 2012. 100% of compliance schedules were required to be updated to comply by 31 March 2013. MBIE recommends KDC do a scoping exercise to establish exactly how many of its 235 compliance schedules need to be amended and ensure this takes place immediately.	In progress	
Building Consent Authority IANZ Accreditation Assessment Report December 2020	GNC 3) Implementation of the procedure for managing receipt of RFI was not consistent. Specifically, the BCA was not always backdating the statutory clock and was not always aware when to restart/not restart the clock. Implementation was not appropriate where the BCA was not recording consideration of Specified Systems, Performance Standards and Inspection Maintenance and Reporting information during processing.	In progress	GNC 3.1 has been cleared by IANZ GNC 3.2 evidence is being submitted to IANZ for review and clearance
	GNC 4) Implementation was not effective when issuing a F5 with specified systems that must be covered by the compliance schedule. Specifically, the BCA was not attaching Draft CS to F5 as per BCA procedure.	Completed	Cleared by IANZ
	GNC 5) <u>Compliance with statutory timeframes</u> Implementation was not effective where the BCA was not initiating the clock when there was a complete application but there had been no final inspection. Implementation of procedures to establish compliance with the statutory clock was not reliable because of the previous finding. Therefore, the Assessors were not able to determine compliance with this requirement. <u>Compliance schedules</u> Implementation was not effective where the BCA was issuing Compliance Schedules with incorrect and/or non-specific Performance Standards. Implementation was not effective where the BCA was issuing CCCs without Fire Alarm Installation Certificates from an accredited Inspection Body	In progress	GNC 5.1/2/4/5/6 have all been cleared by IANZ GNC 5.3 evidence is being submitted to IANZ for review and clearance

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	GNC 6) Implementation was not effective where the BCA was not consistently recording specific evidence against 10(3)(a) in the Site Inspector Competency Assessments.	Completed	Cleared by IANZ
	GNC 7) Implementation was not effective where the BCA was not consistently recording specific evidence against 10(3)(b) in the Site Inspector Competency Assessments.	Completed	Cleared by IANZ
	GNC 8) Implementation was not effective where the BCA was not consistently recording specific evidence against 10(3)(c) in the Site Inspector Competency Assessments.	Completed	Cleared by IANZ
	GNC 9) Implementation was not effective where the BCA was not consistently recording specific evidence against 10(3)(d) in the Site Inspector Competency Assessments.	Completed	Cleared by IANZ
	GNC 10) Implementation was not effective where the BCA was not consistently recording specific evidence against 10(3)(e) in the Site Inspector Competency Assessments.	Completed	Cleared by IANZ
	GNC 11) Implementation was not effective where the BCA was not consistently recording specific evidence against 10(3)(f) in the Site Inspector Competency Assessments.	Completed	Cleared by IANZ
	GNC 12) Implementation was not effective where the BCA had not undertaken annual training needs assessment of all employees performing a building control function by doing a technical job since July 2018.	Completed	Cleared by IANZ
	GNC 13) Procedures and implementation were not effective where the Training Plans did not specify the outcome desired from any training.	Completed	Cleared by IANZ
	GNC 15) Implementation was not effective where a summary of complaints laid in relation to buildings, and the BCA's response were not retained in the Consent Files.	Completed	Cleared by IANZ
	GNC 16) Procedures and their implementation were not effective where the BCA was not specifically reporting progress against the objectives in their Quality Policy	Completed	Cleared by IANZ

Report Title Date	Recommendations	Completed / Not Started / In Progress	Response
	GNC 17) Implementation was not demonstrated where the BCA is required as a result of any relevant outcome from management review or audit under regulations 17(2)(d), (h) or (5) to communicate QA matters to employees and contractors.	Completed	Cleared by IANZ

Deloitte independent assurance report - year ended 30 June 2020

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Graeme Coleman, Finance & Risk Manager

Purpose/Ngā whāinga

This report is for information only. The audit is required as Council has a Debenture Trust Deed and must adhere to it.

Executive summary/Whakarāpopototanga

Council received an unqualified audit in respect of its register of stock for the year ended 30 June 2020. This was received in December 2020.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the independent assurance report ending June 2020.

Context/Horopaki

Council has auditors ensuring Council abides by the Debenture Trust Deed. This is the report that confirms an unqualified opinion.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

Not applicable.

Attachments/Ngā tapiritanga

	Title
A	Stock Register Opinion June 2020
B	Independence assurance report + stock + reporting cert Dec 2020

Graeme Coleman, Finance and Risk Manager

INDEPENDENT ASSURANCE REPORT

TO THE COUNCILLORS OF KAIPARA DISTRICT COUNCIL IN RESPECT OF THE REGISTER OF STOCK FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and the performance information of the Council on his behalf.

On 13 September 2013, the Council entered into a Debenture Trust Deed ('the Trust Deed') with Corporate Trust Limited (now known as Covenant Trustee Services Limited) ('the Trustee'). The Council is required to maintain a Register of Stock ('the Register') in accordance with Clause 4 of the Trust Deed. Due to our existing appointment, the Auditor-General has also appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to conclude on whether the Register has been maintained in accordance with Clause 4 of the Trust Deed for the year ended 30 June 2020.

Unqualified Conclusion

It is our conclusion that the Register of the Council has been maintained and complies, in all material respects, with Clause 4 of the Trust Deed for the year ended 30 June 2020.

Our work was completed on 16th December 2020. This is the date at which our conclusion is expressed.

The limitations and use of this report are explained below. In addition, we explain the responsibilities of the Councillors of the Council ('the Councillors') and our responsibilities, and we explain our independence.

Limitations and Use of this Report

This independent assurance report has been prepared solely for the Councillors in accordance with Clause 4.2.8 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Councillors or for any purpose other than that for which it was prepared, even though we understand that the Council may provide our report to their Trustee.

This assurance report may only be provided to the Trustee for their information in connection with their role as Trustee and we do not accept any duty, liability or responsibility to the Trustee in relation to this assurance report.

This assurance report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the assurance report or this engagement, including without limitation, liability for negligence in relation to the conclusion expressed in this assurance report.

Responsibilities of the Councillors

The Councillors are responsible for maintaining the Register in accordance with the requirements of Clause 4 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal controls relevant to the compliance Clause 4 of the Trust Deed.

Our responsibilities

We are responsible for expressing an independent conclusion on whether the Register that is being maintained by the Council complies in all material respects, with the requirements of Clause 4 of the Trust Deed, and reporting that conclusion to you based on our work.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial*

Information. In addition we also used elements of SAE 3100 (Revised): *Compliance Engagements* to help form our conclusion on whether the Register complies, in all material respects, with Clause 4 of the Trust Deed. Both of these standards have been issued by the External Reporting Board and copies are available on the External Reporting Board's website.

Our procedures included examining, on a test basis, evidence relevant to ascertaining whether the Register, in all material respects, contained the information referred to in Clause 4 of the Trust Deed. Any review of internal control systems was performed only to the extent required to enable us to express a conclusion on compliance with Clause 4 of the Trust Deed. Our procedures were not designed to identify all significant weaknesses in internal controls.

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may have occurred and not been detected. As the procedures performed for this engagement were not performed continuously throughout the period our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with Clause 4 of the Trust Deed with respect to the maintenance of the Register.

Our Independence and Quality Control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the annual financial statements and performance information of the Council and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed, we have also provided a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which are compatible with those independent requirements. Other than these engagements we have no relationship with or interest in the Council.



Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand
16 December 2020

Limited Independent Assurance Report

To Kaipara District Council and to Covenant Trustee Services Limited in respect of Kaipara District Council's Debenture Trust Deed for the year ended 30 June 2020

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and performance information of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Deloitte Limited, as referred to in the Debenture Trust Deed between Corporate Trust Limited (now known as Covenant Trustee Services Limited) (the 'Trustee') and Kaipara District Council (the 'Council') dated 13 September 2013 (the Trust Deed).

Council's Responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to Covenant Trustee Services Limited (Trustee) under clause 10.2.1 the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2020 has not been prepared in accordance with the requirements of the fourth schedule of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2020.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2020 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6(a) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 16th December 2020 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 16th December 2020 with counterparties.

The Council reported statutory ratios at 30 June 2020 in the Reporting Certificate. Our procedures were limited to recalculating the ratios.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2 of the Trust Deed.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to auditing the Register for the year ended 30 June 2020.

- Report as at 30 June 2020:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with counterparties. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for the Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our audit report on the Council's financial statements and performance information. We explain the scope of our audit engagement in our audit report on the Council's financial statements and performance information for the year ended 30 June 2020.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated 16th December 2020 pursuant to clause 10.2.4 are materially incorrect (Reporting Certificate dated 16th December 2020 is given in appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on 16th December 2020 and our conclusion is expressed as at that date.

The Register and Stock

We issued the Council with an audit report about the Register for the year ended 30 June 2020 on [date]. (A copy of the audit report about the Register is attached).

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

○	Total stock of	12,581,500,000
	This is comprised of:	
○	Security stock of	12,481,500,000
○	Security stock (Local Government Funding Agency stock) of	100,000,000

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

○	Total Principal Money owing and secured under the stock of	44,000,000
	This is comprised of:	
○	Security stock of	-
○	Security stock (Local Government Funding Agency stock) of	44,000,000

The Total Principal Money owing does not include derivative contracts held by the Council that are secured by Security Stock.

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2020, Kaipara District Council had 12,437,500k units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2020 is as follows:

12,437,500k	units of Security Stock on issue associated with the guarantee
75,735k	accrued interest
(800,000)k	Treasury Stock held by the Local Government Funding Agency
194,268k	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
11,907,503k	Total borrowings of the Local Government Funding Agency at 30 June 2020

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the financial statements and performance information of the Council and an audit on the Council's maintenance of the Register in accordance with clause 4.2.8 of the Trust Deed, we have carried our engagements in the areas of providing a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which is compatible with those independence requirements. Other than these engagements we have no relationship with or interest in the District Council.



Bryce Henderson

for Deloitte Limited

On behalf of the Auditor-General

Auckland, New Zealand

FOURTH SCHEDULE REPORTING CERTIFICATE

I, Louise Miller the Chief Executive of Kaipara District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated **13 September 2013** (the **Trust Deed**):

1. Since the date on which the last Reporting Certificate containing this certification was given (30 June 2019):
 - (a) all interest due on the Stock has been paid;
 - (b) all Stock which has fallen due for repayment has been repaid;
 - (c) No Enforcement Event has occurred and remains unremedied.

2. As at the end of the financial year of the Council the total amount of Stock issued and outstanding under the Trust Deed (showing separately any relevant 'Total Facility' amounts) is as follows:

(i)	Debenture Stock of: <i>Included in the figure reported at 2(i) is:</i> Commercial Paper of:	\$ Nil \$ Nil
(ii)	Security Stock: Amount Issued <div style="margin-left: 100px;">Principal Outstanding</div>	\$ 12,581,500,000 \$ 44,000,000
(iii)	Bearer Stock of:	\$ Nil

3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.

4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon

which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.

5. Since the date on which the last Reporting Certificate containing this certification was given (30 June 2019) the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, (except as per reporting certificate) and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

6. As at 30 June 2020:
 - (a) the financial ratios and borrowing limits set out in the policies of the Council referred to in sections 102(2)(b) and 102(2)(c) of the Act were those described in the schedule to this Reporting Certificate as "Statutory Financial Ratios"; and

 - (b) the Council was in compliance with the financial ratios and borrowing limits referred to in paragraph [6](a) above (with exception of those reported in the reporting certificate).

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Terms used, but not defined, in this Certificate have the meaning given to them in the Trust Deed.

Dated: 16 December 2020



Chief Executive
Kaipara District Council

Kaipara District Council Reporting Certificate

As at 30 June 2020

This reporting certificate uses the ratios included in the Treasury Policy adopted on 28 February 2018.

Debt Ratios and limits:

Ratio	KDC Policy	LGFA Covenants	KDC as at 30 June 2020	Compliance
Net debt as a percentage of total revenue	<170%	<175%	69%	Yes
Net interest as a percentage of total revenue	<15%	<20%	4%	Yes
Net interest as a percentage of annual rates income	<20%	<25%	6%	Yes
Liquidity	>110%	>110%	123%	Yes

KDC Policy

Liquidity/funding Maturity Profile:

Maturity Profile to apply once debt reaches \$25m

	Actual \$million	Minimum cover to Maximum cover	Actual %	Compliance
0 to 3 years	35	15% to 60%	83%	No
3 to 5 years	5	15% to 60%	9%	No
5 years plus	4	10% to 60%	7%	No
Total 30 June 2020	44			

Council borrowed two tranches of \$15 million and \$10 million with maturity date of 15 May 2021, this existing funding maturity is now due within the period of 0 to 3 years, breaching Council's funding and liquidity position. Council is working together with PWC to refinance the borrowing ahead of 15 May 2021.

KDC Policy

Debt Interest Rate Policy Parameters:

	Minimum to Maximum Fixed	Actual %	Compliance
Less than 12 months	50% to 95%	76% Fixed	Yes
12-36 months	40% to 90%	55% Fixed	Yes
37 to 60 months	30% to 80%	48% Fixed	Yes
Greater than 60 months	Nil to 50%	30% Fixed	Yes

PWC now provides monthly treasury advice on debt to ensure Council meets or is working towards meeting its debt policy.

Appendix 2

INDEPENDENT ASSURANCE REPORT

TO THE COUNCILLORS OF KAIPARA DISTRICT COUNCIL IN RESPECT OF THE REGISTER OF STOCK FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and the performance information of the Council on his behalf.

On 13 September 2013, the Council entered into a Debenture Trust Deed ('the Trust Deed') with Corporate Trust Limited (now known as Covenant Trustee Services Limited) ('the Trustee'). The Council is required to maintain a Register of Stock ('the Register') in accordance with Clause 4 of the Trust Deed. Due to our existing appointment, the Auditor-General has also appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to conclude on whether the Register has been maintained in accordance with Clause 4 of the Trust Deed for the year ended 30 June 2020.

Unqualified Conclusion

It is our conclusion that the Register of the Council has been maintained and complies, in all material respects, with Clause 4 of the Trust Deed for the year ended 30 June 2020.

Our work was completed on 16th December 2020. This is the date at which our conclusion is expressed.

The limitations and use of this report are explained below. In addition, we explain the responsibilities of the Councillors of the Council ('the Councillors') and our responsibilities, and we explain our independence.

Limitations and Use of this Report

This independent assurance report has been prepared solely for the Councillors in accordance with Clause 4.2.8 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Councillors or for any purpose other than that for which it was prepared, even though we understand that the Council may provide our report to their Trustee.

This assurance report may only be provided to the Trustee for their information in connection with their role as Trustee and we do not accept any duty, liability or responsibility to the Trustee in relation to this assurance report.

This assurance report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the assurance report or this engagement, including without limitation, liability for negligence in relation to the conclusion expressed in this assurance report.

Responsibilities of the Councillors

The Councillors are responsible for maintaining the Register in accordance with the requirements of Clause 4 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal controls relevant to the compliance Clause 4 of the Trust Deed.

Our responsibilities

We are responsible for expressing an independent conclusion on whether the Register that is being maintained by the Council complies in all material respects, with the requirements of Clause 4 of the Trust Deed, and reporting that conclusion to you based on our work.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial*

Information. In addition we also used elements of SAE 3100 (Revised): *Compliance Engagements* to help form our conclusion on whether the Register complies, in all material respects, with Clause 4 of the Trust Deed. Both of these standards have been issued by the External Reporting Board and copies are available on the External Reporting Board's website.

Our procedures included examining, on a test basis, evidence relevant to ascertaining whether the Register, in all material respects, contained the information referred to in Clause 4 of the Trust Deed. Any review of internal control systems was performed only to the extent required to enable us to express a conclusion on compliance with Clause 4 of the Trust Deed. Our procedures were not designed to identify all significant weaknesses in internal controls.

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may have occurred and not been detected. As the procedures performed for this engagement were not performed continuously throughout the period our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with Clause 4 of the Trust Deed with respect to the maintenance of the Register.

Our Independence and Quality Control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the annual financial statements and performance information of the Council and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed, we have also provided a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which are compatible with those independent requirements. Other than these engagements we have no relationship with or interest in the Council.



Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand
16 December 2020

Audit constructive report to management for the year ended 30 June 2020

Meeting: Audit, Risk and Finance Committee
 Date of meeting: 11 March 2021
 Reporting officer: Graeme Coleman, Finance & Risk Manager

Purpose/Ngā whāinga

To receive the Auditors' findings and recommendations relating to the recent audit.

Executive summary/Whakarāpopototanga

Alongside the audit of the 30 June 2020 Annual Report the Auditors prepare a Constructive Report to Management (Attachment A) of findings as they undertake the audit of the financial statements and service performance statements.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the Deloitte's Constructive Report to Management for the year ended 30 June 2020 dated 18 December 2020, circulated as Attachment A.

Context/Horopaki

The report details items noted by the auditors in the normal course of the audit pertaining to certain internal controls and accounting practices and outlines their recommendations.

Discussion/Ngā kōrerorero

This report details the findings and recommendations from the recent audit. Before the report was finalised by Deloitte management reviewed the findings and recommendations and made comments as appropriate. These comments have been included in the final report. Management will work through the items over the next six months and look to clear as part of the preparation of the FY21 Annual Report.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matter of this report do not trigger the significance criteria outlined in Council's Significance and Emergency Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

This report is for information only and does not trigger legal or delegation implications.

Attachments/Ngā tapiritanga

	Title
A	Deloitte's Constructive Report to Management year ended 30 June 2020 dated 18 December 2020

Graeme Coleman, 12 January 2021

Kaipara District Council

Constructive Report to Management
for the year ended 30 June 2020

18 December 2020

Louise Miller
Chief Executive
Kaipara District Council
Private Bag 1001
DARGAVILLE

Dear Louise

Constructive Report to Management for the year ended 30 June 2020

In accordance with our normal practice, we enclose our detailed comments on the points that were discussed with management at the conclusion of the audit which relate to certain internal controls and accounting practices which came to our attention during our audit of the financial statements of Kaipara District Council ("the Council") for the year ended 30 June 2020. The matters raised in this report have been discussed and agreed with management of the Council and their comments have been included. This report supplements the report to the Councillors dated 19th November 2020 which concluded on the areas of focus addressed as part of the audit.

We remind you that our audit was not designed to provide assurance as to the overall effectiveness of the controls operating within the Council, although we have reported to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those matters that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

This correspondence is part of our ongoing discussions as auditor in accordance with our engagement letter and master terms of business dated 18 August 2020 and as required by the Office of the Auditor General's auditing standards which incorporate the New Zealand auditing standards. This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to management. The audit of the financial statements does not relieve management or the Council of their responsibilities. The ultimate responsibility for the financial statements and the design, implementation and maintenance of an appropriate internal control system to prevent and detect and fraud rests with the Council.

We have prepared this report solely for the use of the Council and management and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit. If you would like to discuss any matters raised in this report please do not hesitate to contact us.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B Henderson', written in a cursive style.

Bryce Henderson
Partner
for Deloitte Limited
On behalf of the Office of the Auditor General

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1. New points raised in current year

Observation	Recommendation	Management Response
1.1 Incomplete Fixed asset information provided		
<p>We encountered numerous difficulties in receiving matching and reconciled data provided by the Council to the valuers and the data that was included in the financial system. These include:</p> <p>Lack of timely reconciliation between the RAAM data and the financial ledger. We raised this recommendation in our last year management letter. As part of our planning and interim visit, we followed up on all recommendations made in our prior year letter and noted to management the importance of implementing this recommendation. However, this recommendation was not actioned when we came back for our year end visit.</p> <p>Issues with reconciling the valuations reports to underlying financial and RAAM data.</p> <p>There is a time lag between recording the assets in the financial ledger and recording within the RAAM database. This is because assets are constructed across a period of time hence not recorded in the RAAM database until completion but contract payments have been made which are recorded in the financial ledger. This timing issue complicates the required reconciliations. Construction and renewal information are not always updated in the underlying fixed asset database on a timely basis.</p> <p>There is no central point of contact within Council to take ownership of the data recorded in the fixed asset database and what is provided to the valuers.</p>	<p>We recommend that Council perform regular reconciliations between the Asset system and their Fixed Asset Register.</p> <p>Additionally, Deloitte recommends the Finance team and Asset Manager actively communicates together to prevent variances between the Asset System and the FAR in the future.</p> <p>A review of the respective processes of both the Finance and Asset team should occur to understand the reasons for reconciling items occurring in the first instance and then instigating a process to allow such items to be quantified.</p> <p>As assets are regularly revalued ensuring a coordinated approach to what information is provided to the values is also required to ensure that the valuations are both complete and accurate.</p>	<p>Management concur with the recommendations made. A Fixed Asset Accountant will be recruited early in 2021 so that a dedicated resource can be assigned to review and implement improved recording processes and undertake the necessarily reconciliations more frequently.</p>

1. New points raised in current year

Observation	Recommendation	Management Response
1.1 Breach of Treasury Policy – Debt Maturity Profile		
<p>The debt maturity profile ratio as per the Council's Treasury Policy was breached in FY20 and is still in breach as at 30 June 2020.</p> <p>30- years maturity - 15% - 60% per policy; KDC position = 83%</p> <p>3 -5 years maturity - 15% - 60% per policy; KDC position = 9%</p> <p>5 years + maturity - 10% - 60% per policy; KDC position = 7%</p> <p>This is due to \$25mil of the total debt maturing in the next year.</p>	<p>We recommend Council perform a review of their debt and ensure any future breaches of debt do not arise. Where it is forecast to occur, then raising in advance to key stakeholders should occur for increased transparency including appropriate calculations within the LTP.</p>	<p>Agreed.</p>
1.2 Building Consent Revenue Recognition Error		
<p>Council incorrectly recognises building consent revenue when the invoice is issued to the customer which can occur before any consent work is performed by Council.</p> <p>Under PBE IPSAS 23, 'Revenue arising from non-exchange revenue', revenue is only recognised when goods or services are provided. As such, Council should defer revenue recognition to when building consent work is completed, i.e. Code Compliance Certificate issuance.</p>	<p>We recommend Council perform a detailed review of all Building Consent Revenue at the end of every financial year, to determine how much revenue should be recognised and how much revenue should be deferred.</p>	<p>Management has agreed to perform a review at year end, and accrue any revenue where work has not yet been performed for the consent.</p>
1.3 Contributions Revenue Recognition Error		
<p>Similar to Building Consent revenue (1.2), Contributions revenue has been incorrectly recognised upon issuance of invoice. However, Contribution revenue should be recognised when the work has been completed i.e. consent is approved.</p>	<p>We recommend Council perform a detailed review of Contribution Revenue at the end of every financial year, to determine how much revenue should be recognised and how much revenue should be deferred.</p>	<p>Management has agreed to perform a review at year end, and accrue any revenue where work has not yet been performed for the consent.</p>

1. New points raised in current year

Observation	Recommendation	Management Response
1.4 Deposits, Retentions and Bonds Reconciliation		
Council does not maintain a reconciliation for their deposits, retentions and bonds in the general ledger, as such at any point in time, Council does not have a visibility on receipts or payments that are outstanding.	We recommend Council reconcile the transactions to provide a clear view on what receipts and payments are due at the end of each month, and perform a monthly reconciliation to track such receipts and payments.	Management agree and a reconciliation will be performed in FY21.
1.5 Review of Sensitive Expenditure and Fraud Policies has not occurred		
Council’s Sensitive Expenditure and Fraud policies were due to be reviewed in March and May 2020 respectively.	We recommend Council review these policies and ensure it is done in a timely manner. If Council decides that no change needs to be made to the current policies, Council should maintain appropriate documentation evidencing this.	Policies will be reviewed in FY21.
However, these policies were not reviewed as scheduled.		
1.6 Significantly aged infringement debts		
The infringement debtors ageing analysis showed that a number of debtors were significantly aged, with some being outstanding for up to 3 years. It was apparent these balances had not been appropriately followed up for payment during the year. Further, management had not completed a sufficient review of these balances leading to an audit adjustment to the financial statements being required.	We recommend Council review these aged debts at the end of each financial year. Debtors that are significantly aged should be written off given there is a remote chance of recovery.	Council are currently establishing a process for a third party contractor to follow up and monitor their debts.

1. New points raised in current year

Observation

Recommendation

Management Response

1.7 Reconciliation between daily cash worksheet and cash deposited into the bank

Per our consideration of Kai Iwi Lakes Controls, the Campsite Administrator completes a daily cash balance worksheet reconciling cash on site, direct credits and EFTPOS transaction per the till, highlighting the physical amount of cash to be banked pertaining to that day.

However there is no reconciliation between monies deposited into the bank and the daily cash balance.

Accordingly, we noted variances between the daily cash balance worksheet and cash in the bank.

We also noted that although Villie Kayryakova (Finance Manager) performs a sense check over the reconciliation, we note there is no formal review process.

We recommend Council perform a timely reconciliation between the daily cash balance and cash deposited into the bank.

The reconciliation should also be reviewed by someone that is not managing the campground.

Any variances between cash in the bank and reconciliation is investigated on a timely basis.

Agreed – as part of the banking sector discounting cheques all banking procedures are being reviewed.

1.8 Community Loans should be reviewed

We note Council has multiple significantly aged community loans.

There is \$100,000 that relates to the loan provided to Mangawhai Historical Society (MHS). Given that the entity does not have sufficient working capital, it is doubtful that Council is able to recover its debts.

Council also has a loan to Hakaru Hall Society (HHS) of \$15k which has been outstanding since 2014. The loan document states that KDC has a legal claim to revert the ownership of the Hakaru Hall if it defaults on the loan.

Council should review the community loans to assess if they are recoverable. A provision should be made if it is doubtful that the Council is able to recover its monies.

Agreed – management will review as part of the FY21 annual report preparation.

1. New points raised in current year

Observation

Recommendation

Management Response

1.9 GST reconciliation

Monies refunded by the IRD as reflected in the bank statement do not always match the monies filed in its GST.

This is because the IRD can refund monies relating to PAYE accounts and any remaining monies will get allocated to the GST account. Therefore, it is potentially challenging to track what monies are due.

At year end there are monies outstanding from the IRD which are unable to be reconciled and audit has raised this as a potential adjustment.

We recommend that Council perform a reconciliation between monies filed to GST and cash received to ensure that it informs IRD on a timely basis any monies that it is due but not received.

Agreed – this will be reviewed and reconciled in 2021.

1.11 Depreciation of Pavement Subbase Assets

Council is not currently depreciating Pavement Subbase Roadway assets as recommended by both WSP valuers and AME peer reviewers.

Per further discussion with Andy Brown (NTA - KDC Roadway Team), KDC agree that this should be the case, and NTA are currently formulating a plan to quantify the depreciation amount. At this stage, KDC are unable to provide an estimate of what this amount should be and audit has provisionally estimate an amount to ensure it is not material.

We recommend Council accelerate its plan to identify all pavement subbases which require or have undergone rehabilitation, and quantify depreciation required to be recognized in the forthcoming financial year.

At the time of writing a response from NTA was still pending. A further update will be provided at the interim FY21 audit.

2. Points raised in prior year still open in current year

Observation	Recommendation	Prior year Management Response
2.1 Reconciliation of Property, plant and equipment.		
Property, plant and equipment balances were not reconciled from the fixed asset register and RAMM database.	We recommend there should be a three way match between the General ledger, fixed asset register and RAMM database.	Agreed.
Refer current year issues raised for more information.	Any variances should be investigated on a monthly basis.	Updated Response: See comments above under 1.1
2.2 Level of borrowings vs. interest rate swaps		
The level of debt is materially less than the interest rate swaps (FY19: \$46m versus \$64m, FY20: \$44m versus \$54m). This has resulted from an accelerated debt repayment schedule occurring but not closing out the swaps.	We recommend management review the ongoing level of expected borrowings and consider whether aligning this to the level of swaps held would be advantageous both economically and from an accounting perspective.	Council and PWC reviewing current level of swaps. In the next financial year \$10m of swaps will mature and not be replaced.
As such there is a significant mismatch between the fixed and floating rates impacting the financial statements.		Updated Response: Under the current market conditions, no further swaps will be taken and Council will wait for the current ones to lapse as it is uneconomic to buy them out.
2.3 Processes around aged rate debtors (non-rateable properties)		
Council's policy is for all non-rateable properties to be assessed on a yearly basis and reviewed by a manager. The purpose of this control is to ensure the non-rateable properties listing is accurate and that the rateable and non-rateable properties are mutually exclusive.	We recommend that any assessment of this is properly documented evidencing that review has taken place.	Agreed this should be signed off by the GM Risk, IT, and Finance.
We were unable to sight evidence of an assessment completed in the current year.		Updated Response: Agreed. Process surrounding non-rateable property should be improved.

2. Points raised in prior year still open in current year

Observation	Recommendation	Prior year Management Response
2.4 No evidence of review between reconciliation of strike rates and budget rates		
<p>Council's control around rates legislative compliance is to review the reconciliation between the strike and budget rates.</p> <p>We note this was prepared by the Revenue Manager in July 2020 and was emailed to the GM of Finance. However we were unable to sight evidence of review of the reconciliation.</p>	<p>We recommend a process be put in place to ensure that the reconciliation is reviewed regularly.</p>	<p>Agreed will be completed in the next financial year.</p> <p>Updated Response: No further update. This will be completed as part of the next rates strike.</p>
2.5 Review of Ventia (Broadspectrum) meter readings uploaded into Magiq		
<p>During our walkthrough of the Water rates revenue process, we note that there was no manager review performed on the water meter readings (total for each area).</p> <p>The reviewing of the meter readings is important to address the accuracy and reasonableness of water rates charged.</p>	<p>We recommend that Council implements detective or preventative controls ensuring the accuracy and reasonableness of water rates.</p>	<p>Agreed, Finance is working with the Infrastructure team to automate the recording process so the system can highlight anomalies.</p> <p>Updated Response: Reporting at the end of the process identifies outliers which are investigated by the Revenue Officer.</p>

2. Points raised in prior year still open in current year

Observation	Recommendation	Prior year Management Response
2.6 Amounts provided to NRC does not agree to GL		
<p>The Council collects rates on behalf of Northland Regional Council (NRC). At the end of the year, the council provides NRC with a copy of amounts outstanding and cash received from ratepayers to be paid to NRC.</p> <p>In FY19, there is a variance of \$20k between the Council's GL and confirmation provided by the Council to NRC. This variance of \$20k still exists in FY20. This indicates that KDC indicates on its books that it owes NRC \$20k more than what NRC believes it is owed.</p> <p>Given that the Council controls this process i.e. collects money from ratepayers, provides NRC with the amounts payable and cash received, there should be no difference between its GL balance and the balance provided to NRC.</p>	<p>The Council should perform a reconciliation between its GL and its rating database to reduce the risk it pays NRC rates that have not been collected or holds rates inadvertently.</p>	<p>This has not been investigated at the time of the report being issued.</p> <p>Updated response: No further update. The Revenue Manager and Financial Service Manager will review this in FY21.</p>
2.7 Reconciliation to be performed on deposits received and paid.		
<p>There is no reconciliation between the levies received from customers and owing to suppliers. Council is only able to produce a transaction listing of all monies received and paid out during the year. It is unable to pinpoint which customers it has received cash from but not paid out to suppliers.</p>	<p>We recommend that Council performs a reconciliation between monies received from customers and monies owed to suppliers.</p>	<p>This covers building consents, resource consents, and bonds. Reconciliation will be completed annually by Finance Manager.</p> <p>Updated response: Refer comments above under 1.4</p>

2. Points raised in prior year still open in current year

Observation	Recommendation	Prior year Management Response
2.8 Clarification required on sensitive expenditure policy		
<p>Para 7.3.5 of the sensitive expenditure policy 2017 states "Officers will be reimbursed for actual and reasonable meal costs incurred during business activity". The wording 'reasonable' can be subjected to various interpretations.</p> <p>In FY19, our expenditure testing showed one individual had spent \$59 on dinner while on conference in Wellington. Whilst this may not be unreasonable, the level of ambiguity creates unnecessary risk.</p>	<p>We suggest that Council sets a limit or guideline to remove any subjectivity to what reasonableness means.</p>	<p>This will be put on the claim form itself.</p> <p>Updated response: A revised policy manual was issued in 2020, and although the wording still uses the word "reasonable" additional guidance has been given on what cannot be claimed for.</p>
2.9 Description of accounts should represent the nature of the balance		
<p>We note that when deferring rates revenue and health and dog licence revenue, KDC uses the balance sheet account #9998050 accrued expenses.</p> <p>This is incorrect as deferred income should not be going through an accrued expense account.</p>	<p>Transactions should be appropriately separated into their respective assets and liability GL accounts unless there is a right of offset (PBE IPSAS 1 Para 48).</p>	<p>Process to be corrected in FY20</p> <p>Updated response: No further update.</p>

2.10 Roothing Assets: Implementation of OPUS recommendations

We have noted the following recommendations that OPUS has raised as part of their FY19 which has been raised again in FY20 revaluation. It is important for management to address these matters so that the quality of the data underpinning the valuation continues to improve. This in turn impacts the accuracy of the valuation, the funding (or rating) requirement for the assets, and the operational issues around timing of renewals.

(a) Pavement subbase assets are not currently being depreciated. Experience has been that on many networks, including those in rural areas, by the time pavement rehabilitation occurs there is no pavement strength contribution from the existing subbase. Depreciation of subbase assets should be considered.

(b) Consideration should be given to depreciating subbase to provide funding for the new pavement. Replacement will occur in urbanised roads constrained by kerb and channel.

(c) Continue to maintain, develop and improve the asset component register including:

(i) Ensuring construction dates are applied to all components, as the construction date input is one of the most sensitive inputs to the valuation system. Where default dates are being used, these need to be of a realistic nature.

(ii) Where assets are replaced or upgraded, these changes must also be accurately recorded in the relevant asset tables in a timely manner to ensure everything is captured within the valuation.

(d) Care should be taken to ensure every asset has the asset owner field populated. While most asset tables do, some assets remain without this information. To ensure these assets are included in the valuation, this data could be extrapolated from a GIS analysis where no other source is available. Ensuring the asset owner field is populated for each new asset will increase the accuracy of the valuation process.

We recommend management implement ALL these recommendations as well as a timeline as we expect this will need to occur over an extended period. Progress should also be reported to the Audit, Finance and Risk Committee.

The roading team is preparing a report for the Audit & Risk Committee.

Updated Response:

No further update.

2. Points raised in prior year still open in current year

Observation	Recommendation	Prior year Management Response
<p>(e) Reconcile the work previously undertaken on the actual achieved lives for surfacing on the Kaipara network for each surface type and apply it to the valuation. Some of the default total useful lives that are currently being used appear to be overstated.</p> <p>(f) There is an identified issue in how bridges are being componentised in RAMM. It is recommended that review of Bridge asset in RAMM and analysis of life cycle aspects of bridge components be undertaken. Consider from this analysis how bridges may be broken down for management valuation purposes.</p> <p>(g) Field Data validation should be undertaken on a regular basis to confirm the accuracy and completeness of the data. A prioritised currency programme should be developed to ensure data currency.</p> <p>(h) Some Street Lighting assets are having their light component replaced with LEDs. These units have been replaced prior to them reaching their total useful life, causing a portion of their value being written-off. Analysis on the amount written-off and the effect on the ORC should be undertaken.</p>		

2. Points raised in prior year still open in current year

Observation	Recommendation	Prior year Management Response
2.11 Terminated User Accounts Retained		
We have noted that IT never delete users when personnel leave the organization; instead they move the users to a disabled login. NCS users are never deleted to enable access to user history records.	Although we understand that KDC would like to retain the user history records, we would recommend that user accounts that have been disabled after a period of time are terminated to decrease the risk of misuse.	<p>The Council is currently going through the process of auditing whose fixed term, permanent and consultants that keep coming back. Recurring people are not terminated.</p> <p>Updated Response: KDC acknowledges the recommendation, and deletes non-MAGIQ user accounts, but due to the limitations of the MAGIQ software the practice continues for users who had MAGIQ accounts.</p>
2.12 Review of user access and modification rights		
We have noted that a review of the user access has not been performed given the small size of the team, and that Kaipara District Council (KDC) has an understanding of who the users are.	We recommend that user access reviews be conducted at least annually to ensure that redundant accounts are removed and user accounts are reflective of authorised access levels.	<p>There are 9 user domain accounts of 185 (4.9%). These will be reviewed and the least privilege principle applied.</p> <p>Updated Response: Due to an expansion in service accounts there are 14 domain accounts. 5 user (down from 9) and 9 service accounts. User accounts are additionally protected by Microsoft Azure multi-factor authentication.</p>

Proposed work programme to March 2022

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Sue Davidson, GM Sustainable Growth and Investment

Purpose/Ngā whāinga

For the Audit, Risk and Finance Committee to approve the work programme from June 2021 to March 2022.

Executive summary/Whakarāpopototanga

The work programme is in line with the terms of reference. This report details the work plan so that the committee knows what to expect on its future agendas and be satisfied that the work covers the terms of reference.

Recommendation/Ngā tūtohunga

That Audit, Risk and Finance Committee:

- a) Approves the proposed Audit, Risk and Finance Work Programme June 2021-March 2022

Context/Horopaki

The Audit Risk and Finance Committee provides objective advice and recommendations on:

- compliance with laws and regulations
- risk management
- the adequacy of audit functions
- the robustness of the internal control framework and financial management practices
- the reporting of the Annual Report
- the establishment of, maintenance and effectiveness of controls to safeguard the Council's financial and non-financial assets.

It is important the work of the Audit, Risk and Finance Committee is spread across its meetings in a planned and balanced matter. This will ensure any item that has a timing, which is effectively fixed by external accountability cycles, is considered at the appropriate time, while other items, for which timing is more flexible, are able to be prioritised and spread evenly across the meetings of the committee in a planned and coordinated way.

Discussion/Ngā kōrerorero

Meetings will be held four times per year and work is allocated to each meeting and aligns to external reporting for the Annual Report.

Forward planning of the work required of this committee is good business practice.

Committee members may wish to add to the work plan if they see any gaps. The work programme is detailed in Attachment B.

Options

Option 1: Approve the work programme for the committee.

Option 2: Approve the work programme for the committee with additional items.

Policy and planning implications

This document is to provide planning for the Audit, Risk and Finance Committee.

Financial implications

There are no financial implications.

Risks and mitigations

This committee has been created to review the risks of the Council business and ensuring mitigation where there is high risk.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

Prior to each committee meeting this work programme will be referred to, to ensure work is being completed as scheduled.

Attachments/Ngā tapiritanga

	Title
A	Audit, Risk and Finance Committee Terms of Reference
B	Audit, Risk and Finance Work Programme June 2021-March 2022

Audit, Risk and Finance Committee Agenda – Work Programme

The table below outlines the tasks the Audit, Risk and Finance Committee (the Committee) will complete (and when) as part of its 2021/2022 work programme in accordance with its delegations.

Task	June 2021	Sept 2021	Dec 2021	Mar 2022
Work Programme A work programme will be defined annually.				•
1)				
External Audit The Committee will approve arrangements for the annual external audit. The Committee will discuss with management/external auditor the proposed materiality and scope of the audit, and input to scope.	•			
Audit: of other Areas considered by Committee to be monitored		•		
Audit: Management will ensure all findings from reviews by external auditors of Council's processes are reported to the Committee with action plans to remedy identified deficiencies.		•		•
Annual Plan/ Long Term Plan: reported to committee	•			
2)				
Risk Management The Committee will review the management framework				•
The Committee will review the risk management update report, with a focus on significant risks and how they are being treated. Once a year the full risk register will be presented.	•	•	•	•
Insurance: The Committee will review the annual insurance programme.		•		
Health and Safety	•	•	•	•
IT Security				•
Internal Control/Assurance	•	•		
Building Consent Authority Audit: The Committee will review and note the management letter from IANZ and ensure CE addresses the issues identified.			•	

Task	June 2021	Sept 2021	Dec 2021	Mar 2022
Recognised Agency Assessment: Report Food Control		●		
Internal Audit: The Committee will review a work plan of audits and ensure CE addresses the issues identified in any reports.				
NTA Alliance: Review against original business case			●	
NZTA: The Committee will review reports and ensure CE addresses the issues identified in any reports.		●		
Compliance: The Committee will oversee Council's compliance with legal and regulatory requirements and monitor adherence to compliance	●	●	●	●
Legal Compliance Report	●	●		
3)				
Financial Policies <ul style="list-style-type: none"> • The Committee will review existing policies as they come due for review or as changes are made to significant policies. • Sensitive Expenditure • Fraud Policy • Treasury Policy • Financial Strategy • Policy Register Update 	●	●	●	●
Treasury Performance Treasury – the Committee will review the external report to ensure compliance with the Treasury Management Policy. This will include reviewing any guarantees entered into.	●	●	●	●
LGFA Report	●			
Monitor Financial Performance: <ul style="list-style-type: none"> • Financial Report • Debtors Report 	●	●	●	●
Monitor Contract Performance: Contract/Supplier Performance Report	●	●	●	●
Annual Financial Reporting The Committee will review the draft annual financial statements and recommend their adoption or otherwise to Council. At this		●	●	

Task	June 2021	Sept 2021	Dec 2021	Mar 2022
meeting the Committee will have the opportunity to meet with the external audit director to discuss the results of the audit, and to provide any feedback on the conduct of the audit from the perspective of the Committee members.				
4)				
Special Investigations As required, the Committee will monitor special investigations, such as a possible fraud.				
Actual or Potential Litigation Matters	●	●	●	●

Audit, Risk and Finance Committee

Reports to:	Kaipara District Council
Chair:	Stana Pezic (external appointee)
Deputy Chair:	Councillor Peter Wethey
Membership:	Deputy Mayor Anna Curnow, Councillor Jonathan Larsen, Councillor David Wills and Councillor Eryn Wilson-Collins
Meeting frequency:	Quarterly
Quorum:	Three

Terms of Reference

Purpose

- To oversee risk management and internal controls, audit functions, financial and other external corporate reporting, and compliance with legislation
- To monitor Council's financial performance against the Long Term Plan and Annual Plan.

Responsibilities

Audit

- Agree on audit scope with management
- Input into audit scope to the external auditor
- Consider the audit management letter and take appropriate actions

Risk

- Ensure a comprehensive risk management framework is in place and operates effectively
- Identify and monitor risks associated with legislative compliance

Finance

- Review and recommend financial strategies and policies to Council
- Monitor Council's financial performance and recommend actions
- Recommending the Annual Report financials to Council.

Delegations

- Make recommendations to Council
- All necessary powers to meet its responsibilities.

Risk register update report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officers: Graeme Coleman, Finance & Risk Manager

Purpose/Ngā whāinga

To provide the Audit, Risk and Finance Committee an update on the status of risk identification across the business and then the ongoing management and mitigation of those risks.

Executive summary/Whakarāpopototanga

Following on from the development of a risk management framework in early 2020 and the initial identification of risk ratings, work has been undertaken to create a living risk register. To date 226 risks have been identified across the business with about half of them having been rated in accordance with the framework. Further work will now be done with the business to update the data in the register and further mitigate the residual risks currently recorded.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the Risk Register Update Report

Context/Horopaki

Council's risk management framework was developed in March 2020 and risk identification started around that time.

Discussion/Ngā kōrerorero

During the 2019/20 financial year work began on developing a risk management framework (see copy attached) and the identification of key risks within the business that need to be monitored and actively managed. Around the time the framework was complete each business area began identifying and recording risks. We have taken that work to begin the compilation of an overall risk register for the Council.

To date 226 risks have been identified across the business. Each risk is then rated for the inherent risk (the risk without any controls in place) and the residual risk (the risk remaining after controls have been put in place) using the following matrix stated in appendix 4 of the Risk Management Framework.

Consequence	Risk Assessment Matrix					
	Very Significant 5	5	10	15	20	25
	High 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Low 2	2	4	6	8	10
	Minor 1	1	2	3	4	5
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
Likelihood						

	Extreme Risks will be escalated immediately to the Executive Team. These will also be reported to the Council and the Chair of the Audit, Risk & Finance Committee with any fix or mitigation or not.
	High risks monitored and received monthly by the Executive Team.
	Monitored quarterly.
	Keep risks on the Risk Register and formally review them quarterly to make sure that the Likelihood and Consequence continues to pose a low level.

The table that follows summarises the number of risks identified by business area and the average inherent and residual risk ratings. Please note that these ratings are as determined back in 2020 so work done since then may have changed the current risk profile. The compilation of the risk register has been a work in progress over the last couple of months and now that it is at this stage further work will be done to:

- Update the risks identified
- Update the inherent and residual risk ratings: and
- Follow-up on the actions to further mitigate the remaining residual risks

Note that some of the risks identified have yet to rated for their inherent and residual risks.

Business Area	# of risks identified	Average Inherent Risk	Average Residual Risk
Health & Safety	13	14	12
Customer Services	4	11	10
Building Control	7	13	6
Parks & Recreation - Green Space / Playgrounds / Outdoor Furniture & Fittings / Walkways / Coastal Structures / Camp grounds	24	10	5
Regulatory	11	7	5
Parks & Recreation - General	7	9	4
Parks & Recreation - Cemeteries	12	7	4
Library	21	6	4
Iwi Relations	3	4	4
Parks & Recreation - Public Toilets	9	10	3
IT	9	9	3
People & Capability	9	7	3
Finance & Revenue	10	8	2
Records Management	7	5	2
Property - General *	3	0	0
Property - Pensioner Housing *	13	0	0
Property - Northern Wairoa War Memorial Hall	9	0	0
Roads & Footpaths *	34	0	0
Flood Protection & Control Works *	21	0	0
	226		

* risk grading yet to be completed

The table helps to highlight the areas of the business where further work is required to reduce the residual risks.

A table of the risks has not been attached, as more work has to occur to complete the registers of some departments.

We will now undertake work with each business area to ensure that the register is a living document so that not only the risks identified are regularly updated but also the inherent and residual risk profiles.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

This report is for information only and does not trigger legal or delegation implications.

Attachments/Ngā tapiritanga

	Title
A	Risk Management Framework

Graeme Coleman, 15 February 2021



Risk Management Framework:

Policy and Process

Title of Policy	Risk Management Framework: Policy and Process		
Sponsor	Chief Executive	Authorised by	Chief Executive
Author	Sue Davidson	Date authorised	March 2020
Type of Policy		Last review date	March 2020
		Next review date	March 2023
File Reference	2304.15		

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1 Risk Management Framework

Kaipara District Council operates across a wide range of activities and is required to operate within a legal environment specific to local government. The Council is committed to managing risks that may impact on the delivery of its activities and services, and/or the ability to meet its legal obligations. The Council is committed to keeping its Risk Management Framework relevant and applicable to all areas of operation. The framework is based on the *International Standard ISO 31000:2018 Risk Management – Guidelines* and best practice industry standards. The key elements of the Framework are Risk Management Policy, Risk Management Process and Council-wide Risk Register.

2 Risk Management Policy

2.1 Introduction

Managing risk is part of Governance and Leadership, is fundamental to how the organisation is managed at all levels and will contribute to Council's aim of continuous improvement. The risk management process is not an isolated function and can be applied to any activity, including decision-making and interaction with stakeholders. Effective identification, analysis, evaluation and treatment of defined risks, assessment of their impact on Council's reputation and development of a proactive risk culture are critical to Council achieving its objectives and meeting overall community expectations.

The goal of risk management is not to eliminate all risks, but rather to proactively manage risks involved in Council's functions and services and to create and protect value for our stakeholders and community.

Benefits to be gained from effective risk management include:

- Efficient and effective operations and resource use, including safeguarding Council's assets from fraud, misappropriation and misuse;
- Achieving and maintaining compliance with legislation, regulations and internal policies;
- Achieving and maintaining conformance with best practice and standards;
- Ensuring the safety and well-being of staff at the workplace;
- Maintaining public confidence in the services that are delivered and adapting to changes, community needs and expectations;
- Maintaining Business Continuity: risk management can help plan "what if" contingencies, build resilience to unwanted events and reduce "surprise" events and losses;
- Understanding how the risks are likely to impact Council's reputation, assets, finance and operations
- Reliable, timely and accurate management reporting.

2.2 Risk Management Objectives

Council's Risk Management **Objectives** are as follows:

- 1 To demonstrate leadership and commitment by ensuring that risk management is **integrated** into all areas of Council's business operations to support the delivery of the Long Term Plan objectives.

- 2 To consistently evaluate risk across Council to provide a reliable source of information for decision-making and planning.
- 3 To ensure decisions made are aligned with Council's Risk Appetite, are undertaken within approved Risk Tolerance levels and are executed with sufficient independent oversight.
- 4 To develop and embed a risk-aware culture amongst Council employees, where risk management is seen as a positive attribute of decision-making and staff assume responsibility for managing risks and risk management is part of day-to-day operations and not a separate compliance.

2.3 Risk Management Policy Statement

- Council shall establish and maintain its Risk Management Framework and process in accordance with good practice (consistent with the ISO 31000:2018 Risk Management – Guidelines);
- Council's Risk Management Policy applies to all parts of Council and it is everyone's responsibility to manage risk;
- Corporate risks shall be recorded and captured in the Council-wide Risk Register;
- Management must maintain the currency of Group / Division's Risk Registers;
- Significant risks must be identified, analysed, assessed, recorded and reported on a timely basis to the appropriate level of management and the Audit, Risk and Finance Committee;
- Project Managers shall ensure key project risks are identified and captured in Council's Risk Reports to management;
- Employees responsible for key controls or mitigations must ensure the controls or mitigations are current, tested and remain effective;
- Learning from incidents, investigations or other sources must be communicated to the Risk Owner and Control Owner on a timely basis. The Risk Owner shall improve the risk management process / content and the Control Owner shall improve controls to give effect to the learning reported;
- Management must ensure that staff are adequately trained and skilled in managing risks within their specific areas of responsibility;
- Management must ensure that risk management is embedded in all business processes and practices;
- There will be "a single point of accountability" for each project or programme;
- A consolidated Risk Report will be produced on a quarterly basis;
- The "Risk Management Framework: Policy and Process" is a 'living' document and will be subject to review and evaluation as required.

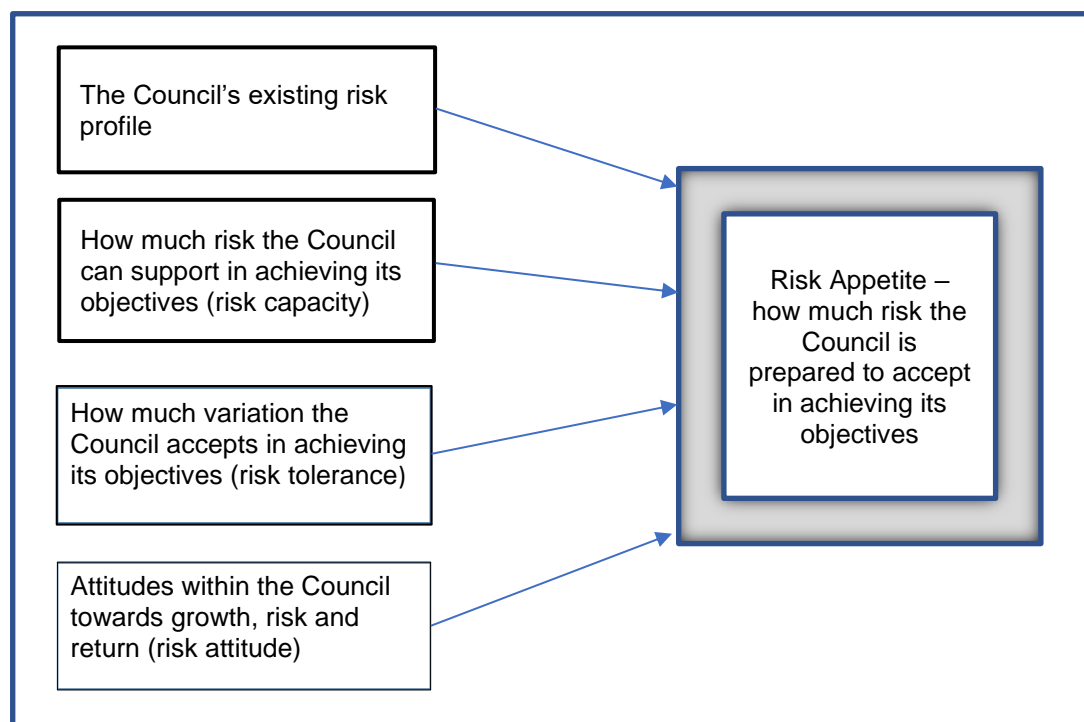
2.4 Risk Appetite and Tolerance

Risk Appetite Statements

Council has set its ambitions in the Long Term Plan and recognises that, in order to achieve these objectives, it will need to take risks. The **2019/2020 Risk Appetite Statements** (Appendix 5) acknowledge that fact.

However, any risks will be carefully evaluated and managed to ensure that they are taken in an informed way, and with a full understanding of consequences and other options.

Considerations that inform Council's Risk appetite



2.5 Reputational Risks

Reputation represents one of the greatest risks to Council. Reputation sits in the collective thoughts and feelings of a broad set of stakeholders. It is an outcome that results from the accumulated decisions, actions and behaviours of the people within an organisation and how these are perceived.

A specific event or activity can impact how stakeholders perceive an organisation. Changes in stakeholder perception in turn will lead to changes in their behaviour, and this will directly impact the organisation's value.

Council recognises all reputational risks are strategic risks.

Council is committed to building **Reputational Resilience** by:

- Identifying the reputational impact for each of its Strategic, Operational and Project risks on the Risk Register;
- Understanding its stakeholder perceptions by assessing the stakeholder groups and identifying risks that reflect their priorities;
- Adjusting corporate actions accordingly for risks associated with organisational behaviour not being aligned to stakeholder expectations;
- Having clear mitigation plans for significant Reputational risks; and
- Being prepared for a crisis through a robust crisis readiness programme to address the risks associated with ineffective Crisis Management

2.6 Risk Culture

Risk Culture is the system of values, beliefs, knowledge and understanding about risk present in an organisation that shapes risk decisions of management and employees.

To promote a positive Risk Culture, Council is committed to an environment where:

- All staff can openly talk about bad news without fear or blame;
- Appropriate risk-taking behaviours are rewarded and inappropriate behaviours are challenged / sanctioned;
- Risk Event reporting is encouraged;
- Issues are identified for learning purposes and continuous improvement;
- All staff understand the specific risks and risk areas they are accountable for and are given appropriate training to manage them; and
- Risk management skills and knowledge are valued, encouraged and developed.

2.7 Roles and Responsibilities

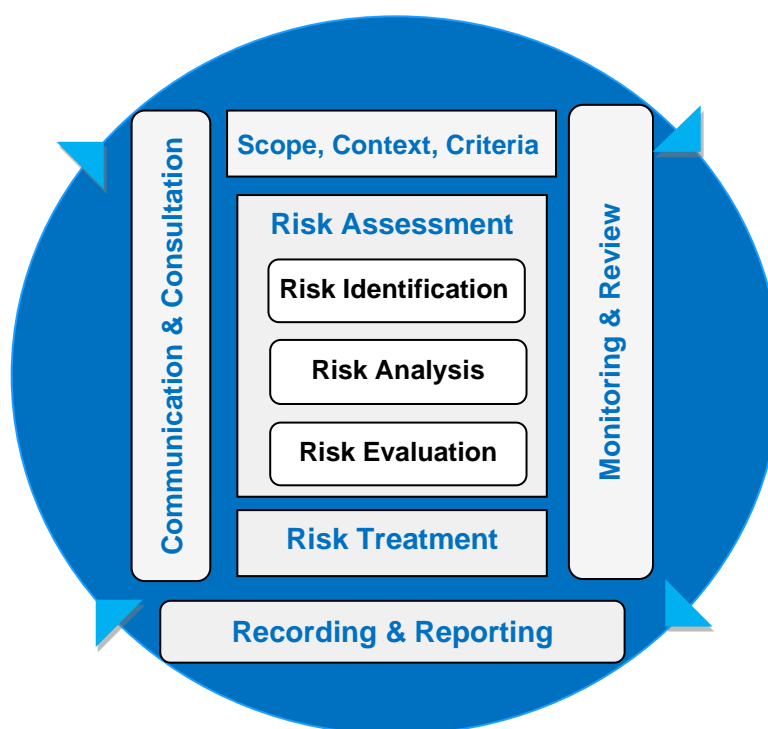
Role / Function	Risk Management responsibilities
Council	<ul style="list-style-type: none"> Ensures that an appropriate Risk Management Governance structure, Policy and accountabilities are in place. Risk appetite confirmed at least once every 3 years.
Audit, Risk and Finance Committee	<ul style="list-style-type: none"> Under its Terms of Reference monitors, the identification and management of risks faced by Council, including any assurances sought or initiated by Management and other relevant authorities (auditors) on the efficiency of Risk Management Policies and practices. Annually reviews and endorses the Risk Management Policy and Framework. Endorses Risk Appetite and provides objective advice and recommendation to Council.
Chief Executive (CE)	<ul style="list-style-type: none"> Ensures that a Council-wide Risk Management system is established, implemented and maintained in accordance with Council's Risk Management Framework, Policy and Guidelines. Closely monitors Extreme and High risks and reviews Council's Top 10 Risks. Promotes a strong Risk Culture by providing support for risk management.
Executive Team (ET)	<ul style="list-style-type: none"> Overall responsible for the monitoring and management of risk (at a strategic, operational and project levels) relating to Council's activities. Sets Risk Appetite and Risk Tolerance levels and ensures risks are managed in accordance with that Appetite. Ensures an appropriate level of staff training, awareness and competence in relation to risk management requirements and practices. Develops a proactive Risk Culture to support the achievement of strategic objectives and facilitate continuous improvement. Demonstrates leadership in risk management matters and integrates risk management with Council's policies, processes and practices.
Council Managers (Risk Owners)	<ul style="list-style-type: none"> Identify, assess, manage monitor and report risks in their Divisions. Assign responsibilities to the Control Owners. Promote a Risk Culture that encourages the open and transparent discussion of risks. Communicate and raise awareness of risk management to the Activity Managers and staff.

Role / Function	Risk Management responsibilities
Activity Managers / Managers / Project Leaders / Project Managers	<ul style="list-style-type: none"> • Ensure all risks associated with Activities and Projects are identified, assessed and recorded; develop Treatment Plans that mitigate or reduce risk exposure to an Acceptable or Tolerable level. • Communicate key risk issues to their direct line manager. Continually identify, assess and report all new and emerging risks to their direct line manager. • Provide information, training and supervision to allow staff to carry out risk Mitigation Actions adequately and effectively. Encourage staff to report risk.
General Manager Sustainable Growth and Investment, designated as Risk Manager	<ul style="list-style-type: none"> • Management of the Risk Management process and maintenance of the Council-wide Risk Register. • Monitors all risks and key controls through the Risk Register review process. • Reviews the effectiveness of the Risk Management Policy and Framework. Quarterly reports to the ET on findings and options for continuous improvement. • Reviews and compiles the Groups' risk reports. Gathers risk information from the Risk Owners. Receives information on all new and emerging risks and consider the adequacy of how they are being managed. • Quarterly reports High and Extreme risks and how they are being managed to the ET. • Prepares the quarterly reporting to the Audit, Risk and Finance Committee. • Provides risk related advice, ongoing support, guidance and training to Management, Risk Owners and staff.
All Employees	<ul style="list-style-type: none"> • Awareness of the Risk Management Framework, Policy and Guidelines. • Proactive identification, monitoring and reporting of potential risks to their line Manager as soon as possible, maintaining Council's reputation and image.

3 Risk Management Process

Good risk management practices ensure Council can undertake activities knowing that measures are in place to maximise the benefits and minimise the negative effect of uncertainties. Risk management involves both the management of potentially adverse effects as well as the fulfilment of potential opportunities.

ISO 31000:2018 Risk Management Process



3.1 Establishing the Scope, Context and Risk Criteria

The **Scope** includes the definition of basic assumptions for Council's external and internal environment and the overall objectives of the risk management process and activities.

The **internal and external Context** is the environment, in which Council seeks to define and achieve its objectives. Establishing the context takes into account the Council's goals, objectives, strategies & scope.

The **Risk Criteria**, by which risks will be analysed and evaluated, includes development of *the Likelihood of Occurrence, Consequence Rating, Risk Assessment Matrix and Comparative Risk Levels*.

3.2 Risk Assessment

Risk Assessment is the overall process of Risk Identification, Risk Analysis and Risk Evaluation.

a) Risk Identification

The aim of Risk Identification is to create a comprehensive list of events that may occur and, if they do, are likely to have an impact on the achievement of Council's objectives.

The key question to consider is: “**What will stop you achieving your objectives / deliverables?**”

Risks can be categorised into 3 basic categories: Strategic, Operational and Project.

At **Strategic** level, the focus is on identifying the key risks affecting the successful achievement of Council’s strategic objectives. These are the risks (or opportunities) that are most likely to affect the performance and delivery of Council’s strategic priorities, levels of service and projects. The risks may prevent Council from meeting statutory obligations or present a serious risk to completion of major projects.

At **Operational** level, the focus is on the risks (or opportunities) that occur in the delivery of day-to-day operations and continuity of service. This includes Health and Safety activities (which are consequences for many operational risks) and issues arising from external reports, complaints, audit reports etc.

At **Project** level, the focus is on the risks associated with project management that may affect milestones connected to delivering a specific project.

b) Risk Analysis

The risks should be analysed to understand their nature and scope, including assessment of the consequences, likelihood, events, scenarios and uncertainties. Analysis techniques can be qualitative, quantitative or a combination of these.

The purpose of the risk analysis is to define the significance of a risk by assessing its Consequence Rating (Appendix 3) and its likelihood occurrence (Appendix 4)

At this stage, the Risk Analysis occurs on an “**inherent**” basis.

The Risk Analysis also includes identification of the current **controls** in place (to mitigate the extent of potential losses) and assessment of their effectiveness.

The Controls can be:

- **Deterrent:** intended to discourage a potential attacker (e.g. establishing an information security policy);
- **Preventive:** intended to minimise the likelihood of an incident occurring (e.g. a user account management process);
- **Detective:** intended to identify when an incident has occurred (e.g. review of firewall security logs); and
- **Corrective:** intended to fix the problem after an incident has occurred (e.g. data backups).

The controls that you identify to avoid, reduce or transfer risk may not always lessen either the impact or the likelihood. Some risks will have significant impact no matter what you do, and equally, in some cases, all the controls you identify may not lessen the likelihood of something happening either. In these cases, you are identifying actions that will allow you to better manage the situation when the risk occurs.

c) Risk Evaluation

Risk Evaluation involves assessing the risks and determining which risks are the priorities for treatment. At this stage, Council determines the Inherent Risk Rating (the Risk Rating without any controls in place is called the Inherent Risk). Then the Inherent risk is Ranked in accordance with the Comparative Levels of Risk in Appendix 2 (as Low / Moderate / High / Extreme).

At the next stage, the same process of determining the Likelihood and Consequence of the same risk applies, but this time the Risk Analysis occurs on a “residual” basis – what is the risk, taking into account the identified existing controls? Council determines the Residual Risk Rating. Then the Residual risk is **Ranked** in accordance with the *Comparative Levels of Risk* in Appendix 3

Once the Risk Rating has been completed, the Residual risks can be evaluated against Council’s Risk Tolerance levels. The evaluation of risks can lead to a decision to maintain existing controls or consider Risk Mitigation / Treatment plans.

3.3 Risk Treatment

Risk Treatment (Mitigation) is the process of determining the appropriate options for managing the risk identified. Treatment options are required when the current controls are not mitigating the risk within defined Tolerance levels. An action plan is then formulated to reduce the consequence and/or likelihood of the risk.

In selecting the best way to manage a risk, the Council will consider the following **options**:

Risk Response	Description
Accept/(Tolerate)	Accept the current level of risk. Recognise that the risk exists but continue with activity.
Reduce/(Treat)	Take action (introduce the additional controls) to reduce the consequence and/or likelihood of the event occurring.
Transfer/(Share)	Transfer the risk, or the consequences of the risk occurring, in part or entirely to others (e.g. through insurance or a third party).
Avoid/(Eliminate)	Stopping the activity completely or stop and replace with an alternative activity. Risk avoidance must be balanced with the potential risk of missed opportunities.
Increase	Increase the risk to pursue an opportunity

Once the Treatment option is identified, each risk should be assigned a Mitigation Action (Treatment Plan). The Risk Owner considers the following when deciding which Mitigation Action is needed:

- The cost of the Treatment compared with the consequence / likelihood of the risk;
- When the Mitigation Action is needed by; and
- What monitoring and reporting is needed on how implementation of the mitigation action is progressing.

3.4 Monitoring, Reviewing and Reporting

Ongoing monitoring, periodic review and regular reporting of the risks and risk management process is required to ensure that the risks remain relevant and that the effectiveness and cost of the associated Controls and Treatment Plans are aligned with Risk Criteria, Strategy, Policy and stakeholder requirements.

The Risk and Process Review is to be undertaken as follows:

Who	What	When
T3 Managers	Discuss the relevant Division's risks with the General Manager	At least once a quarter
Risk Owners	(Following the discussions), review the Divisions' risks (existing and new)	Not less than monthly (although emerging risks assessed as High or Extreme are to be escalated)
	Update the Group's Risk Register	Quarterly
General Manager Sustainable Growth and Investment, designated as Risk Manager	Review of changes to the Risk Registers, ensuring escalations have happened when needed	Monthly
	Produce the reports on: <ul style="list-style-type: none"> • Top 10 Risk Register; • Extreme and High Risks; and • Council-wide Risk Register 	As required
	Reporting to the Executive Team and Audit, Risk and Finance Committee	As required
Executive Team	Receive Reports from the Risk Manager on Top 10 Risks and Extreme and High risks	Quarterly, or as new High or Extreme risks are identified
Audit, Risk and Finance Committee	Review of Top 10 Risks	Quarterly
	Review of Extreme and High risks	Quarterly
	Review of the Council-wide Risk Register	Annually

3.5 Communication and Consultation

Communication and consultation with the internal and external stakeholders are an important consideration at each step of the risk management process.

External stakeholders should be informed of Council's approach to risk management and the effectiveness of that approach. Gathering their feedback, when necessary, can improve Council's risk management process.

Internal stakeholders should be communicated Council's risk management process and their role and responsibilities in it.

There must be a two-way dialogue between the stakeholders with the focus on consultation, rather than a one-way information flow. Effective communication between stakeholders is essential to ensure that risks are understood and decisions about risk response selection are appropriate.

Appendix 1: Risk Management Step-By-Step Guide

Risk = the effect of uncertainty on the strategic objectives.

Inherent Risk = the risk without any controls applied.

Residual Risk = the risk remaining after the controls have been applied.

Risk Rating = Risk Level = the likelihood of event occurring x the consequence of such an event.

1	Establishing the Scope, Context and Criteria
	<ul style="list-style-type: none"> What are the external factors that influence Council? How will the internal environment impact on Council's ability to achieve strategic objectives? (see Risk Categories in Appendix 5). What drives value in Council? What are our goals / key deliverables?
2	Risk Assessment
2.1	Risk Identification
	<p>Involve your Team in the identification of risks.</p> <p>Decide the Type of risk (e.g. Strategic / Operational / Project) and Category (see Appendix 5).</p> <p>Link the potential risks to key goals and objectives, targets and performance measures (KPIs). Consider the effect on Council's reputation.</p> <ul style="list-style-type: none"> What could prevent us achieving our goals? How and when could this happen? Who and what would be impacted by the risk? What would be the effect on Council's reputation?
2.2	Risk Analysis
2.2.1	<p>Consequence Assessment.</p> <p>Determine the Consequence of the event (using Appendix 2: Consequence Rating):</p> <ul style="list-style-type: none"> <i>What are the consequences, if the risk occurs?</i> (without any controls for the Inherent Consequence; with existing controls for the Residual Consequence).

2.2.2	<p>Likelihood Assessment.</p> <p>Determine the Likelihood of risk occurring (using Appendix 3: Likelihood of Occurrence):</p> <ul style="list-style-type: none"> • <i>What is the likelihood of the risk occurring?</i> [without any controls for the Inherent Likelihood; with existing controls for the Residual Likelihood]. • <i>When did the risk last occur? How long ago before that?</i> <p>2.2.3 Controls Identification and Assessment.</p> <p>Determine the existing internal controls:</p> <ul style="list-style-type: none"> • What internal controls are in place to manage the risk? • Are they adequate / effective and sufficient? • Do we need to review the controls?
2.3	<p>Risk Evaluation</p>
2.3.1	<p>Inherent Risk Rating and Ranking.</p> <p>Determine the Inherent Risk Rating by (using Appendix 4: Risk Assessment Matrix).</p> <p>Determine the Inherent Risk Ranking (Low / Moderate / High / Extreme), using Appendix 4: Comparative Levels of Risk.</p> <ul style="list-style-type: none"> • What is the Inherent Risk Rating and Ranking (Priority) of the risk? <p>2.3.2 Residual Risk Rating</p> <p>Determine the Residual Risk Rating by (using Appendix 4).</p> <p>Determine the Residual Risk Ranking, using Appendix 4.</p> <ul style="list-style-type: none"> • What is the Residual Risk Rating and Ranking (Priority) of the risk? <p>2.3.3 Risk Response and Escalation.</p> <p>Evaluate the Residual Risk against the Risk Tolerance Levels</p> <p>Decide, if you need to escalate the risk information (using Appendix 4).</p> <ul style="list-style-type: none"> • Do we need to escalate the risk?

3	Risk Treatment
	<p>Choose one of the Risk Treatments (Accept / Reduce / Transfer / Avoid / Increase – see p.11) and think about further Risk Treatment Plan(s) (a set of Mitigation Actions), in addition to the existing controls:</p> <ul style="list-style-type: none"> • Can we introduce further controls to mitigate the risk? • What else can we do (to prevent the risk occurring / protect or create value / open up opportunities)? • Can the risk be transferred (e.g. by insurance)? • Should we terminate the activity? • Who is responsible for implementing the further Treatment Plan? • What does the Plan involve? What planning is required? • When will the Plan be implemented?
4	Recording and Reporting
	<p>Correctly document in the Risk Register:</p> <ul style="list-style-type: none"> • Category and description of the risk; • Effect on Council's reputation (if any); • Risk Owner and Person Responsible; • Inherent and Residual Likelihood, Consequence, Risk Ratings and Ranking; • Key Controls in place; Treatment Plans (Mitigation Actions) and who is responsible.
5	Monitoring and Review
	<ul style="list-style-type: none"> • Has there been a change to (increase in) the Likelihood? • Has there been any change to the internal or external environment? • Have the Council's priorities changed? • Has the Council's Risk Tolerance changed? • Are the Treatment Plans still appropriate (in terms of suitability or cost)?

6	Communication and Consultation
	<ul style="list-style-type: none">• Is the communication and consultation on Risk Management process effective?• Are the risks understood by the stakeholders?• Are the decisions about Risk Response selection appropriate?• Is all information, relating to the management of risks, clear and concise / useful / timely / targeted / controlled?

Appendix 2: Consequence Rating

Risk Category	Minor 1	Low 2	Moderate 3	High 4	Very Significant 5
Financial	Minor financial impact to operating cost <\$0.5m and no increase in debt levels	Operating cost overspend of <\$1m or leads to debt burden over and above plan of <\$1m.	Operating cost overspend of \$1-\$3m or leads to debt burden over and above plan of \$1m-\$3m.	Operating cost overspend of \$3M or leads to debt burden over and above plan of \$8m-\$10m.	Leads to debt burden over and above plan of \$10m.
Health and Safety	No medical attention required. First Aid treatment. Insignificant discomfort requiring intervention (e.g. workstation assessment).	Injury or illness requiring short-term medical treatment (e.g. Hospital or Doctor). Lost Time is less than 1 week.	Serious injury or illness requiring extended medical treatment. Lost Time is more than 1 week. Event notifiable to WorkSafe.	Injury or illness requiring major medical treatment. Lost Time is more than 30 days or a severe / permanent disability. Breach of H&S law resulting in prosecution and penalties.	One or more fatalities. Considerable penalties and prosecutions. Multiple lawsuits and jail terms.
Human Resources	Isolated staff retention problems. Internal engagement issues. All managed over a short period of time. Insignificant skill gaps.	Loss of resources and skill sets across a Division. Fragmented staff dissatisfaction / loss of confidence. All managed through minor re-structuring. Few specialist skill gaps. Difficulties in recruiting into key roles.	Loss of skill sets across a Group. Moderate staff dissatisfaction and loss of confidence. Some specialist skill gaps. Inability to recruit into key positions.	Loss of skill sets in some key positions for prolonged periods (> 6 months). Major staff dissatisfaction and loss of confidence. Major specialist skill gaps. Inability to recruit into key positions on an ongoing basis.	Large loss of resources and skill sets within numerous key positions, leading to a disruption in Council's management capability and delivery of basic services. Loss of staff confidence in the Council. No internal or external skills available.
Legislative (Legal / Regulatory)	Council sued or fined less than \$100,000. Small or isolated breach of legislation, policy or contract(s), with internal investigation and minor changes to operations.	Council sued or fined for between \$100,000 and \$1m. Non-compliance with legislation, policy or contract(s) within a Division. Regulatory action resulting in investigation, but no prosecution.	Council sued or fined for between \$1m and \$5m. Non-compliance with legislation, policy or contract(s) within more than one Division. Regulatory action resulting in prosecution, but no conviction.	Council sued or fined for between \$5m and \$10m. Widespread non-compliance with legislation, policy or contract(s). Regulatory action resulting in moderate prosecution and conviction.	Council sued or fined for more than \$10m. Systematic legislative non-compliance. Regulatory action resulting in major prosecution and conviction. Judicial review of a Council's decision relating to funding / rates. Loss of Building Consent Authority.
Operations and Service Delivery	Minimal loss of operational capability or minimal disruption to Groups of Activities).	Loss of operational capability in some areas and some disruption to Groups of Activities (Service Levels).	Serious loss of operational capability for over 1 week and moderate disruption to Groups of Activities.	Serious loss of operational capability for over 2 weeks and major disruption to Groups of Activities (Service Levels).	Serious loss of operational capability for over 4 weeks and critical disruption to Groups of Activities (Service Levels).
Reputational (Stakeholder Engagement (incl. Iwi) / Political)	No significant adverse comment or media coverage. Letter(s) to Council. Negative feedback from individuals or small groups in the community.	Negative comment in local media coverage (not front page. Letter(s) to CE. Complaints to Elected Members. Loss of confidence among sections of the community / single stakeholder sector dissatisfaction.	Negative comment in local media coverage for several days. Or national media interest and Central Government alerted with potential for intervention. Manageable loss in community confidence / 2-3 stakeholders' sectors dissatisfaction.	Negative comment in local media (coverage for 2 weeks). Or significant national media coverage (for 2-3 days) and Central Government intervention signalled. Large loss in community confidence that will take significant time to remedy.	National Coverage for extended period concerning district wide issues.

Risk Category	Minor 1	Low 2	Moderate 3	High 4	Very Significant 5
Information Technology / Management	Isolated security or threat event, affecting a single IT application / system. No loss of data and/or key information. Isolated IT equipment failure.	Repeated security or threat events, affecting a single IT application / system. Temporary (up to 1 day) loss of data and/or key information. Technical performance issues impacting a key service. Failure across one Division.	Multiple security or threat events, affecting a single IT application / system. Prolonged (more than 1 day) loss of data and/or key information. Technical performance issues impacting a key service. Failure across more than one Division.	Security or threat events, affecting more than one IT application / system. Permanent loss of data and/or key information. Technical performance issues impacting a key service for an extended period. Failure across more than one Group.	Security or threat events, affecting multiple IT applications / systems. Permanent loss of data and/or key information; theft of data by unauthorised parties. Loss of IT infrastructure for an extended period.
Environmental	Limited damage to the environment (no damage or contamination). Unlikely to cause public complaint.	Short-term / minor / contained and reversible impact on the environment. Some public complaints possible.	Medium-term / serious damage of local importance with possible regulatory intervention.	Long-term / serious damage of regional importance. Strong regulatory response with legal action.	Widespread / permanent / serious damage of national importance to local ecosystems / species, requiring ongoing remediation and monitoring with regulatory intervention.
Property Assets	Insignificant incident that causes no disruption to services	Isolated damage not requiring relocation of services to an alternative site	Damage to property that requires the relocation of some services to an alternative site	Damage to property that requires the relocation of all services for a short period.	Damage to property that requires relocation of all services for an extended period.

Appendix 3: Likelihood of Occurrence

Likelihood	Description	% within next 12 months
Almost Certain	Event is expected to occur more than once in the next year	90-100%
Likely	Event will probably occur once in the next year	70-90%
Possible	Event should occur at some time in the next 3-5 years	50-70%
Unlikely	Event could occur at some time in the next 10 years	10-50%
Rare	Event may occur only in exceptional circumstances. Once in every 20 years.	< 10%

Appendix 4: Risk Assessment Matrix

Consequence	Risk Assessment Matrix					
	Very Significant 5	5	10	15	20	25
	High 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Low 2	2	4	6	8	10
	Minor 1	1	2	3	4	5
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
	Likelihood					

	Extreme Risks will be escalated immediately to the Executive Team. These will also be reported to the Council and the Chair of the Audit, Risk & Finance Committee with any fix or mitigation or not.
	High risks monitored and received monthly by the Executive Team.
	Monitored quarterly.
	Keep risks on the Risk Register and formally review them quarterly to make sure that the Likelihood and Consequence continues to pose a low level.

Appendix 5: Risk Appetite Statements

No	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
1	Financial	Risks that affect the budgets or financial planning of the Council. Includes management, control and ability to meet financial commitments and support strategies and objectives. Risk of loss of money or goods through fraudulent means. Wrongful or criminal deception intended to result in financial or personal gain.	X				Council has No Appetite for decisions that have a significant negative impact on Council's long-term financial sustainability.
				X			Council has Low Appetite for risks that negatively impact on Council's core financial business.
					X		Council accepts a Moderate risk for commercial opportunities.
2	Human Resources	Risks related to people and their well-being. Health and safety, disability and discrimination issues.	X				Council has No Appetite for risks that compromise the health and safety of Council's staff, contractors, Elected Members and/or members of the public.
		Staff talent, recruitment and retention issues, including market competitiveness. Management protocols, training, development, leadership and capacity issues. Resilience and ability to change.			X		Council recognises that its staff are critical to achieving its objectives and, therefore, the support and development of staff is key to making Council an inspiring and safe place to work. It has Moderate Appetite for decisions that involve staffing or Culture to support transformational change and ensure Council is continually improving.
3	Legislative (Legal / Regulatory Compliance)	Risk of legal and/or regulatory sanctions, financial loss and damage to reputation, because of failure to comply with all applicable laws, delegations, regulations, contractual obligations, Codes of Conduct and standards of good practice. New or amended statutory environment.		X			Council is committed to a high level of compliance with relevant legislation, regulation and standards, as well as internal policies and sound Corporate Governance principles. Council has No Appetite for deliberate or purposeful violations of legislative or regulatory requirements, or fraudulent behaviour. Identified breaches of compliance will be remedied as soon as practicable. Appetite for minor compliance breaches with limited penalties

No	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
4	Operations and Service Delivery	Risk arising from the day-to-day operations of Council Groups and Project Teams. Risk of loss resulting from the failed internal processes, people and systems, through which Council operates, and from the external events. Includes Legal risk and the reputational loss or damage but excludes strategic risk.		X			Council has a Low Appetite for risks and threats to the effective and efficient delivery of services and realisation of desired outcomes. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its overall objectives, as well as reputation.
					X		There is a considerable Appetite for improvements to service delivery and improved efficiency of Council operations. I.e. to be innovative and consider options that reduce operating costs.
5	Reputational (Stakeholder Engagement / Political / Public perception)			X			Council has a Low Appetite for risks that may result in widespread and sustained damage to its reputation. Council must work to ensure retains the trust of the ratepayers and has a moderate tolerance for adverse publicity arising from dissatisfaction from appropriate decisions and regulatory actions. This includes iwi relations and other stakeholder groups.
6	Information Technology <i>Processing – Prolonged outage of core systems</i>	Risks relating to reliance on IT equipment and/or machinery; changing demand / capacity. Use or misuse / security of new or existing technology. IT disruptions due to natural or man-made disasters. Obsolescence of current systems; opportunities arising from new technology.	X				Council has No Appetite for risks that have a significant impact on the core operating or corporate systems of the organisation. Maximum recovery times and points (RTO and RPO) will be identified and agreed with each Division and critical activity Recovery Plans are in place.
	<i>Security – Cyber-attack on systems or network</i>		X				The Council has No Appetite for threats to its assets arising from external malicious attacks. To manage this risk, Council operates strong internal control processes and utilises robust technology solutions based on established best practise frameworks.

No	Type of Risk Category	Definition	No Appetite	Low	Moderate	High	Risk Appetite Statements
	<i>Ongoing development</i>				X		Council has Moderate Appetite for risks associated with applications that may provide innovative solutions to Council's operations.
7	Information Management (Record Keeping)	Risks that affect the Council's ability to store, retrieve and use data and information, including adequacy for decision-making and protection of privacy. Information security.		X			Council is committed to ensuring that its information is authentic, appropriately classified, properly stored and managed in accordance with legislative and business requirements. Council has a Low Appetite for the compromise of processes governing the use of information, its management and publication.
			X				Council has No Appetite for deliberate misuse of its information.
				X			Council has Low Appetite for risks associated with the loss of knowledge.
8	Environmental	Environmental sustainability through social, economic and environmental initiatives. Risks related to changing weather patterns			X		There is a considerable Appetite for decisions that promote ecologically sustainable development.
		Significant damage to the environment either through the Council's actions or lack of actions.		X			Council has Low Appetite for environmental damage.
9	Property Assets	Risks that cause or damage to assets owned and operated by Council to provide services. Includes land, property, equipment and flood protection		X			Council has a low appetite for risks and threats that compromise or have a significant negative impact on Council's infrastructure.

This Risk Appetite Statements characterise Council's Tolerance for each risk as Low, Moderate or High, according to the following definitions:

No Appetite – Council is not willing to accept risks that may result in financial loss, injury, legal and regulatory non-compliance and fraud.

Low – The level of risk will not substantially impede the ability to achieve Council's mission, vision, strategic objectives and goals. Council services and reputation will only be affected in a **minor** way. Controls are prudently designed and effective.

Moderate - The level of risk may delay or disrupt achievement of Council's mission, vision, strategic objectives and goals. Council services and reputation will only be affected in a **major** way, but controls are adequately designed, generally effective and actively monitored.

High - The level of risk will significantly impede the ability to achieve Council's mission, vision, strategic objectives and goals. Council services and reputation may be **severely** damaged. Controls may be inadequately designed or ineffective.

Appendix 6: Risk Management Glossary

Assessing risks	The approach and process used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of Council's objectives.
Consequence	The outcome of a risk event.
Contingency	An action or arrangement that can be put in place to minimise the impact of a risk, if it should occur.
Control	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood.
Risk Identification	The process by which events, that could affect the achievement of the Council's objectives, are drawn out and listed.
Impact	The effect that risk would have, if it occurs.
Likelihood	The probability that an identified risk event will occur.
Managing and controlling risks	Developing and putting in place actions and control measures to treat or manage a risk.
Operational risks	Risks arising from the day-to-day issues that Council might face as it delivers its services.
Risk	Risk is the effect of uncertainty on objectives. A future event which, if it happens, will have an impact on Council's objectives. This could be an opportunity as well as a threat.
Risk Appetite	The level of risk Council is willing to accept, tolerate or be exposed to at any given time, in the pursuit of its objectives.
Risk Assessment	The overall process of Risk Identification, Risk Analysis, Risk Evaluation and identification of controls needed to mitigate the risk, and who is responsible for this.
Risk Averse	Avoidance of risk.
Risk Aware	Having a process in place that allows management to know which risks are being taken, what controls are in place to manage them and what is the level of risk versus Risk Appetite.
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process	Systematic application of risk management policies, process and practices to establish risk scope, context and criteria; identify, analyse, evaluate risks and controls; treat, monitor, review, record and report risks.
Risk Owner	The person who has overall responsibility for ensuring that the strategy for addressing risk is appropriate and effective, and who has the authority to ensure that the right actions are being taken.
Risk Tolerance	The record of information about identified risks and how they are being managed.
Strategic risks	Risks that would significantly impact on the delivery of Council's strategic priorities.
Treatment Plan	A strategy that reduces risk by lowering the likelihood of a risk event occurring or reducing the impact of the risk should it occur.

Appendix 7: Risk Register Template

Risk ID Date		
Category		Uses the Risk Categories in Appendix 5 of the Risk Management Framework.
Risk		Risk Event.
Description		Should clearly describe the risk, the cause(s), and the impact should it occur (e.g. "X risk occurs, because of Y, leading to Z").
Risk Owner (ET member)		ET member, who manages the area to which the risk relates, and is accountable for its Treatment.
Effect on Council's reputation		High / Medium / Low.
Inherent (before controls)	Likelihood	How likely the risks to occur.
	Consequences	What the impact will be if the risk occurred.
	Rating	How significant the risk is before it is treated.
Risk Responses		What the Risk Owner's response is to the Inherent Risk: Accept / Reduce / Transfer / Eliminate.
Key Controls in place		List what Treatments are in place now (e.g. controls that reduce the risk's impact and/or likelihood).
Residual (after controls)	Likelihood	How this has changed as a result of the Treatment.
	Consequences	How this has changed as a result of the Treatment.
	Rating	How significant the risk is after the Treatment has been completed.
Is this Residual Risk Acceptable?		Based on the Risk Appetite for each Type of Risk (in Appendix 5)
Mitigation Actions		If the Residual risk is not Acceptable, then further (future or additional) Treatment is required (e.g. escalation to the ET).
Treatment Due		When the treatment action will be completed by.

Risk last updated	When the Risk Rating and Treatment were last reviewed.
Next Review	When the next review is due.
Commentary	

Health and safety update March 2021

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Ricci Matthews, Health and Safety Specialist

Purpose/Ngā whāinga

To update the committee on Kaipara Council's health and safety performance for the 2nd quarter, 1-Oct-2020 to 31-Dec-2020.

Executive summary/Whakarāpopototanga

This report and its attachments provide key information that addresses Organisational Health, Safety and Wellness matters at a governance level.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the health and safety update for 1-Oct-2020 to 31-Dec-2020.

Context/Horopaki

Under the Health and Safety at Work Act 2015, all elected members are deemed officers and must exercise a duty of due diligence in relation to health and safety.

The elected members' role is to provide strategic direction to the business, to oversee the management of business risks to ensure that the PCBU (Persons Conducting a Business or Undertaking) has available for use, and uses, appropriate resources and processes to eliminate or minimise risks to health and safety from work carried out as part of the conduct of the business or undertaking.

Discussion/Ngā kōrerorero

Analysis and advice

To ensure Council is informed on the current state of health and safety performance and meeting legal health and safety obligations, we submit the following:

- Risks/ Issues/ Mitigations - Verify the provision and use of these resources and processes
- How we are meeting our due diligence duties

People & Capability Owned H&S Risk/Issues as at 30-Dec-2020

Risk	Progress Report - Comments/Details	Due
Occupational Driving	KDC's Fleet Vehicle Policy has been finalised and used as methodology to implement Safe Driving in all Council Vehicles. KDC Safe Driving Standard is being reviewed by a Working Group made up of KDC T4 subject matter experts, nominated by their General Managers. Criteria for this Working Group includes	March 2021
Fire Safety Compliance	Drills remain overdue on the back of NZ's response to COVID-19, Remaining offices are scheduled for Emergency Evac Drills, which have been scheduled for the first/second quarter of 2021.	H&SS March 2021
Workplace Incident/ Emergencies	KDC's <i>Incident and Investigation Management Procedure</i> has been finalised and reviewed against monthly lagging indicators, (refer Appendix A). Focus has been on connecting all KDC Workers to IT Program <i>SaferMe</i> and ensuring the platform/templates are fit for purpose. Some encouraging results with an increase of Hazard reporting across the business divisions.	GM P&C to review monthly
Working Alone/ Remote work	<p>Various incidents have been the catalyst for a risk-based investigation into staff safety and security. Combined reports and action plan now sit for review as an open agenda item on the KDC OHS Committee.</p> <p>Monitoring and Compliance have nominated Subject Matter Experts to document Standard Operating Procedures, drilling down into the risks associated with Lone Working and Remote Work. The Job Safety Analysis developed within this SME Working Group, identifies minimum controls that must be met with Lone Working, dependant on the task and location carried out by the Lone Worker. Those learnings will be supported by existing resources, with the roll out of Policies and Procedures that are set to be Best Industry Practice across the region.</p>	GM P&C + CSX To review monthly
Staff Security/ Aggressive customers	<p>There are ongoing Security assessments being carried out across Council, with a generic approach applied for emergency responses.</p> <p>The Fear Free Training and recent Working Group activity has cemented the importance of identifying risk before it escalates. Design and Layout of the KDC Customer Service area's, where the majority of front facing activity occurs, has seen a reduction in Incidents over this quarter, but in increase of Hazard Reporting regarding Security and Front-facing minimum requirements. Work is ongoing to ensure there are leading indicators to support recommendations from the existing SME Working Group.</p>	GM P&C, GM E&T, GM CX, and GM IS Set 2020
Organisational Health, Safety, Environment & Quality (HSEQ) performance reporting, evaluation & assurance	<p>GM People & Capability has been identified in the Health and Safety Management System (HSMS) Review as the Business Owner. An Organisational H&S Strategy has been completed, with targets and objectives incorporated into all Department Business Plans 20/21.</p> <p>These KPIs have been broken into Contractor HSE Performance and Organisational HS Performance.</p> <p>First meeting has been held in November, with the GM's nominated Employee and Employer H/S Reps, (Appendix B). Additionally to those H/S Reps, a General Manager will rotate through the attendance serving as the decision-maker on the Committee. First Committee meeting to finalise and approve the Constitution, Calendar meetings and agenda items/template. Next meeting due in February.</p>	H&SS

Risk	Progress Report - Comments/Details	Due
Staff Mental Wellbeing	<p>Wellbeing has been included as a permanent agenda item in the OHS Committee function, with GM People and Capability noted as the Business Owner.</p> <p>Our wellbeing committee continues to support us with monthly initiatives via a draft 2021 Calendar, (Appendix C).</p> <p>Due to the Covid-19 restrictions, limited availability of front-facing training has pushed the scheduled Mental Wellbeing training out to 2021.</p>	<p>February 2021</p> <p>March 2021</p>
Hazard Identification & Risk Management	Review is ongoing of the Organisational H&S Risks and new risk register was submitted to the Executive Team, to be monitored via the OHS Committee.	Completed
Incident reporting, investigation and escalation	<p>Evidence of a risk-based approach being applied to KDC's Incident Reporting is now reflected in KDC's <i>Incident and Investigation Management Procedure</i>. Utilising <i>SaferMe</i> IT Software to streamline and implement KDC's Incident Management process, KDC will be monitoring Incident Frequency Rates and the effectiveness of implemented controls via the monthly KDC OHS Committee meetings.</p> <p>Encouraging feedback from KDC Staff Contractors for <i>SaferMe</i>, and the effectiveness of the Hazard Proximity Alerts, has led to a change in KDC's Hazard Reporting Culture.</p>	Oct 20 and ongoing
Employee consultation and engagement	<p>The General Managers as risk owners within the HSMS have cemented KDC's PCBU responsibilities within the Health and Safety at Work Act, by committing resources to the newly established OHS Committee. Those resources include assigning employee nominated subject matter experts closest to the operational risk and a set schedule of GM attendance to the monthly meetings. First meeting occurred in Nov, with ongoing key performance indicators for all business departments.</p> <p>Resourcing/Funding has been committed to include Health and Safety Training to all GM's and nominated subject matter expert representatives.</p> <p>Development of KDC's <i>Communication and Consultation Procedure</i> is currently in draft, which will direct what process must be followed, including which KDC Owner and Subject Matter Expert/s must be involved in any Health and Safety Management System review. This includes HSMS Policies, Standards, Procedures and Safe Work Methods, where KDC's PCBU Duties are prevalent.</p>	<p>Oct- 20 and ongoing</p> <p>Completed</p> <p>March 2021</p>
H&S training & competencies	Further work is being done on the H&S Training & Competencies Matrix in anticipation for the HRIS system.	Ongoing H&S Specialist
H&S Resourcing	Staff resourcing is regularly reviewed in line with the significant demands of this ever-evolving portfolio.	Ongoing GM P&C
Injury Management	<p>Injury management and rehabilitation has historically been handled in an ad hoc fashion.</p> <p>A review of KDC's eligibility to become accredited to ACC440 – <i>Accredited Employers Program</i> is currently underway.</p>	Mar 21 and Ongoing

Risk	Progress Report - Comments/Details	Due
	ACC440 has been added to the HS Specialist Road Map and Performance Plan, with the GM People and Capability noted as the Business Owner.	
Legal Compliance	A requirement of ISO 45001 is that council maintains a H&S legal register but does not currently exist.	Dec 20

Other Division Owned H&S Risk/Issues as at Dec 2020

Risk	Progress Report – Comments/Details
H&S in Events Mgt (gillian)	With the recent re-organisation events now sits in the Community, Communication and Engagement portfolio. The events process for stakeholders wanting to run events in Kaipara has been developed. We are trialling the new process with community groups at present.
H&S in Community Grants	GM Engagement and Transformation is taking the lead in this review (as risk owner).
H&S in Volunteer associations/groups working for council on council assets (WIM)	GM Engagement and Transformation in is taking the lead in this review (as risk owner).
H&S in Contractor Mgt	GM Infrastructure Services is continuing to review this activity and there are monthly meetings to track progress.
H&S in Procurement	GM Infrastructure Services is taking the lead in this review (as risk owner). Given the increase volume of work through Waters and Waste, there is renewed focus on elements of risk associated with Mental Wellness. An agenda item will be included in the Contractor Prequalification process, and how KDC continue to monitor the combined and individual PCBU responsibilities.
H&S in Fleet Management	Property and Commercial continue to review ongoing Fleet Management business requirements, on the back of the change in direct reporting lines.
H&S in Building/Asset/Facility	Property and Commercial continue to review ongoing Fleet Management business requirements, on the back of the change in direct reporting lines.

Acronyms:

CSX –	<i>Customer Experience</i>
EAP –	<i>Employee Assistance Programme</i>
GM –	<i>General Manager</i>
H&SS –	<i>Health and Safety Specialist</i>
HSMS –	<i>Health & Safety Management System</i>
HSR –	<i>Health and Safety Representatives</i>
P&C –	<i>People & Capability Unit</i>

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Achievements

- Finalised OHS Committee Constitution and Objectives
- SaferMe Roll out to all PCBU stakeholders
- Increased Hazard Reporting across KDC divisions

Infrastructure improvements:

- Finalised Security Procedures
- Reviewed Fleet Vehicle Maintenance/Training Needs

Next steps/E whaiake nei

- Adopt corporate H&S targets and objectives for inclusion in the H&S Strategy
- Measure targets and objectives into Divisional and Business Unit Plans and for Executive/T3 Roadmap plans
- Monitor the current H&S Policy.
- Develop and Implement KDC Consultation and Communication Procedure
- Develop and Implement KDC Change Management Procedure
- Prioritise the development of Core H&S Standards for H&S Accountability, H&S Planning and H&S Assurance
 - Lone Working Standard set for Jan – Mar 2021
 - Procurement Procedure set for Jan – Mar 2021
 - Fatigue Management set for Jan – Mar 2021
- HS Training funding has been approved for all GM's as the KDC Risk Owners.
- Commence a full review of existing H&S Standards to ensure currency and alignment to newly adopted Risk Management Framework
- Completion of annual reviews of operational risk registers (Business Unit KPI)
- Maintain the gap/issues register and assign, manage and report on actions
- Continue to review Council's end to end risk management processes
- Assist HSEQ Admin in the further development of the Infrastructure Contractor H&S Performance and Monitoring report (including with KPI's in the Business Plan)
- Monitor outstanding action items from previous AR&F Committee Meetings
- Nominate candidates for incident investigation training (ICAM and entry level)
- Reschedule H&S training after cancellations from COVID-19
- Commence monitoring and reporting of staff mental wellbeing including stress, burnout, bullying, harassment etc
- Work with HRIS to ensure H&S system delivers on expectations
- Develop naming protocols for H&S documents, data and records to suit the final taxonomy model for Te Aka.

Attachments/Ngā tapiritanga

Title

A	Lagging Indicators Organisational Health and Safety 2020 Oct - Dec
B	Kaipara District Council New Employee Induction OHS Committee
C	Wellbeing Calendar

Ricci Matthews, 18 February 2021

Appendix A – Lag Indicators – Second Quarter Scorecard - Period 1 October – 31 December 2020																										
	QTR 1: July – September 2019				QTR 2: October – December 2019				QTR 3: January – March 2020				QTR 4: April – June 2020				Total 2020 FY	QTR 1: July – September 2020				QTR 2: October – December 2020				Total 2021 FY
	KDC	Con	Public	Q1 Total	KDC	Con	Public	Q2 Total	KDC	Con	Public	Q3 Total	KDC	Con	Public	Q4 Total		KDC	Contractor	Public	Q1 Total	KDC	Contractor	Public	Q2 Total	
Fatality (coroner's report)	-	-	1 Road with coroner	1	-	-	1 lakes drowning	1	-	-	-	0	-	-	-	0	2									
Environmental Incident	-	-	N/A	0	-	1	N/A	1	-	1	-	1	-	1		1	3		-		-		1		1	1
Notifiable Incident	-	-	-	0	-	1	-	1	-	-	-	0	-	-		0	1		-		-		1		1	1
Lost time injury	1	-	N/A	1	1	-	N/A	1	-	1	-	1	-	-		0	3		-		-	1	1		2	2
Medical treatment only	1	3	-	4	-	3	1	4	-	-	-	0	-	-		0	8		-		-		1		1	1
First Aid only	-	6	-	6	2	3	-	5	1	3	-	4	-	2		2	17		3		3					3
Report Only	-	-	-	-	-	-	-	-	1	-	-	1	-	-		0	1		-		-					
Occupational Illness	-	-	N/A	0	-	-	N/A	0	-	-	-	0	-	-		0	0		-		-					
Pain and discomfort	1	-	N/A	1	3	-	N/A	3	5	-	-	5	2	1		3	10		-		-					
Property Damage (other)	5	4	2	11	4	5	3	12		2	-	2	-	-		0	25		2		2		3	1	4	6
Near Miss (other)	2	-	-	2	-	-	1	1	1	-	-	1	-	2		3	7		1		1		1		1	2
Property damage (Motor vehicle) including driving	-	8	-	8	1	1	1	3	-	2	-	2	1	-		1	14		3		3					3
Near Miss (Motor vehicle) including driving – thru traffic control	-	14	N/A	14	1	12	N/A	13	-	-	-	0	-	-		0	27		-		-		7		7	7
Occupational Violence/Threats	-	4	N/A	4	2	3	N/A	5	-	2	1	3	3	-		0	15		-		-	3			3	3
Public Nuisance	3		N/A	3	7	-	N/A	7	1	-	-	1	1	-		1	12		2		2					2
Traffic Management Incident/Hazard/ Non conformances	-	5	N/A	5	-	2	N/A	2	0	2	-	2	-	1		1	10		1		1					1
Hazards reported	1	6	-	7	4	5	-	9	2	-	-	2	1	-		1	19		1		1	18			18	18
Dangerous event	-	2	-	2	-	1	2	3	1	-	-	1	-	-		0	6		-		-					
Asset strike	-	2	N/A	2	-	5	N/A	5	-	1	-	1	-	4		4	12		7		7		2		2	2
Animal attack/threat	-	1		1	-	-	-	0	1	-	2	3	-	-		0	4		-		-					
Chemicals/haz substances	-	1	-	1	-	-	-	0	-	-	-	0	-	-		0	1		-		-					
Theft/Security	-	3	-	3	-	1	-	1	-	-	-	0	-	-		0	4		-		-					
Driving accident	-	-	-	0	-	1	1	2	-	1	-	1	-	-		0	3		-		-	1				1
Incidents/near miss operating plant (excavators etc)	-	13	N/A	13	-	7	N/A	7	-	2	-	2	-	2		2	24		5		5					5

Incidents/near miss operating equipment	-	4	N/A	4	-	5	N/A	5	-	1	-	1	-	1		1	11		-		-		3		3	3
Incidents/near miss operating trade vehicles	-	8	N/A	8	-	1	N/A	1	-	-	-	0	-	-		0	9		6		6		1		1	7

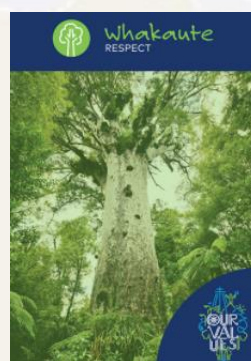
Appendix B – Incidents, Near Miss or Hazards with potential to cause a serious outcome					
Staff/Public/Contractor	Incident, near miss, hazard	Details	Risk Owner	Potential for serious harm/implications	Action/Response
Public	Pond Safety Review (post Gore drowning)	A review into the security and safety of the Dargaville PP Pond was conducted after a child drowned in a similar pond in Gore.	GM INFR	Likelihood UNLIKELY Consequence CATASTROPHIC RISK SCORE 10	This will not be funded externally and the Manager will look for alternative funding as well as including in the next LTP.
Public	Pontoon at Kai Iwi Lakes - Taharoa domain	Members of the public have reported three near drownings relating to the pontoon. It is unknown who placed the pontoon in the lake. We have been advised it is not NRC's jurisdiction. Hannah has raised it to GM Infrastructure to discuss at Taharoa Domain Governance Committee 18/05/20.	GM INFR	3 near misses reported Likelihood UNLIKELY Consequence CATASTROPHIC RISK SCORE 10	Following a Governance committee meeting on 28 June 2020, the GM Infrastructure has accepted that while the consequence of somebody getting into difficulty in the lakes could be Catastrophic, warning signs have been positioned to remind the public of these dangers. Given the high use of the pontoon and that there are no deaths related to pontoon, the likelihood can only be considered unlikely. The only additional risk mitigation would be to eliminate - remove altogether - however the recreational benefit of having the pontoon would be lost. Ownership is KDCs. No permits or consent required by NRC (not in coastal environment). Life rings put in at Pine Beach, Promenade Point and Lake Waikare.
Staff	Rollover of ATV at Kai Iwi Lakes	Investigation has been finalised.	GM INFR GM P&C	Likelihood POSSIBLE Consequence CATASTROPHIC RISK SCORE 15	Findings to be reviewed by GM Infrastructure and GM P&C Action Plan has been updated out of the findings: <ul style="list-style-type: none"> ATV added to the risk register Evaluation and mapping of no-go areas A review of training and competencies Review of suitability of ATV
Public/Roading	Fatality - Te Kowhai Road	Investigation has been submitted to the Coroner.	GM INFR	Legal Action	Investigation Report reviewed by GM Infrastructure Action Plan has been developed by the investigating officer who is waiting on follow up with police and the coroner. Lessons Learned will be communicated once information is forthcoming from the coroner. 14/07/20 Police requested confirmation of information for coroner. 11/02/21 No Coroner report received.
KDC	Near Miss	Contractor had not received induction and was not aware that asbestos was present in the building in Dargaville	GM P&C	Contamination/Exposure	Visitor and Contractor Guidelines are nearly completed *Minor Works being arranged must be aware of H&S requirements

Consequence	Risk Assessment Matrix					
	Catastrophic 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	1	2	3	4	5
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
Likelihood						

- Extreme Risks will be escalated immediately to the Executive Team
- High risks monitored & received monthly by the Executive Team
- Monitored quarterly
- Keep risks on the Risk Register and formally review them quarterly to make sure that the Likelihood and Consequence continues to pose a low level.

Attachment C – Organizational Health and Safety - Lead Indicators – Quarter 4 March – 30 June 2020

Activities	Due/Planned	Actioned/ Completed	Comments
Business activities/tasks risk assessed Hazards identified/reported	All business units	3	Annual review by business units is due – this is a H&S KPI in the 20/21 business plans The introduction of new roles such as the AMO's and Kai Iwi Lakes management has required a review of the health and safety hazards and risks. All action plans currently sit with the relevant risk owners – GM's of CSX & Infrastructure.
Site/Asset hazard registers	All business units	0	This has been raised as an issue with relevant risk owners and has been included in the H&S KPI Dashboard for future reporting *most assets sit within Infrastructure
Workplace/Office/Town Hall/Library H&S inspections	4	4	Offices at Dargaville, and two at Mangawhai and the Town Hall are all completed
Fire Evacuation Drills	3	3	All became due during COVID-19 - To be rescheduled *KDC coordinates drills in Dargaville Office, the Library and the Town Hall. Landlords at Mangawhai are responsible for those buildings.
Tsunami Evacuation Drill - Mangawhai	1	0	Postponed due to COVID –19 Will be scheduled for last quarter
Security Threat – Drill One for Mangawhai, Dargaville and Library	3	0	Postponed due to COVID-19 Will be scheduled for next quarter
HS&E audits due	0	Ongoing review	Ongoing internal review and gap analysis exists by H&SS.
New staff inductions	5	5	During lockdown a lot were completed online
Workstation Ergonomics e-learning	All staff	Collecting data to analyze	All staff are scheduled to complete the H&S Basics Refresher online last quarter. All staff are required to complete an Ergonomics Workstation Risk Assessment. With COVID-19, all staff were requested to complete one so that they could work from home.
Fire and Emergency Warden/Marshal training Dargaville Mangawhai	14 15	14* Rescheduled**	**Further training for Mangawhai staff was scheduled but was postponed due to COVID *to cover flexible work arrangements there may need to be more training to ensure each workplace always has a fire/emergency warden on hand
H&S Hazard Identification and Risk Assessment Instruction (internal)	All staff	Project work planned	Module has not been developed/sourced but this is a priority module
Hazards reported	2	1	Employee followed up with and precautions/controls put in place



Kaipara District Council Occupational Health and Safety Committee



Mangawhai



Health and Safety at Work Act 2015

What is it?

The Health and Safety at Work Act, (HSAW), sets out very clear guidelines and obligations for Employers and Employees while we're at work.

What are the clear guidelines/obligations that relate to me while I'm at work?

Kaipara District Council as your Employer has a Duty of Care to ensure the health and safety of all employees while carrying out tasks on KDC's behalf.

This primary responsibility or Duty of Care extends to:

- Direct Employees
- Indirect Employees (Contractors, Subcontractors)
- Any Worker/Members of the Public who may be impacted by work related tasks carried out on behalf of KDC

Kaipara District Council meets that primary responsibility by developing a Health and Safety Management System



Chief Executive

Louise Miller

KDC's Health and Safety Management System

What is the KDC Health and Safety Management System?

KDC's Health and Safety Management System, are the KDC Policies and Procedures developed to reduce the risk identified within all services/tasks carried out on KDC's behalf. Our Policies and Procedures are developed in consultation with KDC employees who have been identified by KDC's Risk Owners/GM's as subject matter experts (SME's) to keep KDC's safety management system aligned with best industry practice.

How do we ensure the KDC Health and Safety Management System remains aligned with best industry practice for all tasks?

Continuous review of our Policies and Procedures, using the OHS Committee forum to apply the best possible controls in response to all identified risk.

Part 3 Worker engagement, participation, and representation

Subpart 1—Engagement with workers and worker participation practices

Engagement with workers

58 Duty to engage with workers

- (1) A PCBU must, so far as is reasonably practicable, engage with workers—
 - (a) who carry out work for the business or undertaking; and
 - (b) who are, or are likely to be, directly affected by a matter relating to work health or safety.
- (2) If the PCBU and the workers have agreed to procedures for engagement, the engagement must be in accordance with those procedures.
- (3) The agreed procedures must not be inconsistent with [section 59](#).
- (4) A person who contravenes this section commits an offence and is liable on conviction,—
 - (a) for an individual, to a fine not exceeding \$20,000;
 - (b) for any other person, to a fine not exceeding \$100,000.

Compare: Model Work Health and Safety Act (Aust) s 47



Chief Executive

Louise Miller



Kaipara District Council Duty to Engage - Roles and Responsibilities

Risk Owners within the KDC Organisation nominated by the Chief Executive



Darlene Lang

General Manager
Customer Experience
Customer Experience



Hannah Gillespie

General Manager
People & Capability
People & Capability



Jason Marris

General Manager
Engagement & Transformation
Engagement & Transformation



Jim Sephton

General Manager
Infrastructure Services
Infrastructure Services



Sue Davidson

General Manager
Sustainable Growth & Investment
Sustainable Growth & Investment

Each of the General Managers nominated as Risk Owners acting on behalf of the Chief Executive, have included the OHS Committee into each of their staffing requirements. The inclusion of the OHS Committee with employee nominated Health and Safety Reps, is further evidence of KDC's commitment to ensuring you and I are kept safe at work, and the systems used to do so, are developed in consultation with our colleagues who are on the ground, walking, talking, living the open risk on KDC's radar.



Kaipara District Council Health and Safety Employee Representatives



Louise Miller

Chief Executive
Executive Office



Jim Sephton

General Manager
Infrastructure Services
Infrastructure Services



Donna Powell

Waste Minimisation
Lead
Infrastructure Services



Mike Collins

Parks Officer
Infrastructure Services

Bernard Petersen

Maintenance Lead
Northland Transport Alliance
+6494391125



Dargaville

Whangarei District

Mangawhai



Kaipara District Council Health and Safety Employee Representatives



Louise Miller
Chief Executive
Executive Office



Darlene Lang
General Manager
Customer Experience
Customer Experience



Louise Morgan
Librarian
Customer Experience



George Lewis
Monitoring &
Compliance Services
Team Leader
Customer Experience



Kaipara District Council Health and Safety Employee Representatives



Louise Miller

Chief Executive
Executive Office



Jason Marris

General Manager
Engagement &
Transformation
Engagement &
Transformation



Jenny Rooney

Engagement &
Transformation



Kaipara District Council Health and Safety Employee Representatives



Louise Miller

Chief Executive
Executive Office



Sue Davidson

General Manager
Sustainable Growth &
Investment
Sustainable Growth &
Investment



Joy Hewlett

Planning & Quality
Services Team Leader
Sustainable Growth &
Investment



Kaipara District Council Health and Safety Employee Representatives



Louise Morgan
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Waste Minimisation
Lead
Infrastructure Services



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Parks Officer
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Jenny Rooney
Engagement &
Transformation

Bernard Petersen

Maintenance Lead
Northland Transport Alliance
+6494391125



Joy Hewlett
Planning & Quality
Services Team Leader
Sustainable Growth &
Investment



Aranga

Whangarei District

Dargaville

Mangawhai



Kaipara District Council Health and Safety Employer Nominated Reps



Louise Miller
Chief Executive
Executive Office



Wendy Mosley
HSQA Administrator
Infrastructure Services



Ricci Matthews
Health and Safety
Specialist
People & Capability



Fleur Denize
Property &
Commercial
Coordinator
Infrastructure Services



Kaipara District Council Health and Safety Management Representative



Louise Miller
Chief Executive
Executive Office

General Manager
T2 SME



Kaipara District Council Health and Safety Committee



George Lewis
Monitoring &
Compliance Services
Team Leader
Customer Experience



Donna Powell
Waste Minimisation
Lead
Infrastructure Services



Louise Morgan
Librarian
Customer Experience



Jenny Rooney
Engagement &
Transformation



Fleur Denize
Property &
Commercial
Coordinator
Infrastructure Services



Mike Collins
Parks Officer
Infrastructure Services



Joy Hewlett
Planning & Quality
Services Team Leader
Sustainable Growth &
Investment

General Manager
T2 SME



Ricci Matthews
Health and Safety
Specialist
People & Capability



Wendy Mosley
HSQA Administrator
Infrastructure Services

How do we ensure the KDC Health and Safety Management System remains aligned to best industry practice?

Having this multi-layered consultative forum with SME's from all areas relevant to the organisations Risk Matrix, keeps KDC a high-functioning organisation, leading with innovative, best industry practice at all times.

Talk to your HS team/Rep or your reporting manager, if you would like to be involved in the OHS Committee.

KDC's Safety Management System



Kaipara District Council Health and Safety Representatives

- Commitment of a 3 year continuous membership requirement attending meetings,
- promoting health and safety at all times,
- feed back information on employees' acceptance of health and safety policies and systems of work for monitoring and review,
- provide feedback on employee's suggestions,
- report unsafe acts and conditions (promote and monitor compliance with health and safety regulations),
- report all incidents,
- raise ideas/suggestions regarding health and safety,
- work safely and influence others to do so,
- attempt to raise health and safety standards above legal requirements,
- take part in sub-committees as required,
- participate in regular workplace inspections as required.
- Adopt a OHS Committee Constitution and meetings protocol;
- Develop and review local OHS policies, procedures and work instructions;
- Monitor policies etc implementation;
- Access and review incident, injury and disease statistics and trends (eg ACC, WorkSafe NZ)
- Planning, developing and recommending OHS plans, policies and programmes for site,
- Recommending training for committee members, management and all staff;
- Monitoring, evaluating, reviewing and improving plans, policies and programmes for site;
- Using systems audits and workplace inspections (HIRAC) to monitor and measure impact of OHS plans and programmes for continuous improvement



Dargaville

Mangawhai



KAIPARA DISTRICT COUNCIL WELLBEING CALENDAR



Appendix C

OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
5 Ways to Wellbeing	Movember	Festive Wellbeing	Slip Slop Slap, Skin Cancer Awareness	Heart Awareness	Endometriosis Awareness
APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER
Flu Immunisation	Quit for Life	Bowel Cancer Awareness	Midwinter Protection – Focusing on Mental Health for Remote Workers	Breastfeeding Awareness	Prostate Cancer Awareness Month

Legal compliance update

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Sue Davidson, General Manager Sustainable Growth and Investment

Purpose/Ngā whāinga

This report summarises our legal compliance with Council's statutory obligations. It provides oversight to the approach to risk and complying with regulatory and statutory requirements.

Executive summary/Whakarāpopototanga

This report details instances of non-compliance and progress with addressing the instances of actual or potential non-compliance.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the legal compliance update report.

Context/Horopaki

The Audit, Risk and Finance Committee (the Committee) is responsible for identifying and monitoring risks associated with legislative compliance. This report provides details where council is not complying and how this is looking to be remedied.

Discussion/Ngā kōrerorero

Council provides the following information.

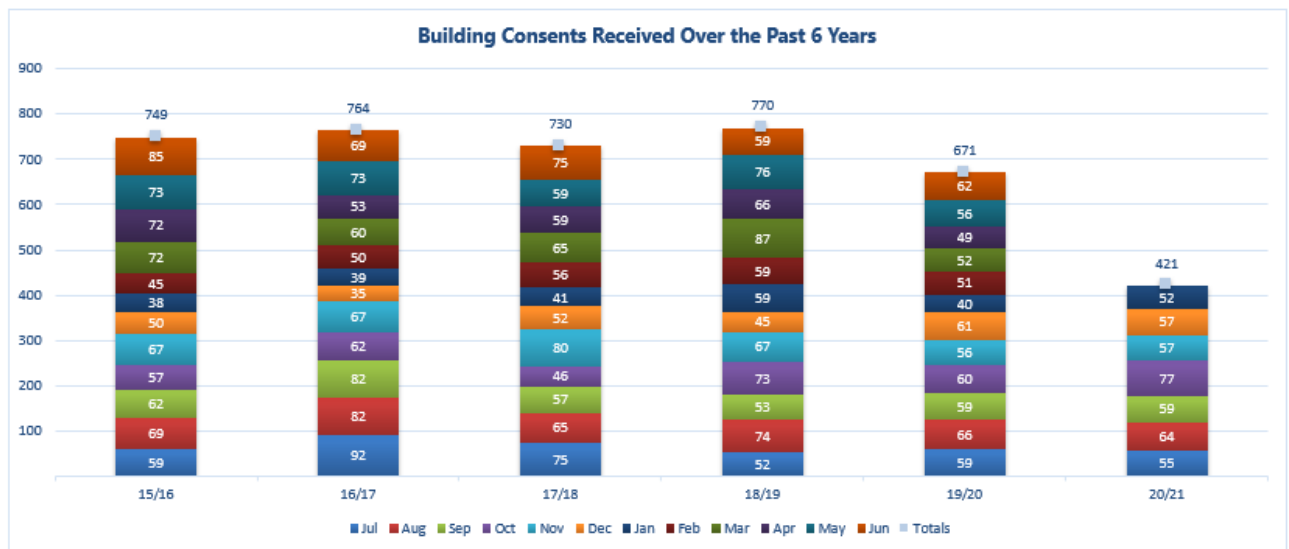
Building consents

The aim is to have 100% of building consents processed within the statutory timeframe.

Percentage of building consents processed within statutory timeframes						
2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	YTD
100%	100%	99%	96%	96%	96%	96%

This is a good result with high work levels continuing, and Council at the upper end of meeting the statutory compliance rate.

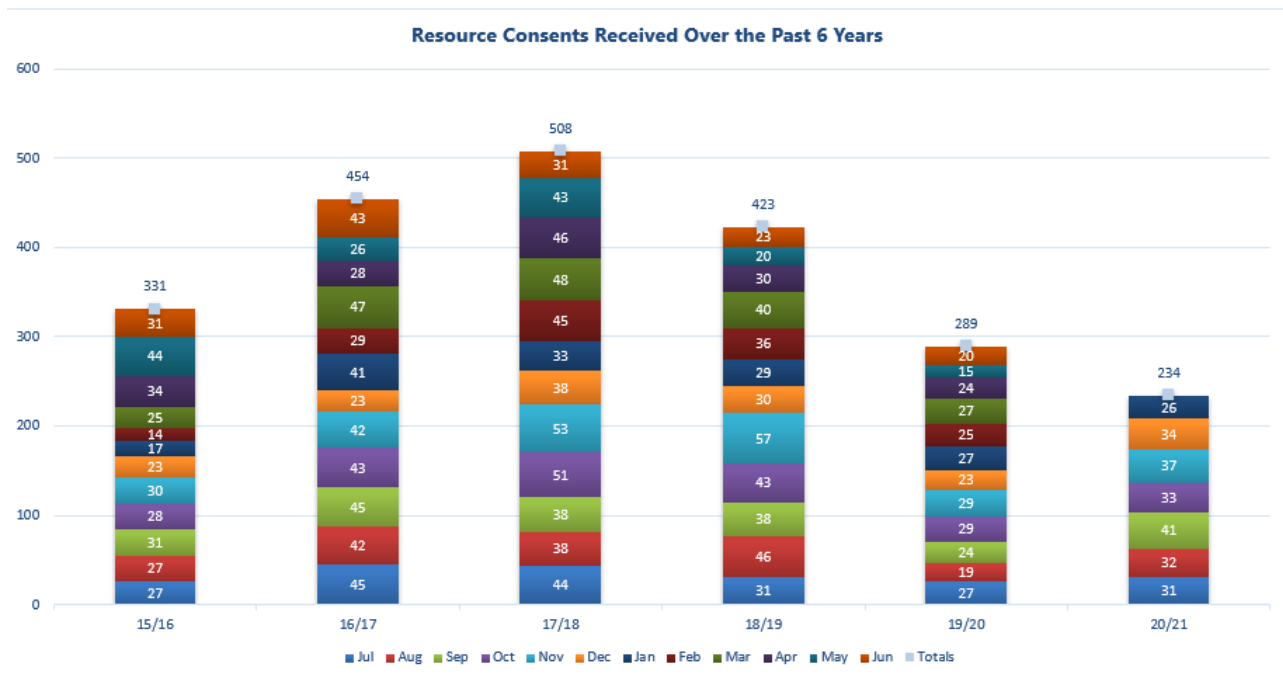
At present there are currently 337 swimming pools registered in the Kaipara District. 154 (46%) have not been inspected within the past three years, as required by legislation. We have now established an inspections schedule which will ensure that by September 1st 2021 (at the latest) all pools in the district have been inspected in accordance with the legislative requirements.



Resource consents

The aim is to have all non-notified land use and subdivision consents processed within the statutory timeframe.

Percentage of resource consents processed within statutory timeframes						
2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	YTD
94%	100%	100%	67%	92%	99%	99%



Environmental health

There are currently six Kaihu properties that Council has been supplying bottled water to. We currently have a contractor helping us to get these remaining properties onto a roof water supply. The original quotes have been reconfirmed with the remaining residents and whilst there has been some hold ups regarding serious illness and cultural sensitivity surrounding the signing of the agreements we are hopeful that the other residents will soon sign up and follow suit. Only one property has refused to date.

The Council has a wastewater bylaw and is proactively monitoring a percentage of the district housing with onsite domestic wastewater systems. The monitoring being undertaken has resulted in several areas being identified where there are pollution / nuisance issues.

The Council is well aware of the issues of Paparoa. Update – The Paparoa community are looking for alternative funding options for a community wastewater supply (with the Council collaboration). An advisor from Foundation North will fund a high-level community-based solution project plan and SWAT analysis report for the Paparoa community (to the sum of \$25K). This report will include finding alternative funding arrangements, unfortunately they are unable to fund such infrastructure projects. Whilst this is disappointing the Infrastructure team and Monitoring & Compliance team will continue to work / collaborate with the local community to find a local solution.

Infrastructure

Waters:

The discharges of treated effluent from the Kaiwaka and Te Kopuru wastewater treatment plants (WWTPs) are occasionally outside of the discharge limits set by Northland Regional Council (NRC).

Investigations have been undertaken to identify what is causing these issues and what we can do to rectify them.

- Kaiwaka – The Kaiwaka Wastewater treatment plant has been constructed. Final commissioning to follow, after the testing is complete. The new membrane Kaiwaka Wastewater Treatment Plant has been in operation since 18 January 2021. We envisage that this will resolve the issues of high faecal coliforms.
- Te Kopuru –A refurbished aerator was installed, and an additional new aerator will be installed under the 3 Waters stimulus projects. Update: the new aerator was purchased and is to be delivered and installed by May 2021. High ammonia, which previously was an issue, seems to be resolved.

Solid Waste:

The NRC database shows that there are no closed landfill non compliances for the 20/21 period to date.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

Continue to monitor and work towards compliance.

Policy register review programme update

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Linda Osborne, Administration Manager

Purpose/Ngā whāinga

To update the Committee on the review programme of the Policy Register.

Executive summary/Whakarāpopototanga

The Policy Register contains 63 separate policies which are reviewed as they fall due. It is good practice that the Register is reported to Council on a regular basis. It is placed on the Committee's agenda for information.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the update on the Council adopted external policy register and the Executive approved internal policy register.

Context/Horopaki

Council currently maintains 68 separate policies. General Managers have the responsibility of periodically reviewing policies in their area and the General Manager Transformation and Engagement has an over-arching programme to ensure that happens. Some policies (operational and internal) are authorised by the Chief Executive (via Executive Team) only, whereas others, in the interest of transparency, are adopted by Council (external).

The Policy Register is available on Council's intranet (Te Kura) which enables all staff easy access to 'a single source of truth'. Every six months the Policy Register's status is reported to this committee.

There are currently 40 external policies adopted by Council or a Committee which are available at **Attachment A** and 28 internal policies approved by the Chief Executive or the Executive Team at **Attachment B**. Both registers will continue to be reported to this committee six monthly.

Discussion/Ngā kōrerorero

Many of the Council adopted external policies are required by legislation and this needs to be taken into account, when reviewing both the policies themselves and the Long Term/Annual Plans.

External Policies

Since last report, Council has approved two new policies, which have been included in the register:

- Non-Elected Member Remuneration Policy
- Financial Contributions Policy

Two of the current Council adopted policies have been reviewed and approved by Council. They are the:

- Whistle Blowing Policy
- Fraud Policy

In line with the 2021/31 Long Term Plan the following policies have been reviewed and will be available for public comment as part of the consultation process.

They are the;

- Revenue and Finance Policy
- Sensitive Expenditure Policy
- Significance and Engagement Policy
- Treasury Policy
- Development Contributions Policy
- Early Payment of Rates for Subsequent Years Policy
- Maori Freehold Land Rates Postponement and Remission Policy
- Rates Postponement and Remission Policy

Other policies are under review as follows:

- Gifts for Elected Members Policy
- Petitions Policy (up for adoption at the February Council meeting)
- Roothing Policy
- Health and Safety Policy

The Legislative Compliance Policy is well overdue. The Committee had asked for staff roles to be linked to legislation. This is a huge task as there is a great deal of legislative framework and crossovers for each area. However, a legislative update is provided separately at each meeting.

Internal Policies

Since the last report four internal policies have been reviewed. They are the;

- Customer Privacy Policy
- Employee Privacy Policy
- Recruitment and Selection Policy
- Vehicle Use Policy. This policy was previously called the Vehicle Procedures Policy.

The internal policies approved by the Chief Executive or Executive Team (Attachment B) are being reviewed as they fall due and when resourcing allows. They are the:

- Disposal of Operational Assets Policy
- Flexible Working Arrangements Policy
- Mobile Phones Policy
- Performance Management Policy
- Professional Development and Training Policy
- Staff Procurement Policy
- Citizens Awards Policy

The Procurement and Contract Management Manual is still under review and will be approved by the Executive Team based on the Procurement Strategy adopted by Council in February 2020.

Significance and engagement/Hirahira me ngā whakapapa

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

Staff will continue to review policies as and when they are due, and report updates to the Committee every six months.

Attachments/Ngā tapiritanga

	Title
A	External Policy Register
B	Internal Policy Register

Policy Name	Description	Status	Last Reviewed Date	Next Review Due	Comments	Policy Owner	RAG Status
Completed	In progress	Overdue					
<u>Bullying and Harassment Policy</u>	Provides guidance and information to staff on how to identify, report and help prevent bullying or harassment occurring at KDC.	Approved	30/11/2015	30/11/2020	Currently under review	GM People & Capability	
<u>Code of Conduct - Staff</u>	Policy deals with the way we go about our business and provides guidance on the standards of behaviour that are to be observed to ensure that these values are upheld.	Approved	3/04/2017	3/04/2020	Currently under review	GM People & Capability	
<u>Customer Privacy Policy</u>	This Policy governs Council's collection, use and disclosure of customers personal information (as defined in the Privacy Act 1993 (Privacy Act)) and has been prepared in accordance with Council's obligations and the customers rights set out in the Privacy Act.	Approved	10/02/2021	10/02/2024		GM People & Capability	
<u>Disposal of Operational Assets Policy</u>	The objective of this policy is to provide clear guidelines on the circumstances in which operational assets may be disposed of and the methods that can be used in such disposal.	Approved	28/09/2017	28/09/2020	Will be reviewed over the next six months	GM Transformation and Engagement	
<u>EM customer queries process</u>	Outlines how Councillors will handle complaints, feedback and issues of some contention from constituents and provides clarity for Councillors, staff and the community.	Approved	30/09/2019	30/09/2022		GM Transformation and Engagement	
<u>Flexible Working Arrangements Policy</u>	This Policy supports employees with personal responsibilities, for example; family obligations, study and personal health. The policy aims to accommodate the reasonable requirements of staff members' work, life and family requirements, wherever practicable.	Approved	31/10/2016	31/10/2019	Currently under review	GM People & Capability	
<u>ICT Contractor Engagement and Exit</u>	The purpose of this policy is to ensure that risk to our systems, software and hardware is minimised and the business remains operational and that the correct processes and procedures are employed when contracting IT services.	Approved	30/06/2017	30/06/2022		GM Sustainable Growth and Investment	
<u>ICT Crime and Incident Policy</u>	The purpose of this Policy is to ensure that the impact and risks associated with an event of IT crime or a security incident are minimised and contained, in order for Kaipara District Council (KDC) to continue business as usual. This policy should be read in conjunction with all other ICT policies.	Approved	31/05/2017	30/04/2022		GM Sustainable Growth and Investment	
<u>ICT Equipment Purchases and BYOD (Bring Your Own Device)</u>	The purpose of this policy is to ensure that the correct processes and procedures are employed when purchasing, deploying, maintaining and replacing hardware and other equipment.	Approved	31/05/2017	31/05/2022		GM Sustainable Growth and Investment	
<u>ICT IT Asset Refresh Policy</u>	The purpose of this policy is to ensure that all desktop equipment is continually refreshed.	Approved	30/06/2017	31/07/2022		GM Sustainable Growth and Investment	

<u>ICT Staff Moves, Additions and Changes</u>	The purpose of this policy is to ensure staff and contractors have access to ICT tools and systems they need to complete their work in a timely manner and ensure that the organisation has an accurate view of its ICT Equipment and Software asset base.	Approved	31/05/2017	31/05/2022		GM Sustainable Growth and Investment	
<u>ICT Staff Moves, Additions and Changes Policy</u>	The purpose of this policy is to ensure staff and contractors have access to ICT tools and systems they need to complete their work in a timely manner and ensure that the organisation has an accurate view of its ICT Equipment and Software asset base.	Approved	31/05/2017	31/05/2022		GM Sustainable Growth and Investment	
<u>IT Change Control Policy</u>	Outlines the change management process for IT changes to ensure risk and costs are controlled	Approved	19/07/2017	19/07/2022		GM Sustainable Growth and Investment	
<u>Misconduct and Disciplinary Policy</u>	Provides Staff with an understanding of what constitutes misconduct and Council's disciplinary process to manage it.	Approved	13/07/2016	13/07/2021		GM People & Capability	
<u>Mobile Phones Policy</u>	The purpose of this policy is to establish clear and consistent guidelines for the issuance and use of mobile/cell (mobile) phones to conduct official business on behalf of the Council	Approved	31/10/2016	31/10/2019	Currently under review	GM People & Capability	
<u>Parental Leave Policy</u>	This Policy outlines to all staff, Council's approach to parental leave and the obligations we have to the employee and the employee has to Council.	Approved	30/08/2016	30/08/2021		GM People & Capability	
<u>Performance Management Policy</u>	The purpose of the Performance Management Policy is to outline our procedure for resolving poor, non-effective or unsatisfactory performance via informal and formal performance management mechanisms.	Approved	31/10/2016	31/10/2019	Currently under review	GM People & Capability	
<u>Photocopier Usage Policy</u>	Outlines the access and use of the photocopiers within the organisation	Approved	27/10/2016	27/10/2021		GM People & Capability	
<u>Procurement and Contract Management Manual</u>	Covers activities associated with purchasing goods and services by the Council.	Adopted	9/30/2014	9/30/2019	Procurement Strategy adopted February 2020. Manual currently under review	GM Infrastructure Services	
<u>Professional Development and Training Policy</u>	This Policy provides guidelines for administering professional development and training.	Approved	31/10/2016	31/10/2019	Currently under review	GM People & Capability	
<u>Recruitment and Selection Policy</u>	Policy ensures all candidates applying for opportunities at Council are treated in the same way.	Approved	30/11/2020	30/11/2024		GM People & Capability	
<u>Smokefree Workplace Policy</u>	This Policy supports the health and well-being of their employees and, indirectly, their families/whanau through providing an environment that fully supports its employees to become and remain smokefree.	Approved	12/06/2016	12/06/2021		GM People & Capability	
<u>Staff Election Protocols</u>	Sets out requirements staff need to be aware of given their position as local authority officers.	Approved	11/06/2019	30/03/2022	Was called Staff Involvement in Political Process Policy	GM Transformation and Engagement	
<u>Staff Induction Policy</u>	To enable all new employees to become effective and efficient in their role as quickly as possible they are supported through an on-boarding programme, The New Employee Journey, which covers their first three months of employment.	Approved	30/07/2016	30/07/2021		GM People & Capability	

<u>Staff Procurement Policy</u>	Provides Council employees guidelines on their ability to access procurement benefits through their employment relationship with Council.	Approved	29/07/2014	29/07/2019	Currently under review. Next approval by Remuneration Committee	GM People & Capability	
<u>Staff Uniform Policy</u>	The objective of this policy is to define the provision of Council-funded clothing for Council officers	Approved	6/11/2018	6/11/2023		GM People & Capability	
<u>Vehicle Use Policy</u>	The purpose of this Policy is to meet the need of staff mobility in order to perform their job in a safe and efficient manner	Approved	3/02/2021	3/02/2024	Previously called Vehicle Procedures Policy	GM People & Capability	
Employee Privacy Policy	The objective of this policy is to describe the personal information that Council collects from or about its employees and contractors (as applicable), how it uses and stores that information, and to whom that information is disclosed.	Approved	10/02/2021	10/02/2024		GM People & Capability	

Policy Name	Description	Status	Last Reviewed Date	Next Review Due	Comments	Policy Owner	RAG Status
Favourable or achieved	Unfavourable – looking like it may not be achieved	Unfavourable –not achieved					
<u>2018 Development Contributions Policy</u>	Sets out Council's policy on levying and spending Development Contributions including how much will be levied for each activity in each catchment.	Adopted	2/23/2018	2/23/2021	Will be adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Application of Sale Proceeds to Debt</u>	To ensure that the application of sales or other proceeds to debt is systematic, fair and transparent.	Adopted	3/28/2019	3/28/2022		GM Sustainable Growth and Investment	
<u>Citizens Awards Policy</u>	This Policy provides an assessment framework to assist the Citizens Awards Committee when determining successful recipients from the pool of nominees.	Adopted	6/30/2018	5/1/2021		GM Transformation and Engagement	
<u>Class 4 Gambling Venues Policy</u>	Controls the growth, integrity and fairness of gambling. The Policy provides the mechanism to limit opportunities for crime and dishonesty and ensures money from gambling benefits the community.	Adopted	9/30/2018	9/30/2021	Currently under review	GM Transformation and Engagement	
<u>Code of Conduct - Staff</u>	Policy deals with the way we go about our business and provides guidance on the standards of behaviour that are to be observed to ensure that these values are upheld.	Adopted	4/3/2017	4/3/2020	Currently under review	GM People & Capability	
<u>Code of Conduct Elected Members</u>	Provides guidance on standards of behaviour that are expected from the Mayor and elected members of the Kaipara District Council.	Adopted	2/26/2020	2/26/2023		GM Transformation and Engagement	
<u>Community Assistance Policy</u>	The Policy sets out criteria to assist decision making when allocating funds for community assistance to competing requests.	Adopted	4/29/2020	4/30/2023		GM Transformation and Engagement	
<u>Conflict of Interest - Staff</u>	The purpose of this document is to clarify for Council Staff and representatives what constitutes a Conflict of Interest, their obligation to declare any conflict when it arises, how conflicts will be managed and the potential consequences if Staff and/or representatives do not comply with their obligations.	Adopted	7/28/2016	7/28/2021		GM People & Capability	
<u>Early payment of rates for subsequent years P</u>	States Council's policy with regard to the early payment of rates and zero discounts. Also payment of subsequent years rates in relation to the MCWWS.	Adopted	11/30/2017	11/30/2020	Adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Easter Sunday Shop Trading Policy 2017</u>	This Policy is to allow shops the choice to trade on Easter Sunday if they wish to. The Policy neither requires shops to open, employees to work or individuals to shop on Easter Sunday.	Adopted	3/14/2017	9/14/2021	Currently under review	GM Transformation and Engagement	
<u>Elected Members allowances and recovery of expenses Policy</u>	This Policy sets out rules on the claiming of expenses by elected members and the resources that will be available to them during their term of office.	Adopted	8/29/2019	8/30/2022		GM Transformation and Engagement	

<u>Financial Contributions Policy</u>	The Local Government Act 2002 requires Council to have a policy outlining how it intends to fund additional or new infrastructure which is required by growth. Financial contributions under the Resource Management Act 1991, mainly consider the marginal impact of developments based primarily on environment effects assessments.	Adopted	12/16/2020	12/16/2023		GM Sustainable Growth and Investment	
<u>Environmental Awards Policy</u>	The objective of these awards is to recognise and celebrate the people and/or organisations who have made a significant contribution to ensuring the natural environment thrives in the Kaipara District.	Adopted	2/26/2020	2/26/2023		GM Transformation and Engagement	
<u>Fraud Policy</u>	Objective is to ensure that the assets and reputation of Kaipara District Council and its staff are protected from fraudulent behaviour.	Adopted	8/30/2020	5/30/2022		GM People & Capability	
<u>Gift Register Policy</u>	The objective of this policy is to provide clear parameters for Council staff to ensure they are not open to influence or public criticism in relation to the receipt of gifts, hospitality and other personal benefits.	Adopted	8/31/2016	8/31/2021		GM People & Capability	
<u>Gifts for Elected Members Policy</u>	Provides clear guidance for Elected Members when considering whether to accept or decline a gift or hospitality. The policy also ensures the community has a clear sense of the Mayor's and Councillors decisions on these matters.	Adopted	11/30/2016	2/1/2020	Currently under review	GM Transformation and Engagement	
<u>Health and Safety Policy</u>	Sets out Health and Safety requirements for staff, managers, Health and Safety Committee members and representatives.	Adopted	12/6/2016	12/6/2019	Currently under review	GM People & Capability	
<u>Hearing Commissioners Policy</u>	Outlines how Council will appoint Independent Hearings Commissioners under the Resource Management Act 1991 (RMA).	Adopted	5/27/2020	5/30/2022		GM Transformation and Engagement	
<u>ICT Data and Information Compliance</u>	The purpose of this Policy is to ensure Council meets all legal and industry standard requirements pertaining to information and data that is either generated or held within our operation.	Adopted	6/30/2018	6/30/2021		GM Customer Experience	
Legislative Compliance Policy	To ensure that compliance with relevant statutes and regulations are met while undertaking the functions and duties of Local Government.	Adopted	4/21/2016	4/21/2019	Legislative update on Audit, Risk and Finance agenda	GM Sustainable Growth and Investment	
<u>Maori Freehold Land Rates Postponement and Remission Policy</u>	This Policy is to ensure the fair and equitable collection of rates occurs from all sectors of the community. It is important to also recognise that Māori freehold land has particular conditions and ownership structures which may make it appropriate to provide relief from rates.	Adopted	11/30/2017	11/30/2020	Will be adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Non-Elected Member Remuneration Policy</u>	This policy sets out the remuneration framework for non-elected members and how it shall be applied. It seeks to maintain a framework which is balanced, transparent, and accountable.	Adopted	9/30/2020	9/30/2023		GM Transformation and Engagement	
<u>Petitions Policy</u>	Sets out definition and procedures around petitions in order to strengthen and improve Council's decision-making through community involvement	Adopted	10/31/2016	2/1/2020	Currently under review	GM Transformation and Engagement	

<u>Policy on Dogs and Dog Management Bylaw</u>	Sets out responsible dog ownership and community awareness to promote an environment where dogs and people can happily co-exist.	Adopted	6/30/2019	6/30/2029		GM Customer Experience	
<u>Private Road Seal Extension Policy</u>	The objective of this Policy is to set out, in a clear and transparent manner, Council's criteria for considering private seal extension requests from ratepayers and/or residents.	Adopted	11/29/2018	11/29/2023		GM Infrastructure Services	
<u>Procurement and Contract Management Manual</u>	Covers activities associated with purchasing goods and services by the Council.	Adopted	9/30/2014	9/30/2019	Currently under review	GM Infrastructure Services	
<u>Procurement Strategy</u>	Guides and direct our activities over the next five years which incorporates the next Long Term Plan (2021). This strategy relates to all activities in Kaipara including Capital (e.g. physical projects) and Operations (e.g digital transformation).	Adopted	12/30/2019	12/30/2023		GM Infrastructural Services	
<u>Property Sale and Acquisitions Policy</u>	The purpose of this Policy is to ensure Council's property matters are managed/undertaken in an efficient and effective manner, balancing public accountability with commercial needs.	Adopted	4/28/2015	4/28/2020	Currently under review	GM Infrastructure Services	
<u>Rates Postponement and Remission Policy</u>	This Policy is to: provide financial assistance and support to ratepayers address rating anomalies address matters related to wastewater charges address matters related to excessive water rates	Adopted	11/17/2017	11/17/2020	Will be adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Reserves Contributions (Use of) Policy</u>	Defines Council's priorities for use of reserve contributions and uses these priorities to guide the development of a programme of works. A works programme will be consulted on as part of each year's Annual Plan process.	Adopted	5/23/2018	12/16/2020		GM Sustainable Growth and Investment	
<u>Revenue and Finance Policy</u>	This Policy sets out how Council funds each activity it is involved in and why. It forms part of the LTP.	Adopted	6/30/2018	3/30/2021	Adopted in conjunction with Council's Long Term Plan	GM Sustainable Growth and Investment	
<u>Risk Management Policy and Framework</u>	Outlines the ongoing requirement for all staff to identify opportunities that may enhance Council's objectives and to address risks that may negatively impact on the achievement of Council's objectives.	Adopted	3/12/2020	3/12/2023		GM Sustainable Growth and Investment	
<u>Roading Policy</u>	Provides guidelines and rules for Kaipara's roading network.	Adopted	9/30/2002	11/30/2016	Will be reviewed this year in line with the Long Term Plan	GM Infrastructure Services	
<u>Sensitive Expenditure Policy</u>	This Policy controls sensitive expenditure and ensure that the standards of probity and financial prudence expected of a public entity are met and the expenditure is able to withstand public scrutiny.	Adopted	11/12/2020	11/12/2023		GM People & Capability	
<u>Significance and Engagement Policy</u>	Guides the assessment of significance during decision-making and provides direction on the consideration of community views and the level of community engagement that might be desirable to enable Council to develop a clearer understanding of community views and preferences on an issue or proposal.	Adopted	11/25/2020	11/25/2023	Policy has been adopted for consultation as part of the 2021 Long Term Plan	GM Transformation and Engagement	

<u>Smokefree Kaipara Policy</u>	The object of this Policy is to outline how Council will be proactive and demonstrate leadership by promoting a smokefree lifestyle as being desirable throughout the Kaipara district.	Adopted	12/16/2016	12/16/2021		GM Transformation and Engagement	
<u>Totalisator Agency Board (TAB) Venue Policy</u>	Council is required to develop and implement policies relating to stand-alone TAB venues. Consent is required to establish new TAB venues (other than TAB agencies where the main business carried on in the premises is not racing betting or sports betting). Limiting the number of TAB venues that can be established gives Council the opportunity to exercise control over the impact of gambling within the District.	Adopted	7/27/2018	7/27/2021	Currently under review	GM Transformation and Engagement	
<u>Treasury Policy</u>	This Policy also incorporates the Liability Management and Investment Policies. It outlines approved policies and procedures in respect of all treasury activities undertaken by Council.	Adopted	2/28/2018	2/28/2022		GM Sustainable Growth and Investment	
<u>Wastewater Drainage Policy and Bylaw 2016</u>	The purpose of this Policy is to state Council's position and provide the statutory framework for protecting Council's wastewater assets and preventing unacceptable discharges of wastewater. The bylaw provides the mechanism to enforce the Policy.	Adopted	9/30/2016	9/30/2026	Currently under review	GM Transformation and Engagement	
Whistleblowing Policy	The Policy aims to facilitate disclosure of questionable practices, encourage proper individual conduct, and alert our Chief Executive, Mayor and Audit, Risk and Finance Committee of potential problems before they have serious consequences	Adopted	8/26/2020	8/26/2024		GM People & Capability	

Quarterly finance report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officers: Christine Toms, Revenue Manager
Graeme Coleman, Finance & Risk Manager

Purpose/Ngā whāinga

To monitor financial performance.

Executive summary/Whakarāpopototanga

Commentary is provided on both land debt outstanding and sundry debtors. The January 2021 financial report is attached at the end.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the quarterly finance report as at January 2021.

Context/Horopaki

Council staff provide the Audit, Risk and Finance Committee (the Committee) with an update on year to date finances and debtors. Graphs have been provided to clarify debtors further.

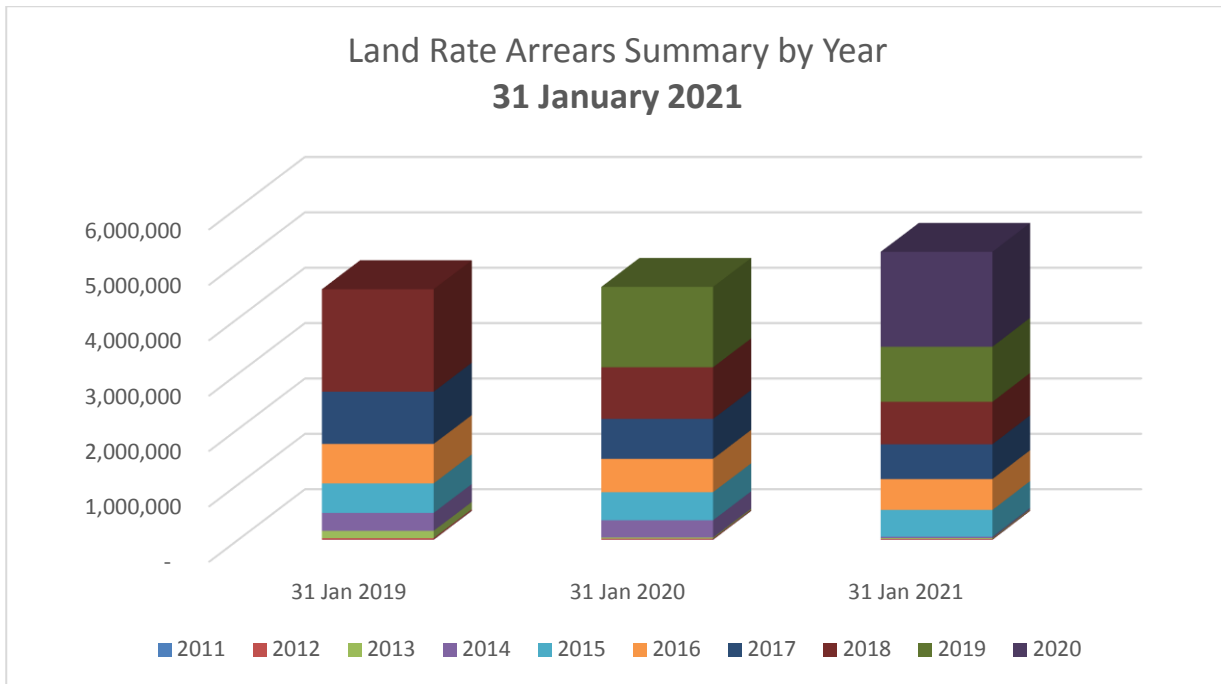
Discussion/Ngā kōrerorero

Rates Debtors as at 31 January 2021

This report excludes debt from the current rating year.

All information in this report relates to debt prior to July 2020. The beginning of each rating year sees the opening debt balance increasing substantially due to the debt from the previous year being moved from current to previous year arrears.

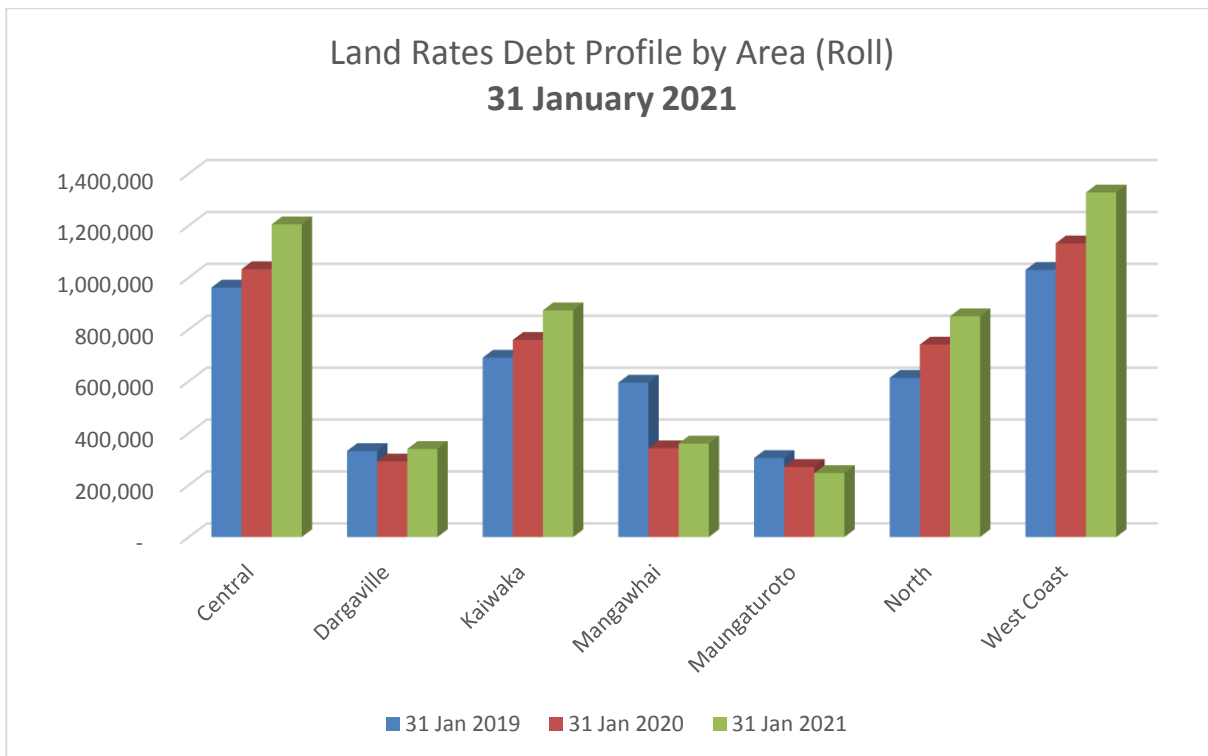
The graph below shows the allocation of total land rates arrears debt over the previous three years as at 31 January of each year.



The graph above shows that outstanding rate arrears has increased, some of the increase is due to the mortgagee demand process being on hold due to Covid 19, as well as the annual rates increase adding to the debt figures. It also reflects what we would expect to see, with the majority of debt sitting in recent years due to Council's policy of allocating payments to the oldest debt first.

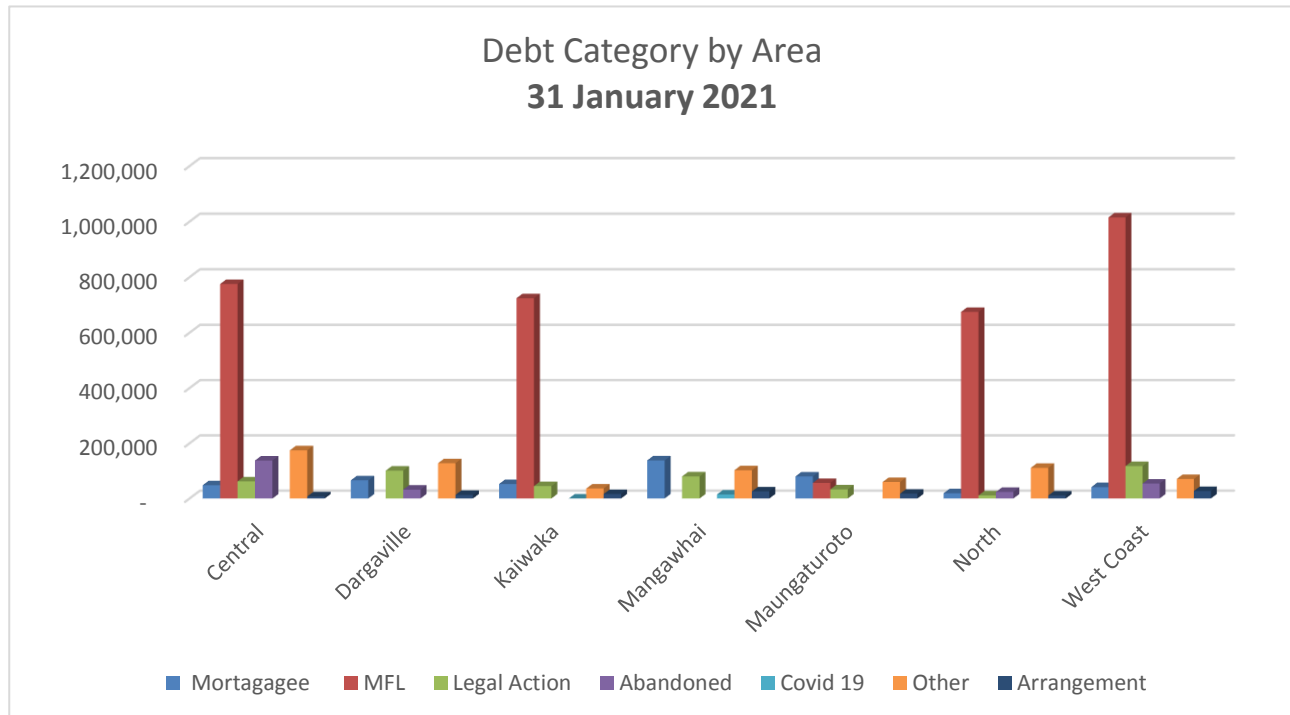
At 30 June 2020 rates arrears debt was \$6,927,330, at 31 January 2021 the debt was \$5,200,704 (a reduction of \$1,726,626).

The chart below compares the arrears debt over three years and shows, by roll where the debt sits.



Key changes between 31 January 2020 and 31 January 2021 are: All areas have seen increases in debt level, with the exception of Maungaturoto. The level of rates arrears debt has been further

increased with the addition of the arrears penalty in January 2021. Again we note that no Mortgage Demands have been sent out as they were in the September to December 2019 period, which will also be adding to the increased debt. As discussed in earlier reports the Central (which covers the area including Turiwiri, Arapohue, Okaho, Ruawai and Matakohē), Northland West Coast (covering Waipoua through to Te Kopuru and Poutu) areas have a high proportion of Maori Land, which carry a high level of rates debt. This is shown graphically below.



The table below summarises all key categories whilst the chart above shows the distribution of the debt by category and area.

The number of properties in each category will only reflect the number of properties with an outstanding balance. The mortgagee properties are identified from the properties we sent Mortgage Demands for in the 19/20 year and may change.

We have added a new Payment Arrangement column so we can track progress in this area.

Arrears debt	31 July 2020			31 January 2021	
	No	\$		No	\$
Mortgaged Properties	336	837,111		158	443,720
Maori Freehold Land (MFL)	107	2,932,615		105	3,245,976
Legal Action	45	429,286		39	449,210
Abandoned Land	6	183,740		11	247,477
Other	692	1,970,910		231	381,741
COVID-19	40	56,470		5	14,647
Payment arrangements				48	117,933
TOTAL	1,226	6,410,132		597	5,200,704

There is a decrease in the number of properties in all categories, with the debt level in Maori Freehold land increasing likely due to large arrears penalties being applied in January. Covid 19 accounts have reduced and we will continue to review the remaining 5 accounts and assist with payment arrangements.

Mortgaged Properties Category

The previous report advised that the mortgagee demand process had been delayed due to Covid-19 lockdowns and future economic uncertainty within the community. -It has been decided that the process should be delayed until the 2021-22 rating year to allow customers time to recover from any Covid-19 related financial impacts. This means we should see a large reduction in rates debt in the first quarter of the 21/22 rating year.

Staff continue to communicate with these customers and advise them when a penalty has been applied to their rates account, whilst also discussing the rates rebate scheme, payment plans and direct debit options. Some customers in financial hardship may work on selling their properties or get assistance from budget advisors in order to make significant changes in their debt levels.

The properties reported in this category currently are those that were identified last year as having a mortgage. When this information is updated future reporting will reflect the updated number of properties and associated debt.

Despite the fact that the standard process around contacting mortgagees about outstanding rates has been put on hold, you can see the debt in this category reducing. This is due to customers working hard to ensure rate payments are met or, payment arrangements are entered into which is a result of the regular communication from the Revenue team.

Maori Freehold Land

Our current database identifies 380 blocks as being on the Maori Land Registry. This information is continually being checked and updated to ensure accuracy. We have been connecting with neighbouring councils to understand their processes and also to investigate how we can work together to enable a consistent approach across Te Taitokerau. Of the 380 blocks 105 (28%) have rate arrears, this statistic may change as we clarify and reconcile the data.

13 applications for a rates remission on unoccupied Maori Freehold Land have been received recently. A total of \$143,548 has been remitted as a result of these applications. It might be expected that the debt in this category would be reduced as a result of the recent remissions, however this is off-set by the arrears penalty that was applied in January.

Our focus is on the blocks with the highest debt, the five highest have total debt of \$475,217. We are currently identifying where the land is, who the land owners are, if the land is accessible and if it is being utilised. This exercise takes time and in collaboration with our Iwi Relations Manager the main focus is to firstly form good relationships with the owners of the land before we can begin discussions about rates.

In the long term our goal is to identify all unoccupied Maori Freehold Land so as to encourage the use of land with the whenua owners. We have formed a relationship with the Pae Manawa (Iwi Relations) at the Maori Land Court who is willing to assist with this.

We will continue discussions with Maori Land owners where land is being used and rates are not being paid. Success in this area first and foremost requires the forming of strong relationships with the owners.

We continue to be mindful that whenua is a taonga to Māori and is a sensitive issue for whenua owners. Identifying where, and who whenua Maori owners are, forming and maintaining strong relationships before beginning any discussions about rates, we believe is key to success. We will also continue networking and making connections with other districts and departments to collaborate and assist each other with Māori Freehold Whenua.

Legal Action

Further files have progressed to legal action over the past few months. This is a last resort, and relates to ratepayers who have not adhered to payment plans but were previously in the legal pipeline, they don't have a mortgage and may have lost contact or simply have no ability to make payments. This action will secure the debt and ensure that it is not written off at the statute time limited period of 6 years. We have seen some customers make substantial payments in the last quarter after judgements were issued, including over 70K for one customer and 10k for another.

Of the 39 properties in this legal action category, 13 have charging orders registered against their title. This prevents the property changing ownership without the rates debt first being paid, Councils interest is protected. These charging orders are different from other charging orders in that they do not expire after 2 years and remain in force until a memorandum of satisfaction is registered.

Next steps for these properties would be to proceed to have judgment enforced by sale or lease of the rating unit, in accordance with the Local Government (Rating) Act 2002. We will prioritise investigating the options around this for future discussion.

Abandoned Land

Further files have been declared abandoned, some have been in the process for some time.

The next step is to proceed with abandoned land sales. A number of interested parties have contacted staff to register their interest in purchasing some of these blocks of land.

Payment arrangements

Staff continue to make progress with customers requiring arrangements and have agreed to numerous payment plans that will see the debt repaid over the next one to two years. This is building rapport with our community and providing relief to customers requiring this extra support.

Other

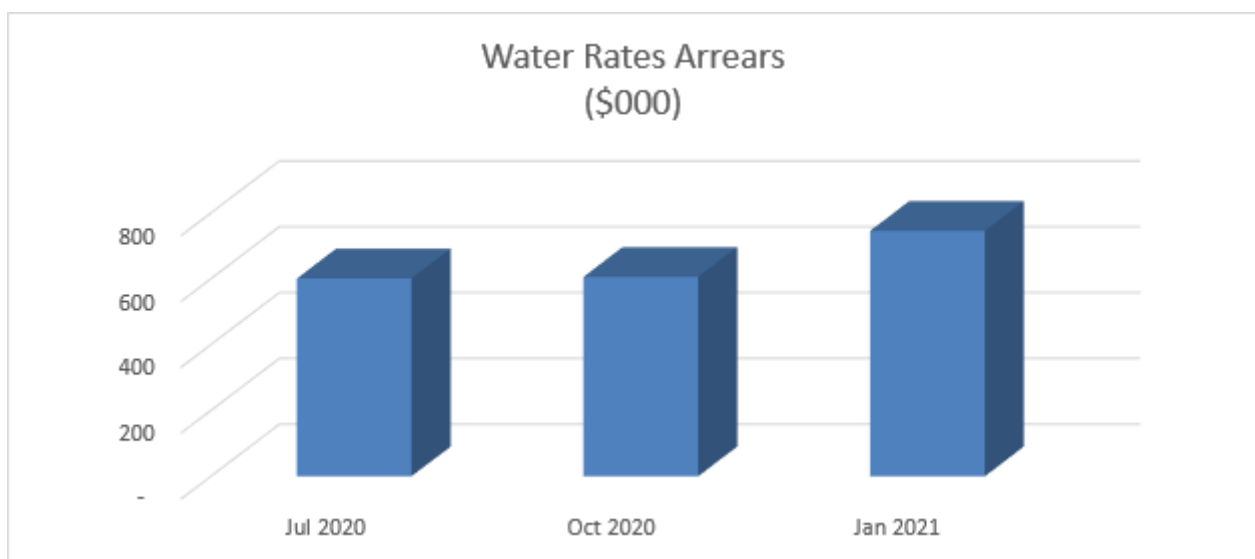
Customers continue to be advised when they receive a penalty for late payment of their rates. This process is generally well accepted by the community, with people setting up direct debit payments to prevent future missed payments, other customers contact the team to make payment or set up payment plans to ensure rates are paid in future. We are communicating with customers who pay by cheque and are working with them to set up alternative payment methods.

No further files have been sent to the third-party debt collection agency (Credit Recoveries).

To date we have 1,909 (13%) customers receiving rates by email and 3,505 (24%) customers paying rates by direct debit.

Water Rates Debtors

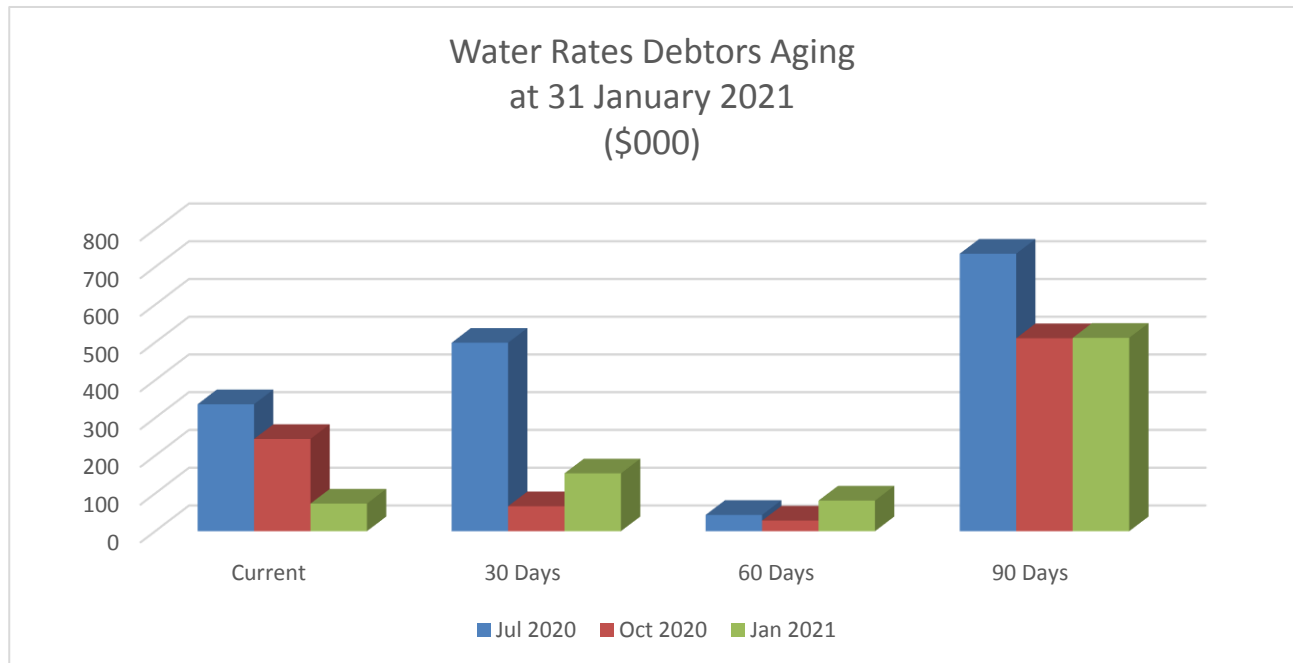
Water Rates Debtors Summary \$000



The report shows levels of water debt for the current rating year (and also arrears). This differs to the land rates information.

The table above illustrates an increase in water rates debt from July 2020 to January 2021.

The aging of water debt is shown in the graph below.



Staff continue to chase water debt at the same time as land rate debt. Each month see's varying areas being invoiced, some months have a higher property count than others. This makes it difficult to identify the trends as to why debt levels fluctuate. Each property receives invoices 6 monthly and we are looking at processes to find ways to expedite payment and notify customers if they miss a payment.

There are varying reasons for water arrears, broad categories are:

- Payments being mistakenly made to land rate accounts in error
- Water leak remissions which are generally not processed for 6 months, after it is proven that a leak has been repaired and the next reading confirms that usage has reduced
- Disputes
- Contractor errors

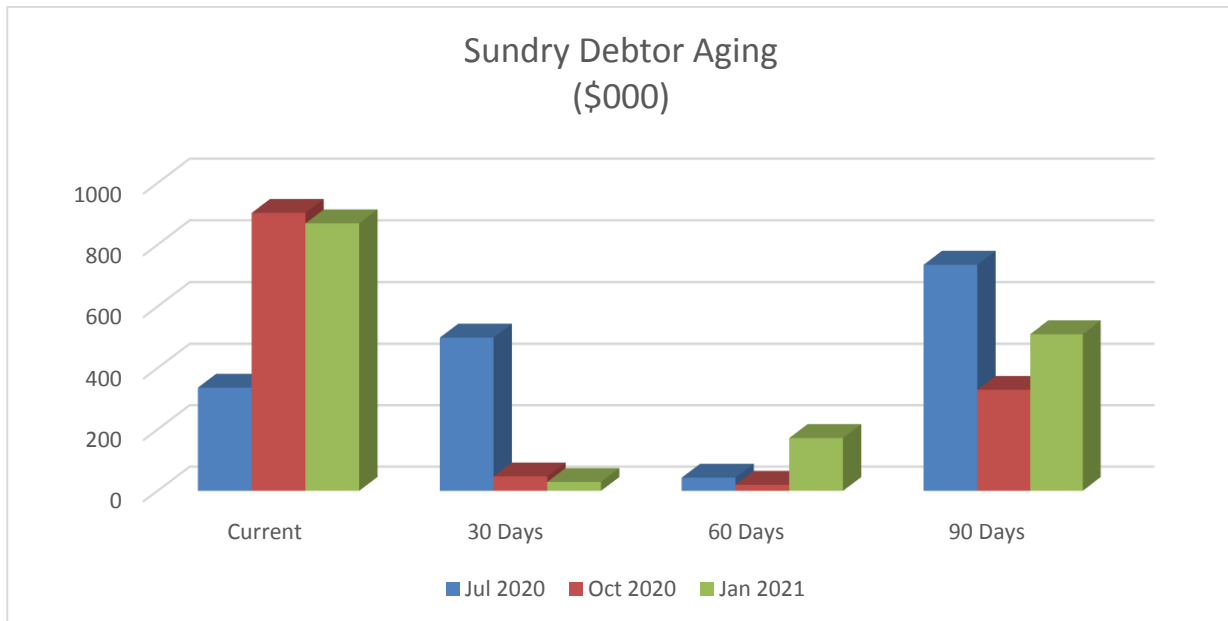
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- Payments being mistakenly made to land rate accounts in error
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- Disputes
- Contractor errors
- Inadequate payment amounts

Further details around these categories can be provided in future reports to the Committee.

Sundry Debtors

Summarising the aging of arrears for sundry debtors (\$000)



The above graph demonstrates an increase in 60 and 90 days debt whilst other time periods show decreases in the debt level. Water rates debt is included in July 2020 figures but has been removed from the reporting for October and January.

Current sundry debt sits at \$869K, of this \$721K relates to multiple Central and Local Government invoices for various activities including Kaipara Kai and the responsible camping funding programme, Te Tai Tokerau support and NRC quarterly bill. Also included is NZTA Wood Street Revitalisation plus some large standard monthly debtor invoices. It is anticipated that these invoices will be paid during the current month.

Currently for our 60 days sundry debtors we have 5 long term payment arrangements worth \$15,192.

The 90 day debt sits at \$510,530, the table below provides detail around where this sits:

Other Debtors Aged Arrears at 31 January 2021	90 days	
	\$	Number
Resource Consents	102,100.00	41
Licensing, compliance, pools	20,000.00	27
Building Consents	65,000.00	21
Sundry debtors - housing		
Sundry debtors	323,430.50	21
Total	510,530.50	110

This is further broken down as follows:

90 Days Debtors January 2021	Resource Consents	
	\$	Number
Total		
Dispute	2,940	1
Objecting (RM only) - Not Collectable	45,653	7
Total	48,593	8

90 Days Debtors January 2021	Licensing, compl, pools	
	\$	Number
Total		
3rd Party Debt Collection	7,238	8
Payment Arrangement	1,085	3
Dispute	1,715	2
Covid Hardship Grant Emailed (Licences only)	1,279	2
Total	11,317	15

90 Days Debtors January 2021	Building Consents	
	\$	Number
Total		
Dispute	425	2
DC not collectable at this stage (BC only)	55,800	2
Total	56,225	4

90 Days Debtors January 2021	Sundry debtors	
	\$	Number
Total		
3rd Party Debt Collection	4,867	3
Payment Arrangement	16,180	4
Arrangement insufficient	2,638	1
Dispute	4,648	2
MBIE ONLY	282,670	1
Total	311,003	11

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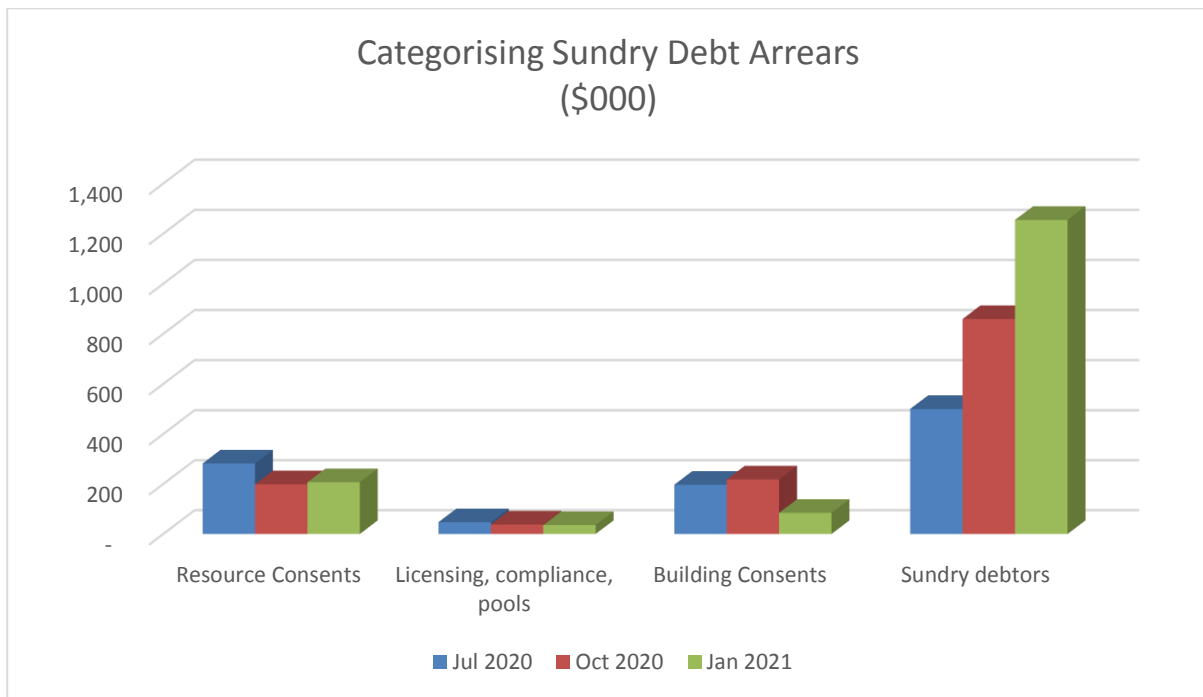
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Arrangement insufficient	2,638	1
Dispute	4,648	2
MBIE ONLY	282,670	1
Total	311,003	11

We have been working with local businesses that hold food/alcohol licences and who may fit the criteria for the Covid19 Hardship Grant. We send a monthly email to potential recipients and have had positive feedback around this financial assistance from Council.

We are using a 3rd party collection company, mainly for licensing food businesses who have shut down and whose business owners have moved out of the district.



The total debt reported here is \$1,580,000. As discussed above at least 80% of the current sundry debt relates to multiple recent invoices that are anticipated to be paid during the current month.

January 2021 Financial Report

Statement of Operating and Capital Performance

Kaipara District Council - Monthly report

	This Month 31 January 2021				Indicator	Year to 31 January 2021				Indicator	Whole Year	
	Actual \$'000	Annual Plan \$'000	Variance \$'000			Actual \$'000	Annual Plan \$'000	Variance \$'000			Annual Plan \$'000	Forecast \$'000
All												
Rates	3,550	3,548	2	●		23,607	22,939	667	●		38,780	38,780
Activity Revenue and Other Income	716	626	90	●		4,563	3,598	965	●		6,454	6,454
Subsidies and Grants - Operational	632	441	191	●		6,859	2,906	3,953	●		4,809	6,192
Total Operating Income	4,898	4,615	283	●		35,028	29,444	5,585	●		50,042	51,426
Employee Benefits	1,205	1,159	(46)	●		7,995	8,025	29	●		13,142	13,142
Contractors	89	155	66	●		924	1,085	161	●		1,888	1,888
Professional Services	445	395	(50)	●		3,745	2,809	(936)	●		4,724	4,863
Repairs and Maintenance	903	823	(80)	●		8,758	6,541	(2,218)	●		10,240	12,560
Finance costs	128	238	111	●		1,303	1,668	366	●		2,860	2,860
Other Operating Costs	115	467	352	●		3,791	4,172	381	●		7,040	7,070
Total Operating Costs	2,885	3,237	353	●		26,516	24,300	(2,216)	●		39,894	42,383
Operating Surplus/(Deficit) (before Depreciation)	2,013	1,378	635	●		8,512	5,144	3,368	●		10,148	9,042
Capital Subsidies	3,909	1,563	2,346	●		7,453	9,074	(1,621)	●		15,081	16,851
Contributions	385	254	131	●		2,803	1,779	1,024	●		3,046	3,046
Other Capital Revenue	0	0	0	●		11	0	11	●		0	0
Total Capital Revenue	4,294	1,817	2,477	●		10,267	10,854	(586)	●		18,127	19,898
Capital Expenditure	2,311	2,278	(33)	●		11,151	13,555	2,404	●		27,822	33,236
Total Capital Payments	2,311	2,278	(33)	●		11,151	13,555	2,404	●		27,822	33,236
Subtotal Capital	1,983	(461)	2,444	●		(883)	(2,701)	1,818	●		(9,695)	(13,339)
Surplus/(Deficit) - before Loan Payments and Depreciation	3,996	916	3,080	●		7,629	2,443	5,186	●		453	(4,296)

*Includes Carry overs:

- Waipoua River Road project - \$1,159,902
- Dargaville Wastewater desludging - \$983,000

Key:	●	Within 5% of budget
	●	Over or under budget by 5 - 10%
	●	Over or under budget by more than 10%

Statement of Operating and Capital Performance

Comments on major variances

Operating Income:

Account	Rationale	YTD Variance \$000
Rates Revenue	Penalties are ahead of budget for the year to date due to arrears penalties applied (July 2020) and instalment penalties. Targeted rates for wastewater are overall ahead of budget due to growth in Mangawhai area. Water by meter ahead of budget, mainly in Dargaville	187 330 214
Activity Revenue and Other Income	Activity revenue: <ul style="list-style-type: none"> Increase in Building Control revenue year to date. This month up \$5k on budget. Increase in Resource consenting income year to date. This month decrease of \$41k. Increase in Licences, Registrations fee year to date. This month decrease of \$14k. External recovery costs are ahead of budget for year to date. This month: Kai Iwi lakes camp ground revenue increase of \$223k due to holiday season and receiving Mangawhai Heads camp ground Council share of \$60k.	286 115 80 573
Operating Subsidies and Grants	Te Tai Tokerau Redeployment Package the "Shovel Ready" project subsidies were invoiced in the month of September. This month: Further subsidies of \$39,491 received. Additional subsidies of \$41,000 received towards the Ambassador Programme for the peak season at Kai Iwi Lakes. Operational subsidies from NZTA are ahead of budget year to date due to maintenance work completed earlier than scheduled. Revenue raised for PGF funding for Kaipara Kickstart Programme milestone claims. The Kaipara District Council 3 Waters Stimulus Grant totalling \$4,691,048 with \$2,345,524 being the first instalment received in January 2021.	1,461 1,630 941 2,346

Operating Costs:

Account	Rationale	\$000
Employee Benefits	Employee benefits costs are on budget for the month and year to date	
Contractors	The contractor's costs are on below budget for the year to date.	161
Professional Services	The professional services costs are ahead of budget for the year to date: This month: Additional cost for Mangawhai Central private plan change. Costs are on charged to the applicant.	936
Repairs and Maintenance	Community activities – Te Tai Tokerau Redeployment Package the "Shovel Ready" project started August 2020 - removal of trees at Mangawhai Community Park and design, build and construct 5 mountain bike tracks at Harding Park. This month: The Te Tai Tokerau Redeployment Package project costs for the month of January are \$22,870. The total cost of this project is offset by the funding noted above under subsidies and grants. Roading: - Roothing works maintenance programme is ahead of budget – due earlier completion of scheduled unsealed roads maintenance work. This month: Roothing – Local Network improvements "Shovel Ready" project started – removal of hazardous trees and spot spraying noxious weeds, litter collection and clean-up (\$54,912). Waters: - Increase of cost due to Rotu Water Intake emergency slip repairs work undertaken.	1,299 899 648
Finance Costs	Below budget due to lower inter-period loan balances.	472
Other Operating Costs	Costs overall are lower than budget. This month: <ul style="list-style-type: none"> Software licences – timing difference from budgeted month of payment. Audit fees – timing difference from budgeted month of payment. 	369

Capital Revenue:

Account	Rationale	\$000
Capital Subsidies	Capital subsidies overall are lower than budget year to date, due to projects work not started yet: <ul style="list-style-type: none"> • Roading – capital works are ahead of budget due to projected schedule completed earlier. • District Leadership – PGF projects funding (project milestone to be completed before funding can be claimed) 	1,245 (2,034)
Contributions	The contributions are overall ahead of budget year to date. <ul style="list-style-type: none"> • Development contributions are lower than budget for this month and year to date. • Financial contributions significantly are ahead of budget for the month and year to date. 	1,024

Public Debt: The public debt position as at 31 January 2021 is \$44 million and the net debt position (debt less cash) is \$33.7 million.

Public Debt and Requirements			
	June 2020	31 January 2021	June 2021
	\$000's	\$000's	\$000's
Debt			
Public Debt	44,000	44,000	51,320
Cash in bank (overnight deposits)	(4,398)	(10,267)	(1,926)
Net Debt	<u>39,602</u>	<u>33,733</u>	<u>49,393</u>
Reserves (future obligations)			
Development Contribution Reserve	(24,702)	(24,702)	(25,415)
Other Reserves	17,848	17,849	13,021
Total reserves (future obligations)	<u>(6,854)</u>	<u>(6,854)</u>	<u>(12,395)</u>
Debt Requirements			
Public Debt	44,000	44,000	51,320
Future obligations	17,848	17,849	13,021
Gross Debt Requirement	<u>61,848</u>	<u>61,849</u>	<u>64,340</u>
Less cash in bank	(4,398)	(10,267)	(1,926)
Net Debt Requirements	<u>57,451</u>	<u>51,581</u>	<u>62,414</u>

*Note: Reserves balances are only recalculated at end of year.

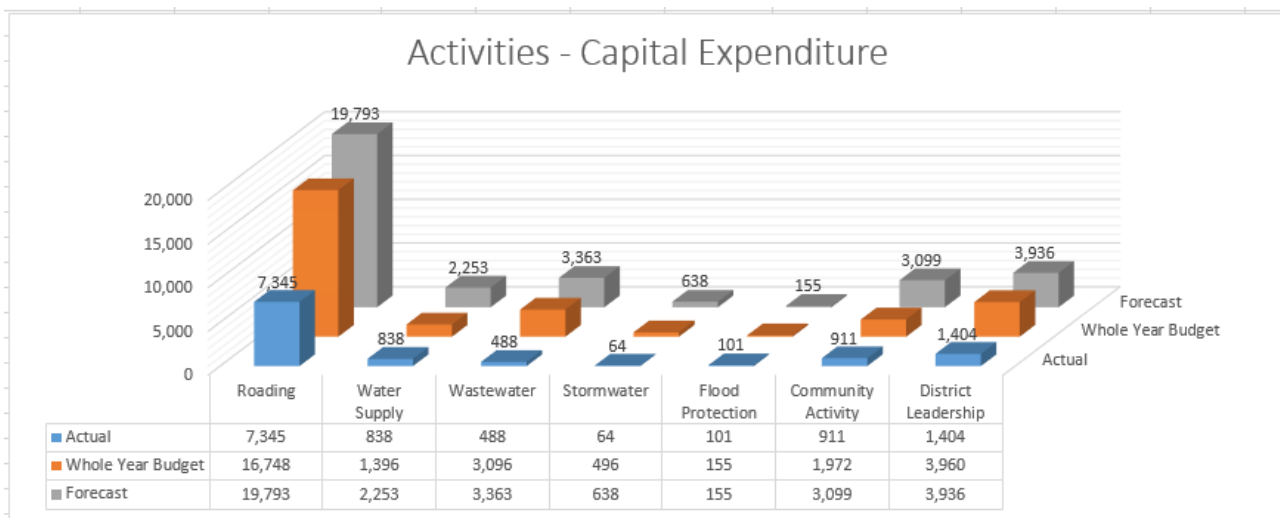
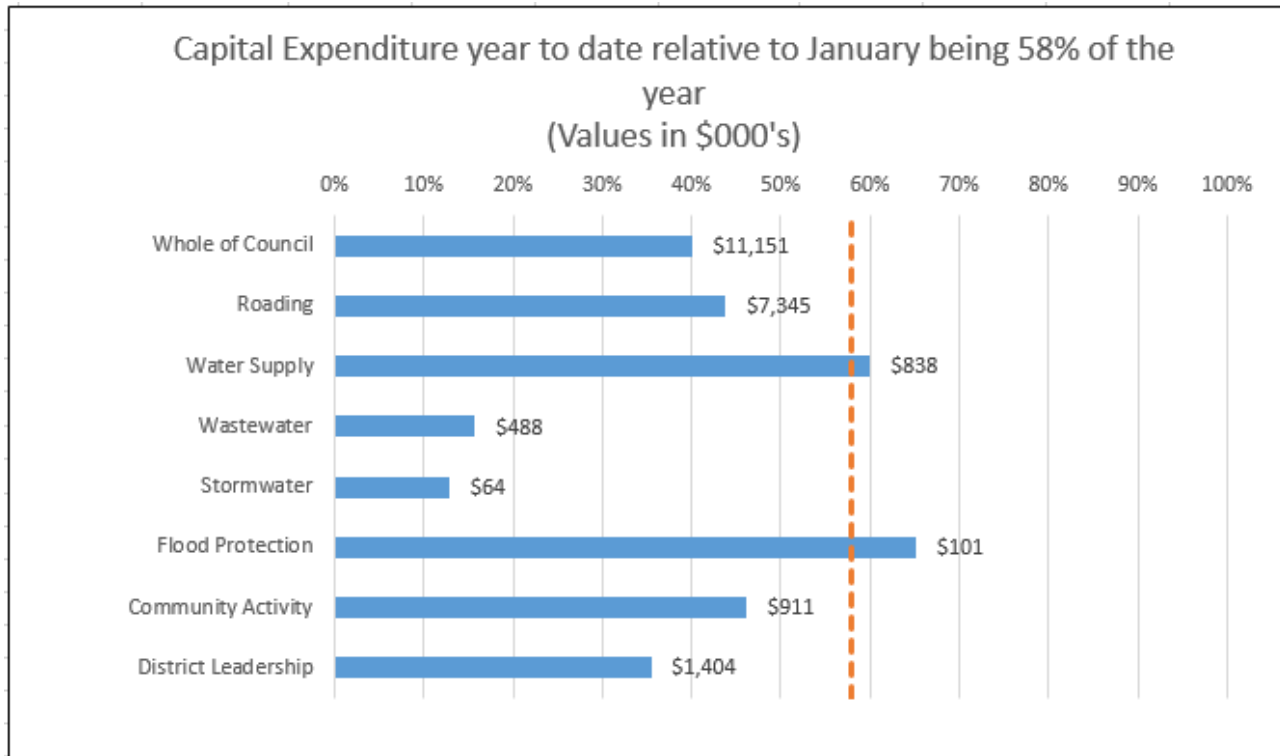
Activities Net Cost for the period to 31 January 2021

	Actual as at 31 January 2021			Whole Year Annual Plan
Activity	Operating Income \$000's	Operating Costs \$000's	Net Operating Surplus/(Deficit) \$000's	Net Operating Surplus/(Deficit) \$'000
Community Activities	5,159	4,210	949	199
District Leadership	5,694	5,738	(44)	(739)
Regulatory Management	4,210	3,716	494	49
Roads and Footpaths	10,625	7,646	2,979	4,427
Wastewater	4,719	2,101	2,618	3,083
Water Supply	2,343	1,820	523	1,614
Stormwater	1,158	498	660	917
Flood Control	461	265	196	293
Solid Waste	659	522	137	305
	35,028	26,516	8,512	10,148

Capital Expenditure for the period ended 31 January 2021

	Actual as at 31 January 2021				Whole Year	
Activity - Capital Expenditure	Actual YTD \$000's	Annual Plan \$000's	Variance \$000's	Indicator	Annual Plan \$000's	Forecast \$000's
Community Activities	911	958	47	●	1,722	3,099
District Leadership	1,404	3,439	2,035	●	3,809	3,935
Roads and Footpaths	7,347	6,100	(1,247)	●	17,148	19,793
Wastewater	487	1,128	641	●	3,096	3,363
Water Supply	838	1,389	551	●	1,396	2,253
Stormwater	63	386	323	●	496	638
Flood Control	101	155	54	●	155	155
Solid Waste	0	0	0	●	0	0
	11,151	13,555	2,404		27,822	33,236

Capital Expenditure for the period ended 31 January 2021



Policy and planning implications

These reports are in line with the Terms of Reference for monitoring the finances of the Council.

Financial implications

These are the latest Council reports.

Risks and mitigations

Best value for the community would be delivering on the projects we stated in the Long Term Plan. The community will be more satisfied if we plan appropriately this year.

If the Council does not deliver on its projects and debt is not required as has been previously calculated, then there is a risk that this can impact on the advice our treasury advisers have provided and Council does not meet its treasury requirements.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

LGFA quarterly report – March 2021

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment

Purpose/Ngā whāinga

This report is for information only. Council is a member of Local Government Funding Agency (LGFA) and a guarantor. Reports are provided regularly by LGFA and it is appropriate that the Audit, Risk and Finance Committee understand the benefit and risks of our membership and receive a report twice a year.

Executive summary/Whakarāpopototanga

The report from LGFA details the key performance indicators and how the Local Government Funding Agency has performed. The report is positive although not all the key performance Indicators were met.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee

- a) Notes the Quarterly Report from LGFA ending 31 December 2020.

Context/Horopaki

Council is a member of LGFA and a guaranteeing Council. All Council's borrowings are made through LGFA and total \$44,000,000 as at 30 June 2020. The interest rate is slightly cheaper than that charged by other lenders.

Discussion/Ngā kōrerorero

In the LGFA report (**Attachment A**), LGFA shows how it performed against its KPIs. They met 8 out of 10 KPIs.

LGFA announced they will relax the requirements for net debt to total revenue ratio due to COVID-19. The proposed change is to provide greater financial flexibility and borrowing capacity for such Local Authorities as a result of the short-term impacts of COVID-19 and the medium-term structural changes to infrastructure requirements. I have attached Attachment 2 -Changes to Foundation Policies. While we are not a shareholder, we are a guarantor, but Council can feel confident of this as it only applies to institutions with an "A" rating and this is mitigated.

The list of guaranteeing Councils is included (**Attachment B**).

LGFA have attached a schedule of each council borrower's compliance with the financial covenants as at 30 June 2020. (Attachment 3) Council Compliance of LGFA Debt Ratios.

All councils were compliant with LGFA covenants as at 30 June 2020 but they have noted that 7 councils have still to provide financial statements that have yet to be adopted due to the COVID-19 time delays with the reporting and audit process. (those with an asterisk*).

LGFA report there are currently no loans outstanding to CCOs so there is no report on CCO compliance with covenants.

Policy and planning implications

The Treasury Policy allows the Council to borrow from a number of banks or other agencies. LGFA remains the cheapest.

Financial implications

Council receives on average a cheaper interest rate of at least 10 basis points.

Risks and mitigations

That a member council finds itself with larger debt than it can afford to repay, and calls are made on member councils.

Council considers the risk to be low:

- Because the only borrowers from the LGFA are Local Authorities and there has been no default by a Local Authority in New Zealand. In the event of a default. The LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority's district.
- The LGFA has considerable sources of capital and liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee.
- Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme.
- Borrowers have to adhere to treasury ratios which are reported to LGFA on a 6 monthly basis so active monitoring is occurring

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

This report is for information only and therefore there are no next steps at this stage.

Attachments/Ngā tapiritanga

	Title
A	LGFA Quarterly Report
B	LGFA List of Guaranteeing Councils
C	Council compliance to LGFA debt ratios

Sue Davidson, 22 February 2021

Financial Covenants - as at June 2020

Councils with a credit rating	Credit Rating	Net Debt / Total Revenue <250%	Net Interest / Total Revenue <20%	Net Interest / Rates <30%	Liquidity >110%
Ashburton District Council	AA+	54.8%	2.2%	3.6%	134.4%
Auckland Council	AA	195.6%	7.8%	15.2%	114.9%
Bay of Plenty Regional Council	AA	-12.8%	-1.5%	-3.6%	207.7%
Christchurch City Council	AA-	120.8%	7.5%	12.5%	120.3%
Greater Wellington Regional Council	AA	95.2%	4.1%	10.3%	138.8%
Hamilton City Council	AA-	136.6%	5.6%	8.5%	132.1%
Hastings District Council	AA	102.6%	3.4%	5.5%	116.0%
Horowhenua District Council*	A+	164.2%	5.4%	7.4%	124.8%
Hutt City Council	AA	106.4%	3.8%	5.7%	124.0%
Invercargill City Council	AA+	32.0%	0.7%	1.2%	158.1%
Kapiti Coast District Council	AA	151.0%	6.5%	9.9%	133.8%
Marlborough District Council	AA	15.1%	0.9%	1.7%	148.5%
Nelson City Council	AA	71.6%	3.4%	5.1%	138.9%
New Plymouth District Council	AA	-121.4%	2.2%	3.5%	322.7%
Palmerston North City Council*	AA	105.2%	3.4%	4.5%	131.7%
Porirua City Council	AA	105.8%	4.1%	6.0%	132.9%
Queenstown Lakes District Council	AA-	72.8%	2.3%	4.2%	169.7%
Rotorua District Council	AA-	144.1%	5.2%	7.2%	135.7%
Selwyn District Council	AA+	-39.9%	-1.3%	-2.2%	346.9%
South Taranaki District Council	AA-	-45.9%	3.1%	4.6%	248.6%
Tasman District Council	AA	106.8%	2.5%	4.6%	153.3%
Taupo District Council	AA	26.4%	5.4%	7.2%	216.0%
Tauranga City Council	AA-	202.6%	7.7%	11.0%	115.7%
Timaru District Council	AA-	42.4%	1.9%	3.0%	162.1%
Waimakariri District Council	AA	137.3%	5.7%	8.2%	123.3%
Waipa District Council	AA-	54.0%	0.5%	0.7%	115.7%
Whanganui District Council	AA	84.8%	4.3%	7.1%	115.9%
Wellington City Council	AA	127.8%	4.6%	7.5%	129.0%
Western Bay of Plenty District Council	AA	75.9%	5.3%	7.0%	158.6%
Whangarei District Council	AA	76.4%	4.4%	6.4%	143.5%
Average		79.6%	3.7%	5.8%	157.1%

Unrated Councils	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%	Liquidity >110%
Buller District Council	38.8%	-0.1%	-0.2%	203.5%
Central Hawkes Bay District Council	14.7%	0.6%	1.6%	180.0%
Clutha District Council	-52.3%	-0.7%	-1.1%	474.1%
Environment Canterbury Regional Council	10.6%	0.4%	0.6%	161.7%
Far North District Council*	45.4%	1.1%	1.6%	129.3%
Gisborne District Council	36.0%	2.5%	5.3%	143.1%
Gore District Council	66.3%	2.6%	4.1%	133.9%
Grey District Council	55.7%	4.4%	7.7%	135.6%
Hauraki District Council	86.4%	4.3%	5.6%	134.9%
Hawkes Bay Regional Council*	-91.8%	1.3%	4.9%	456.6%
Horizons Regional Council	67.9%	1.1%	1.5%	121.5%
Hurunui District Council	78.8%	2.6%	5.6%	124.9%
Kaikoura District Council	9.3%	0.5%	1.9%	234.0%
Kaipara District Council	66.6%	3.9%	6.0%	132.7%
Manawatu District Council	125.7%	3.7%	5.5%	123.1%
Masterton District Council	57.2%	3.1%	4.6%	166.3%
Matamata Piako District Council	31.1%	1.9%	2.7%	159.2%
Northland Regional Council	-98.6%	0.6%	1.0%	450.3%
Opotiki District Council	2.8%	1.2%	2.2%	188.2%
Otorohunga District Council*	-21.6%	0.8%	1.0%	399.1%
Rangitikei District Council	15.5%	0.0%	0.0%	372.7%
Ruapehu District Council	62.3%	1.7%	3.1%	117.9%
South Wairarapa District Council	35.3%	1.1%	1.6%	163.5%
Stratford District Council	31.0%	1.4%	2.4%	162.9%
Taranaki Regional Council	-28.8%	-0.9%	-2.7%	513.5%
Tararua District Council	76.3%	2.0%	3.6%	123.4%
Thames Coromandel District Council	62.7%	3.0%	3.9%	122.5%
Upper Hutt City Council	50.7%	2.3%	3.1%	161.1%
Waikato District Council	47.0%	3.2%	4.9%	144.3%
Waikato Regional Council	-64.9%	0.0%	0.0%	485.8%
Waitomo District Council	99.4%	4.3%	6.9%	137.3%
Wairoa District Council	0.4%	-0.4%	-1.0%	196.8%
West Coast Regional Council*	-5.3%	-0.3%	-0.8%	221.0%
Westland District Council	47.4%	2.2%	4.1%	146.7%
Whakatane District Council*	73.8%	3.4%	5.6%	133.5%
Average	29.5%	1.7%	2.8%	213.0%

LGFA Guarantors as at 15 January 2021 (alphabetical order)	Long Term Issuer Credit Rating		
	S&P Global Ratings	Fitch Ratings	Moodys
Ashburton District Council		AA+	
Auckland Council	AA		Aa2
Bay of Plenty Regional District Council	AA		
Canterbury Regional Council		AA+	
Central Otago District Council			
Christchurch City Council	AA-		
Clutha District Council			
Far North District Council			
Gisborne District Council			
Gore District Council			
Greater Wellington Regional Council	AA (positive)		
Grey District Council			
Hamilton City Council	AA-		
Hastings District Council	AA (negative)		
Hauraki District Council			
Horizons Regional Council			
Hawkes Bay Regional Council			
Horowhenua District Council	A+		
Hurunui District Council			
Hutt City Council	AA		
Invercargill City Council		AA+	
Kaipara District Council			
Kapiti Coast District Council	AA		
Manawatu District Council			
Marlborough District Council	AA (positive)		
Masterton District Council			
Matamata-Piako District Council			
Nelson City Council	AA		
New Plymouth District Council	AA (positive)		
Northland Regional Council			
Otorohanga District Council			
Palmerston North City Council	AA		
Porirua City Council	AA		
Queenstown Lakes District Council		AA-	
Rotorua Lakes District Council		AA-	
Ruapehu District Council			
Selwyn District Council		AA+	
South Taranaki District Council	AA-(positive)		
South Waikato District Council			
South Wairarapa District Council			
Stratford District Council			
Taranaki Regional Council			
Tararua District Council			
Tasman District Council	AA (negative)		
Taupo District Council	AA (positive)		
Tauranga City Council	A+		
Thames-Coromandel District Council			
Timaru District Council		AA-	
Upper Hutt City Council			
Waikato District Council			
Waikato Regional Council			
Waimakariri District Council	AA		
Waipa District Council		AA-	
Waitaki District Council			
Waitomo District Council			
Westland District Council			
Wellington City Council	AA (positive)		
Western Bay of Plenty District Council	AA (positive)		
Whakatane District Council			
Whanganui District Council	AA		
Whangarei District Council	AA (positive)		



Council	Long Term Issuer Credit Rating		
	S&P Global Ratings	Fitch Ratings	Moody's
Auckland Council	AA		Aa2
Bay of Plenty Regional District Council	AA		
Christchurch City Council	A+ (positive)		
Dunedin City Council	AA		
Greater Wellington Regional Council	AA (positive)		
Hamilton City Council		AA (negative)	
Hastings District Council	AA		
Horowhenua District Council	A+		
Hutt City Council	AA		
Invercargill City Council		AA	
Kapiti Coast District Council	A+ (positive)		
Marlborough District Council	AA (positive)		
Nelson City Council	AA		
New Plymouth District Council	AA (positive)		
Palmerston North City Council	AA (positive)		
Porirua City Council	AA		
Queenstown Lakes District Council		AA- (negative)	
Rotorua Lakes District Council		AA-	
Selwyn District Council		AA+	
South Taranaki District Council	AA-(positive)		
Tasman District Council	AA		
Taupo District Council	AA (positive)		
Tauranga City Council	AA-		
Timaru District Council		AA-	
Waimakariri District Council	AA (negative)		
Waipa District Council		AA-	
Wellington City Council	AA (positive)		
Western Bay of Plenty District Council	AA		
Whanganui District Council	AA		
Whangarei District Council	AA (positive)		

LGFA Quarterly Report to Shareholders

December Quarter 2020

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Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

A. December quarter highlights

Quarter	Total	Bespoke Maturity	April 2022	April 2023	April 2024	April 2025	April 2026	April 2027	April 2029	April 2033	April 2037
Bonds issued \$m	600	N/A	-	110	-	60	100	50	160	50	70
Term Loans to councils \$m	632.2	346.1	2.0	17.0	10.5	24.7	45.5	18.5	168.0	-	-
Term Loans to councils #.	54	24	1	3	4	4	7	6	5	-	-

Financial Year to Date	Total	Bespoke Maturity	April 2022	April 2023	April 2024	April 2025	April 2026	April 2027	April 2029	April 2033	April 2037
Bonds issued \$m	1,900	N/A	450	110	100	60	150	100	260	100	570
Term Loans to councils \$m	1,737.5	638.6	6.0	49.0	45.8	102.2	324.0	84.5	483.0	4.4	50.0
Term Loans to councils #.	120	45	2	5	10	15	21	10	11	1	1

Key points and highlights for the December quarter:

- The LGFA bond yield curve rose and steepened during the quarter, rising from the historic lows in the September quarter and reversing the previous movements in the yield curve. Front end yields rose less than back end yields e.g. 2022 yields closed the quarter 0.16% higher at 0.38% and 2037 yields were up 0.47% to 1.97%. Investors unwound expectations of a negative Official Cash Rate as the domestic economy proved more resilient than expected, the housing market performed strongly, and global bond yields rose.
- LGFA issued \$600 million of bonds during the quarter across three tenders of \$200 million each. The average term of issuance during the quarter was 7.53 years.
- LGFA borrowing margins to swap narrowed between 3 bps (2022s) and 10 bps (2033s) during the quarter and continued the tightening evident in the September quarter. LGFA spreads to NZGB also narrowed during the quarter and all spreads narrowed to set new historic lows.
- Long dated lending to councils during the quarter of \$632.2 million was less than the record \$1.1 billion in the September quarter, while the average term of lending during the quarter at 6.77 years was also less than the prior quarter's 7.22 years. It was still significantly longer than the 2019-20 financial year average of 5.42 years.
- LGFA has estimated market share of 81.8% of total council borrowing for the rolling twelve-month period to December 2020 (compared to a historical average since 2012 of 74%).
- Short-term lending remains supported by councils with loans outstanding of \$343.4 million as at 31 December 2020. This was an increase of \$59.8 million over the quarter and the number of councils using this product was unchanged at twenty-six.
- We entered into our first Standby Facility Agreement with a council during the quarter and this was a pleasing start to a new product that will help reduce overall financing costs for councils.
- LGFA Net Operating Gain (unaudited) for the six-month period to 31 December 2020 was \$5.948 million which was \$673k above budget, comprising total operating income at \$643k above budget and expenses at \$30k below budget.
- We are meeting (or on track to meet) eight out of our ten performance objectives with only our market share and number of council visits currently below our target.
- We had three councils join LGFA during the quarter bringing total membership to seventy-one. Waitaki and Central Otago District Councils joined as guarantors and Kawerau District Council joined as a non-guarantor. We are expecting a further two councils to join over the next twelve months.

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

B. LGFA bond issuance during quarter

LGFA held three bond tenders during the quarter amounting to \$600 million of issuance.

Tender 75: 7 October 2020

\$200 million

Tender 75 - 07 October 2020	15-Apr-23	15-Apr-26	20-Apr-29	14-Apr-33
Total Amount Offered (\$million)	50	50	50	50
Total Amount Allocated (\$million)	50	50	50	50
Total Number of Bids Received	9	11	22	12
Total Amount of Bids Received (\$million)	155	144	186	122
Total Number of Successful Bids	1	2	2	7
Highest Yield Accepted (%)	0.190	0.415	0.815	1.180
Lowest Yield Accepted (%)	0.190	0.410	0.810	1.170
Highest Yield Rejected (%)	0.220	0.500	0.900	1.250
Lowest Yield Rejected (%)	0.200	0.415	0.815	1.180
Weighted Average Accepted Yield (%)	0.190	0.415	0.815	1.174
Weighted Average Rejected Yield (%)	0.206	0.446	0.835	1.234
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	100	90	90	62.1
Coverage Ratio	3.10	2.88	3.72	2.44
NZGB Spread at Issue (bps)	20.00	33.00	48.00	50.00
Swap Spread at Issue (bps)	13.00	25.50	41.00	51.00
Swap Spread: AA council (bps)	36	48.25	64.5	85.25
Swap Spread: AA- council (bps)	41	53.25	69.5	90.25
Swap Spread: A+ council (bps)	46	58.25	74.5	95.25
Swap Spread: Unrated council (bps)	56	68.25	84.5	105.25
Coverage Ratio	3.10	2.88	3.72	2.44

The tender result was very good with strong volume of bids and price tension. While spreads to NZGB were wider by 8bps compared to the September tender result (following the recent outperformance by NZGBs on reduced supply from NZDM), LGFA issuance spreads to swap were 1 to 2 bps tighter and made new lows as did issuance yields.

The tender size of \$200 million was the same size as the other tenders held this calendar year and we tendered four tranches in order to capture as much demand as possible. Price support was strongest for the 2023, 2026 and 2029 maturities with the weighted successful average yield of each bond at or slightly below mid-market yields.

Bidding volume was strong with the overall bid coverage ratio of 3.04x the third highest in eighteen months and only one successful bid for the 2023s and two each for the 2026s and 2029s.

While we issued \$200 million of LGFA bonds we on-lent \$187 million to nine councils. The average maturity of the LGFA bonds issued was 7.27 years while the average term of lending to councils was 7.3 years so our issuance and lending terms were matched.

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

Tender 76: 12 November 2020

\$200 million

Tender 76 - 12 November 2020	15-Apr-25	15-Apr-27	20-Apr-29	15-Apr-37
Total Amount Offered (\$million)	60	50	60	30
Total Amount Allocated (\$million)	60	50	60	30
Total Number of Bids Received	15	14	11	25
Total Amount of Bids Received (\$million)	176	136	93	99
Total Number of Successful Bids	5	2	2	6
Highest Yield Accepted (%)	0.615	0.830	1.140	1.930
Lowest Yield Accepted (%)	0.595	0.820	1.135	1.890
Highest Yield Rejected (%)	0.690	0.950	1.250	2.020
Lowest Yield Rejected (%)	0.615	0.840	1.150	1.940
Weighted Average Accepted Yield (%)	0.609	0.825	1.138	1.919
Weighted Average Rejected Yield (%)	0.634	0.864	1.186	1.973
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	42.9	100	100	100
Coverage Ratio	2.93	2.72	1.55	3.30
NZGB Spread at Issue (bps)	24.00	28.00	41.00	55.00
Swap Spread at Issue (bps)	21.25	25.25	38.35	68.30
Swap Spread: AA council (bps)	26.5	52	61	72
Swap Spread: AA- council (bps)	31.5	57	66	77
Swap Spread: A+ council (bps)	36.5	62	71	82
Swap Spread: Unrated council (bps)	46.5	72	81	92
Coverage Ratio	2.93	2.72	1.55	3.30

The tender result was pleasing with good volume of bids (despite a NZ Debt Management bond tender of \$600 million of NZ Government Bonds (NZGBs) at the same time), good price tension and support for all the bonds on offer.

Spreads to NZGB were wider by 7bps on the 2029s compared to the October tender following the recent outperformance by NZGBs on reduced supply from NZDM while the RBNZ LSAP was still providing positive ongoing support for lower yields. Market conditions were volatile with a 20 bps rise in yields following the previous days RBNZ Monetary Policy Statement, so it was going to be a more difficult environment to issue into.

Price support was strongest for the 2025, 2027 and 2037 maturities with the weighted successful average yield of each bond 0.5bps above mid-market yields while the 2029 issue yield was 1.5 bps above mid-market.

Bidding volume was good with the overall bid coverage ratio of 2.52x below the previous two record months but still well above the 2.3x average for the past two years. The bid coverage ratios were consistent and ranged between 1.55x (2029s) and 3.3x (2037s).

The average maturity of the LGFA bonds issued was 7.93 years so it was another tender of both larger volume and longer duration compared to previous years.

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

While we issued \$200 million of LGFA bonds we on-lent \$258 million to eight councils with an average term of lending of 5.3 years (64 months) so our issuance term was significantly longer than our lending.

Tender 77: 16 December 2020

\$200 million

Tender 77 - 16 December 2020	15-Apr-23	15-Apr-26	20-Apr-29	15-Apr-37
Total Amount Offered (\$million)	60	50	50	40
Total Amount Allocated (\$million)	60	50	50	40
Total Number of Bids Received	7	13	22	25
Total Amount of Bids Received (\$million)	120	135	170	138
Total Number of Successful Bids	1	3	8	7
Highest Yield Accepted (%)	0.390	0.690	1.090	1.940
Lowest Yield Accepted (%)	0.390	0.680	1.070	1.890
Highest Yield Rejected (%)	0.450	0.750	1.175	2.040
Lowest Yield Rejected (%)	0.410	0.695	1.090	1.940
Weighted Average Accepted Yield (%)	0.390	0.683	1.084	1.929
Weighted Average Rejected Yield (%)	0.435	0.713	1.109	1.967
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	100	100	100	100
Coverage Ratio	2.00	2.70	3.40	3.45
NZGB Spread at Issue (bps)	18.00	28.00	39.00	55.00
Swap Spread at Issue (bps)	9.90	18.10	28.90	61.90
Swap Spread: AA council (bps)	32.5	40.5	51.5	85.5
Swap Spread: AA- council (bps)	37.5	45.5	56.5	90.5
Swap Spread: A+ council (bps)	42.5	50.5	61.5	95.5
Swap Spread: Unrated council (bps)	52.5	60.5	71.5	105.5
Coverage Ratio	2.00	2.70	3.40	3.45

The tender size of \$200 million was the same size as the other nine tenders over the 2020 calendar year and reflected our larger borrowing requirement (\$2.83 billion in the 2020-21 financial year) but also the depth to the market assisted by the RBNZ LSAP programme.

We tendered four tranches in order to capture as much demand as possible. Price support was strong across the curve with the weighted successful average yield of each bond at or just above mid-market yields. Bidding volume was good with the overall bid coverage ratio of 2.82x the third highest for the past eighteen months and above the 2.3x average for the past two years. The bid coverage ratios were consistent across the four maturities.

The average maturity of the LGFA bonds issued was 7.39 years compared to the average for financial year to date of 8.49 years and 6.74 years in the prior 2019/20 financial year. We choose to issue more 2023s in the tender as they become less popular when they become a two-year or shorter maturity.

While we issued \$200 million of LGFA bonds we on-lent \$57.2 million to six councils with the average term of lending to councils of 7.7 years, so our issuance term was just slightly shorter than the term of our lending.

Quarterly Report

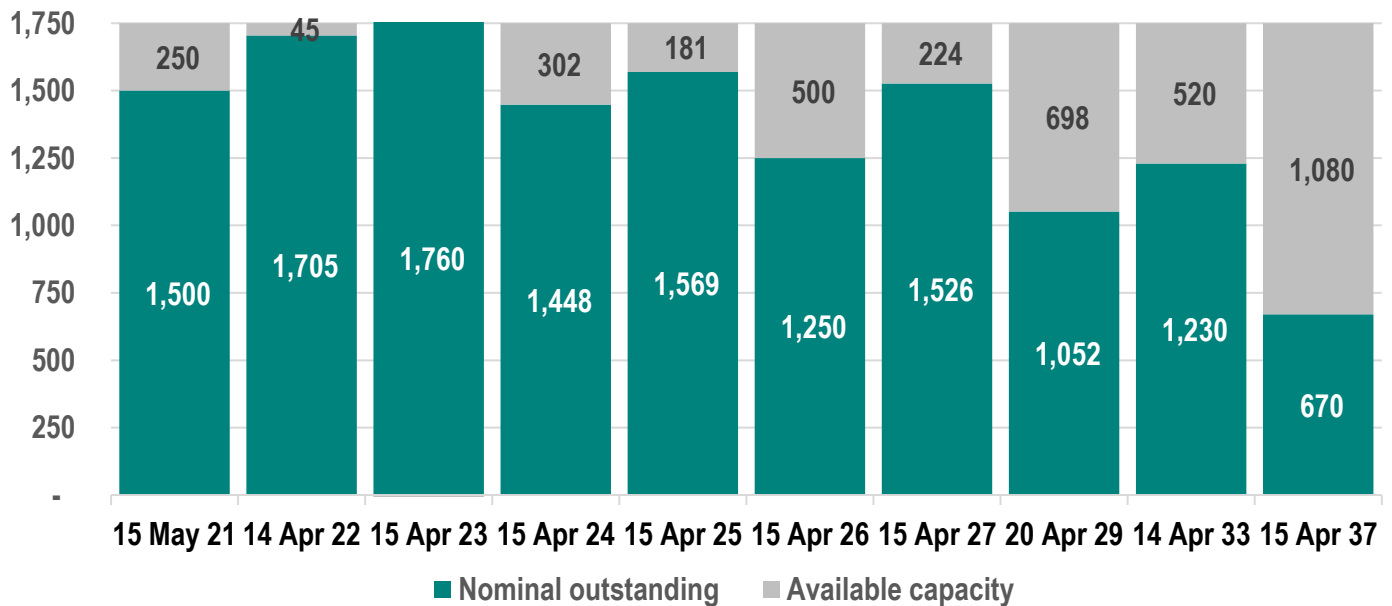
Quarter 2: 2020 - 2021
Period ended: 31 December 2020

Bonds on issue as at 31 December 2020 were \$13.710 billion (including \$950 million of Treasury Stock) across ten tranches. We have a soft cap per maturity of \$1.75 billion.

LGFA retail bonds on issue (NZ\$ million)

As 31 December 2020: NZ\$ 13,710 million

Includes NZ\$950 million treasury stock



In addition to the retail bonds listed on the NZDX, LGFA has NZ\$130 million of Wholesale Floating Rate Notes on issue

Our issuance volume on a rolling 12-month basis of \$3.6 billion remains near historic high levels.

Rolling 12 month Issuance (\$ millions)



Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

C. Summary financial information (provisional and unaudited)

Financial Year (\$m)	YTD as at Q1	YTD as at Q2	YTD as at Q3	YTD as at Q4
Comprehensive income	30-Sep-20	31-Dec-20	31-Mar-21	30-June-21
Interest income	93.38	190.41		
Interest expense	82.22	180.52		
Net interest revenue	4.16	9.89		
Issuance and On-lending costs	0.73	1.40		
Approved issuer levy	Nil	0.59		
Operating expenses	0.93	1.95		
Issuance and operating expenses	1.66	3.94		
Net Profit	2.51	5.95		

Financial position (\$m)	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Retained earnings + comprehensive income	60.25	63.69		
Total assets (nominal)	13,317.68	13,852.05		
Total LG loans (nominal)	11,906.65	12,289.67		
Total LGFA bills (nominal)	594.50	612.50		
Total LGFA bonds (nominal)	12,290.00	12,890.00		
Total borrower notes (nominal)	195.92	207.10		
Total equity	85.24	88.69		

D. Key performance indicators (Section 5 of SOI)

Section 5 of the SOI sets out the ten key performance targets for LGFA.

We are meeting eight out of our ten performance targets and are optimistic on meeting the remaining two targets by June 2021. Our market share is lower due to Auckland Council issuing a \$500 million bond during the September quarter. COVID disruptions and council focus on finalising annual reports for the June 2020 year and working on the draft LTPs has meant that we have not been able to meet with as many council members as expected.

Measure	Prior full year to June 2020	Q1 30 Sept 2020	Q2 31 Dec 2020	Q3 31 Mar 2021	Q4 30 June 2021
LGFA net interest income for the period to June 2021 will be greater than \$18.8 million	Target (\$)	\$4.6 m (YTD as at Q1)	\$9.2 m (YTD as at Q2)	\$14.4 m (YTD as at Q3)	\$18.8 m (FULL YEAR)
	Actual (\$)	\$4.2 m ✗	\$9.9 m ✓		
Annual issuance and operating expenses (excluding AIL) will be less than \$6.30 million	Target (\$)	\$1.63 m (YTD as at Q1)	\$3.4 m (YTD as at Q2)	\$5.0 m (YTD as at Q3)	\$6.8 m (FULL YEAR)
	Actual (\$)	\$1.65 m On track	\$3.35 m ✓		

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

Total nominal lending (short and long term) to participating councils to be at least \$9.79 billion	Target (\$)		\$11.45 b (YTD as at Q1)	\$12.19 b (YTD as at Q2)	\$12.62 b (YTD as at Q3)	\$11.66 b (FULL YEAR)
	Actual (\$)	\$10.899 b	\$11.91 b ✓	\$12.33 b ✓		
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	Target (\$)		Annual Survey in August each year			
	Actual (%)	100%	August 2020 survey outcome of 98.8% ✓			
Meet all lending requests from PLAs	Target (%)		100%	100%	100%	100%
	Actual (%)	100%	100% ✓	100% ✓		
Achieve 85% market share of all council borrowing in New Zealand	Target (%) Rolling annual average		>85%	>85%	>85%	>85%
	Actual (%)	85.7%	76.5% ✗	81.8% ✗		
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	Target (number)		Council visits to total 67 over one year Financial Position + Headroom Review Undertaken in December Quarter			
	Actual	31	no council visits due to COVID travel difficulties ✗	22 council visits but behind plan due to COVID travel difficulties ✗		
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	Target (zero breaches)		nil	nil	nil	nil
	Actual	Two	Nil ✓	Nil ✓		
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due	Target (%)		100%	100%	100%	100%
	Actual (%)	100%	100% ✓	100% ✓		
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	Target (equivalence)		AA+/AA+			
	Actual	AA+/AA+	AA+/AA+ ✓	AA+/AA+ ✓		

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

E. Performance against SOI objectives

Primary objectives (Section 3 of SOI)

Primary Objective:

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA lending base margins are 20 bps for all borrowing terms. The base margin covers our operating costs and provides for capital to grow in line with the growth in our balance sheet. There is an additional credit margin added to the base margin depending upon whether a council has a credit rating or is a guarantor or non-guarantor of LGFA.

LGFA continues to borrow at very competitive spreads compared to the AAA rated SSA issuers (who borrow in the New Zealand debt capital markets), the domestic banks and our closest peer issuer Kainga Ora.

As at 31 December 2020	Comparison to other high-grade issuers - secondary market spread to swap (bps)												
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
LGFA (AA+)	6	12	12	14	16	19	19	24.5	30	33	35	38	40
Kainga Ora (AA+)			13		22	28		32		40			
Asian Development Bank (AAA)	5		10	14	19	22							
IADB (AAA)	6		10	16	21			42					
IFC (AAA)	7		10	16	21		28						
KBN (AAA)	10		12	17	25					43			
Rentenbank (AAA)	7	8	11	17	24								
World Bank (AAA)	6	7	9	14	19	22	25			38			
Nordic Investment Bank (AAA)	5		11		21								
ANZ (AA-)	7		26	29									
BNZ (AA-)			20		34								
Westpac Bank (AA-)		15	21	30	34								
SSA Average	7	8	10	16	21	22	27	42		41			
Bank Average	7	15	22	30	34								

During the quarter LGFA continued to issue long dated bonds (April 2033s and 2037s) providing councils with the opportunity to extend their borrowing if desired. All tenders were successful.

LGFA launched the Standby Facility Agreement as a new product during the quarter and entered into one agreement with a council for \$100 million.

Quarterly Report

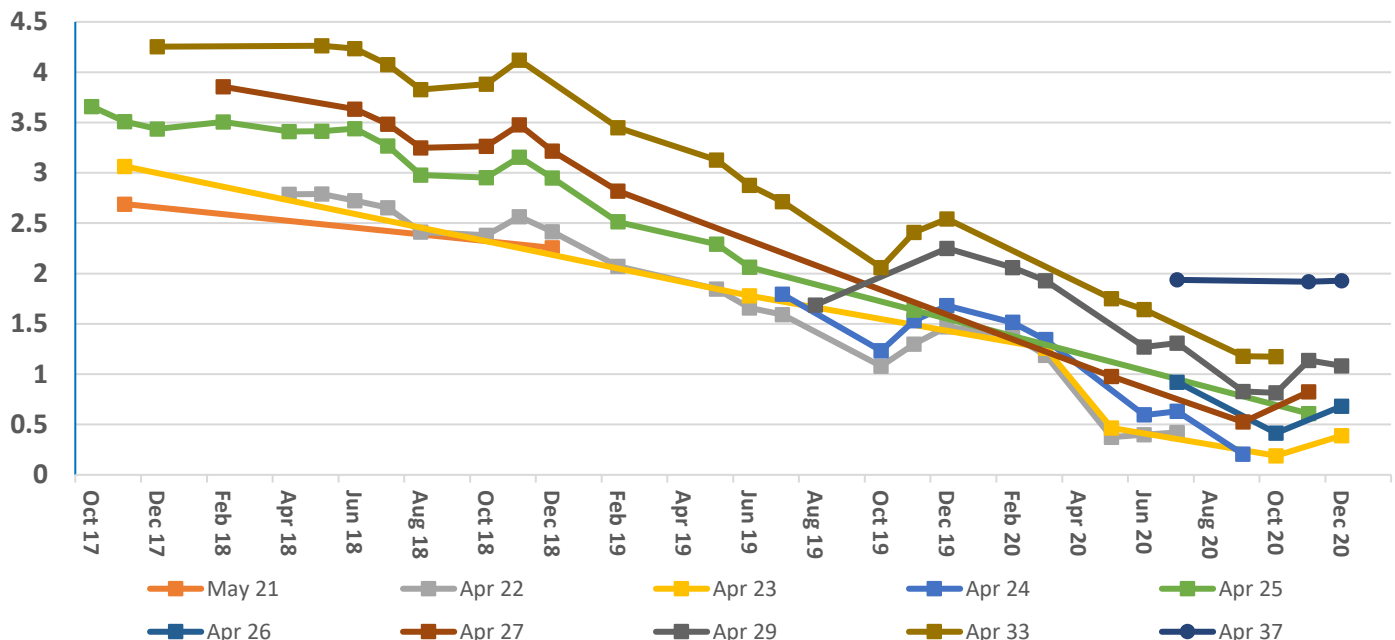
Quarter 2: 2020 - 2021
Period ended: 31 December 2020

The LGFA bond yield curve steepened and rose during the quarter with front end yields (2022s) rising 0.16% and back-end yields (2033s) rising 0.47%. These moves reversed the September quarter movements. Global bond yields rose over the quarter as the short-term negative economic impact from COVID is less than expected and equity markets rallied strongly to reach historic highs. Local banks and investors have reduced their expectations for a negative Official Cash Rate amidst rising house prices and a resilient domestic economy.

LGFA margins to swap narrowed between 3 bps (2022s) and 10 bps (2033s) over the quarter continuing the September quarter tightening and LGFA bond issuance spreads to swap are now at their historic lows. LGFA spreads to NZGB also tightened between 3 bps and 8 bps over the quarter as investors sought additional yield in a low interest rate environment and the RBNZ continued to buy LGFA bonds through its Large-Scale Asset Purchase (LSAP) programme.

We closely monitor the Kauri market for ongoing supply and price action as this other high-grade issuance by “AAA” rated Supranational issuers such as the International Finance Corporation (IFC), Inter-American Development Bank (IADB) and the Asian Development Bank (ADB) influences LGFA demand and pricing. These borrowers are our peer issuers in the NZD market and have the most influence on our pricing. The December quarter was a relatively quiet period for Kauri bond issuance except for the World Bank issuing \$1 billion of a six year and \$300 million of a ten-year bond. Issuance activity by global issuers in New Zealand is subdued as they can achieve more favourable borrowing terms in currency markets other than the NZD.

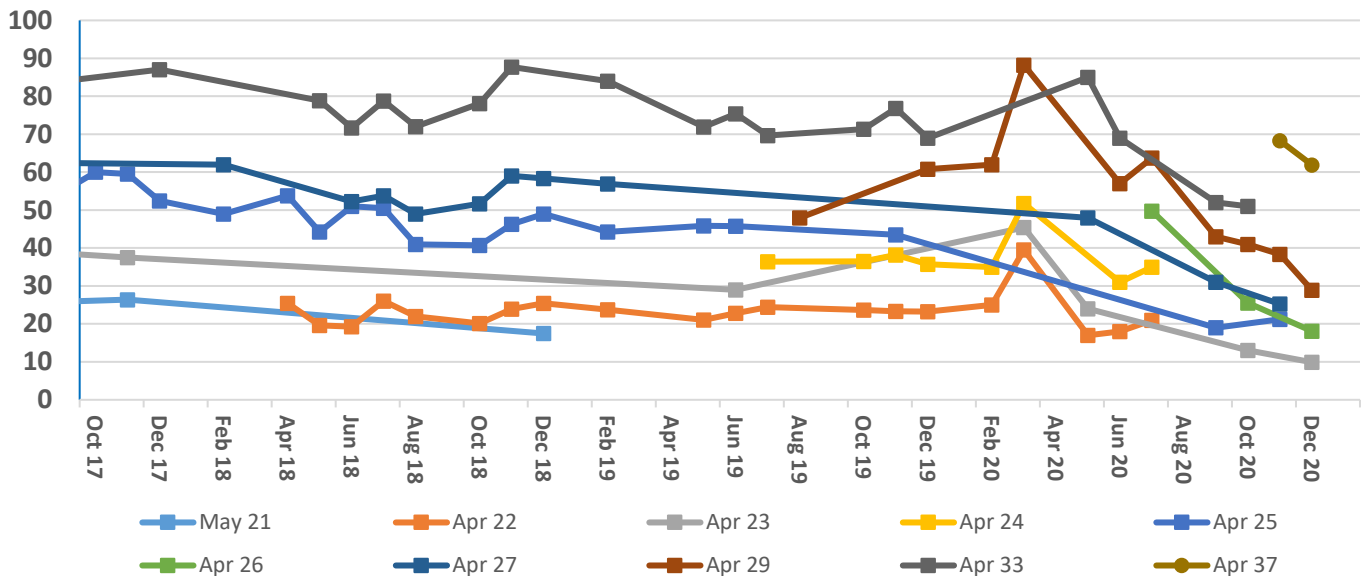
LGFA Bond Issuance Yields (%)
last 30 tenders



Quarterly Report

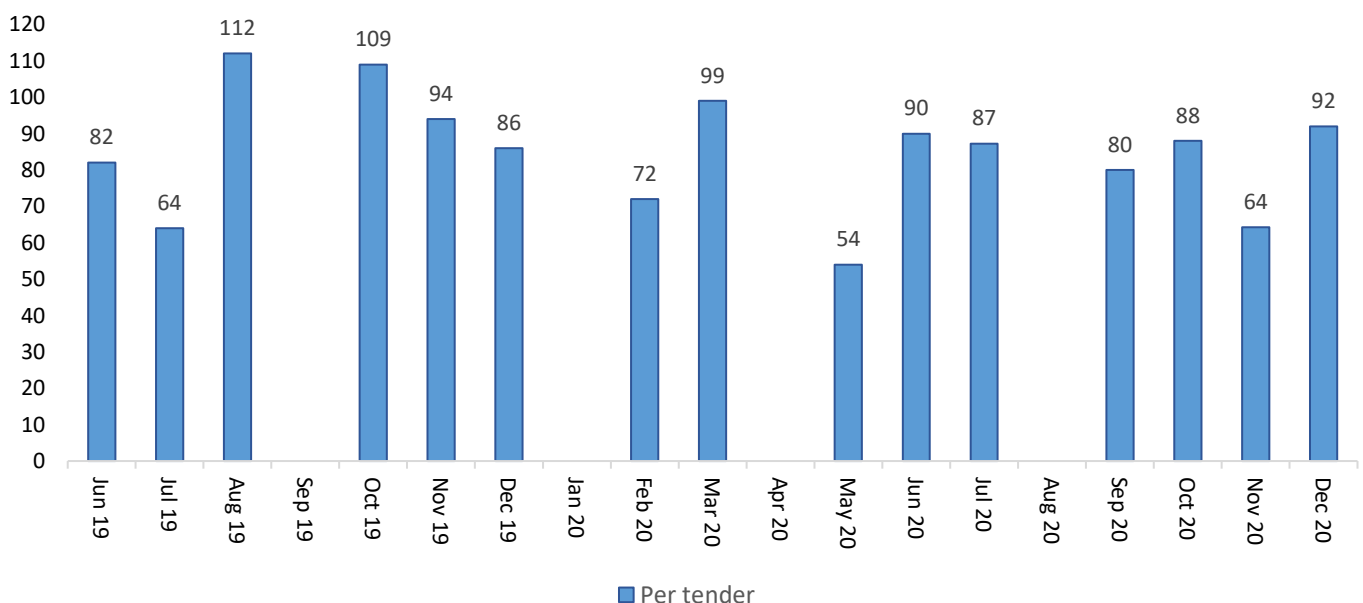
Quarter 2: 2020 - 2021
Period ended: 31 December 2020

Spread to Swap at Tenders (bps)
last 30 tenders



The average borrowing term (excluding short dated borrowing) for the December quarter by council members was 6.77 years which was longer than the average term of 5.42 years for the year to June 2020. This reflected refinancing of the May 2021 loans by councils taking advantage of a recent flattening in the curve, lower outright yields and tighter credit spreads.

Average total months to maturity - On-lending to councils
Last 15 tenders



Quarterly Report

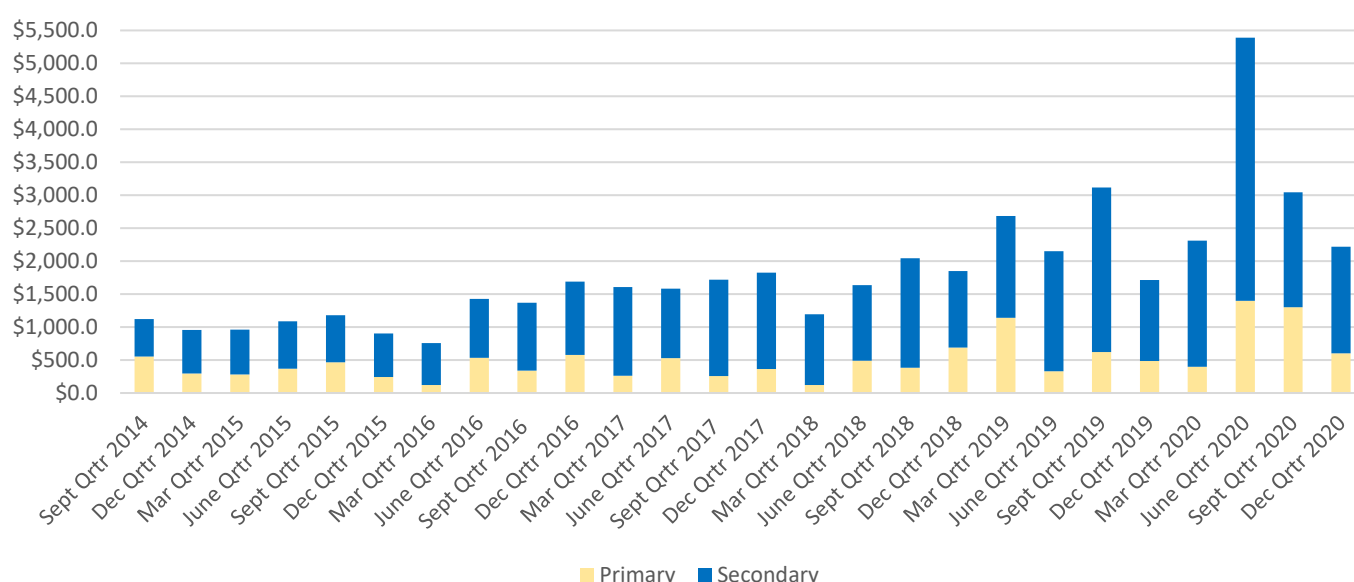
Quarter 2: 2020 - 2021
Period ended: 31 December 2020

Short term borrowing by councils remains well supported with loan terms of between one month and 12 months of \$343.4 million outstanding as at 31 December 2020 to twenty-six councils. The number of councils using this product was unchanged over the quarter while the total amount outstanding increased by \$60 million.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market and we measure strength with participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a healthy market implies high turnover.

Activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) during the quarter was strong but below the record highs seen in prior quarters. There was \$600 million of primary issuance and \$1.6 billion of secondary market activity in LGFA bonds during the quarter.

LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)



LGFA started issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 31 December 2020 there were \$612.5 million of LGFA Bills on issue. We use proceeds from LGFA bills to fund short term lending to councils and invest the balance in our liquid asset portfolio.

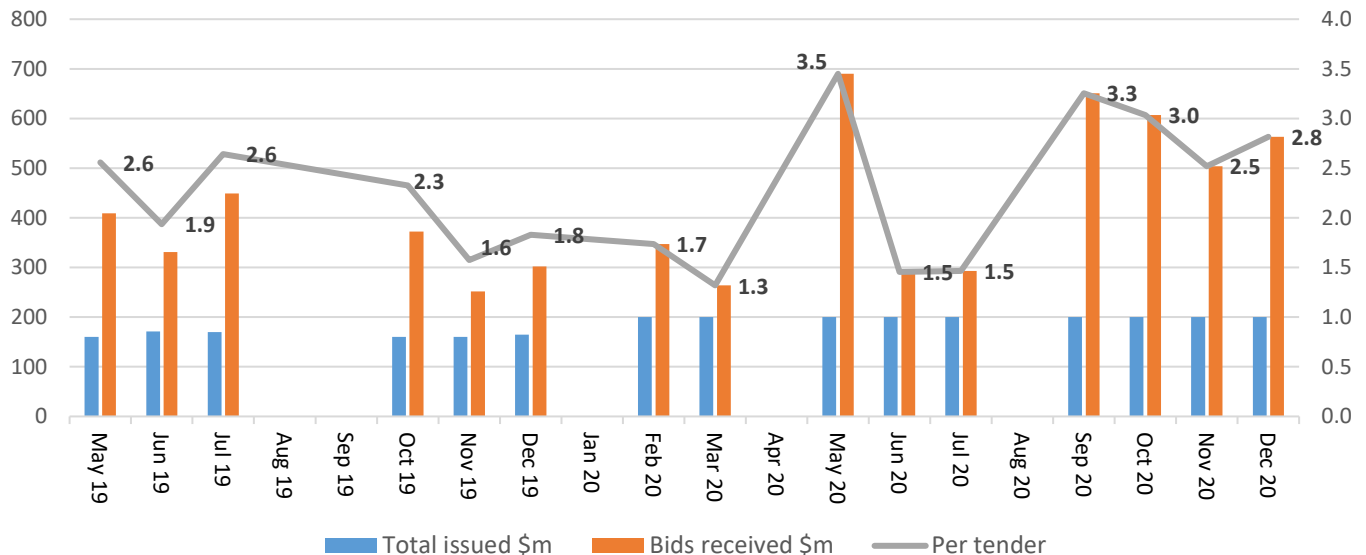
LGFA documented an Australian Medium-Term Notes Programme in November 2017. We have no immediate intention to use this programme, but it provides flexibility if there is a market disrupting event in the future.

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

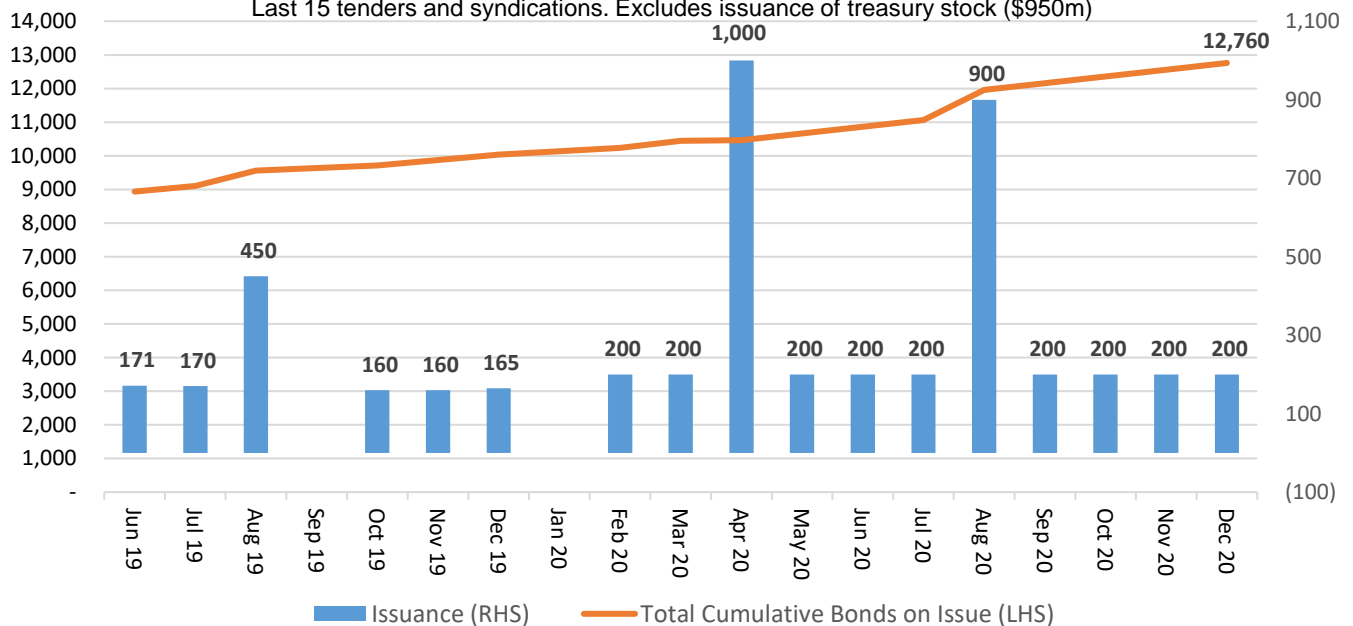
Tender bid/offer summary

Last 15 tenders



LGFA bond issuance (\$ million)

Last 15 tenders and syndications. Excludes issuance of treasury stock (\$950m)



We survey our council members each year on their satisfaction with LGFA and the latest stakeholder survey result in August 2020 was a 99% result to the question “How would you rate LGFA in adding value to your borrowing requirements?”. We also received a 97% result to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

Primary Objective:

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- **Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;**
- **Analyse finances at the Council group level where appropriate and report to shareholders;**
- **Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and**
- **Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.**

Following the lifting of COVID-19 travel restrictions that were in place during the previous two quarters, we commenced council visits again in the later months of 2020. We met with twenty-two councils over the quarter and that number will increase in the second half of the current financial year. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

No council has yet to request to LGFA that they be measured on a group basis.

During the quarter, LGFA management had a strong focus on exploring further the opportunities in the Green, Social and Sustainable lending to councils. The Board and management met with representatives from Central Government on the proposed water reforms. We held investor conference calls for investors and banks relating to bond issuance and provided updates on the impact on the local government sector from COVID-19.

In November we held two conferences for investors in Auckland and Wellington to outline the proposed water sector reforms and potential impacts on the sector and LGFA.

We continue to assist the sector and the advisers in finding ways for LGFA to play a supporting role in providing solutions to off balance sheet financing for councils. LGFA has been contributing expertise to the proposed Ratepayer Financing Scheme (RFS).

Additional objectives (Section 3 of SOI)

1. **Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.**

LGFA has an annual review process regarding our credit ratings from Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") and meets with both agencies at least annually. Formal review meetings were last held in November 2019 with S&P and in October 2020 with Fitch.

On 28 February 2020, S&P affirmed our long-term local currency credit rating (AA+) and our long-term foreign currency credit rating (AA). Both ratings remain on positive outlook and the same as the New Zealand Government.

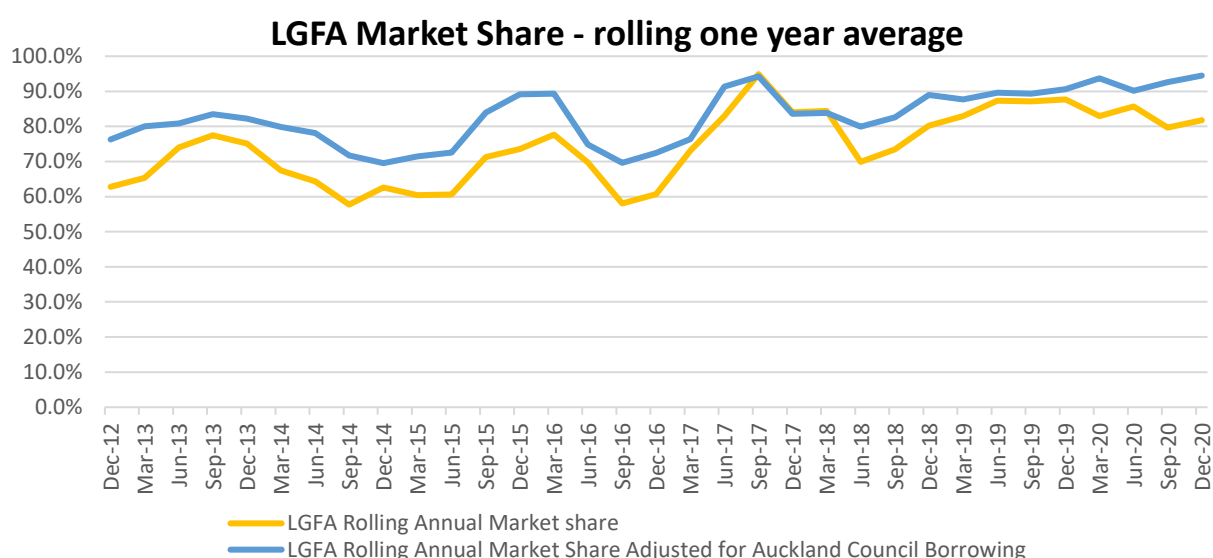
Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

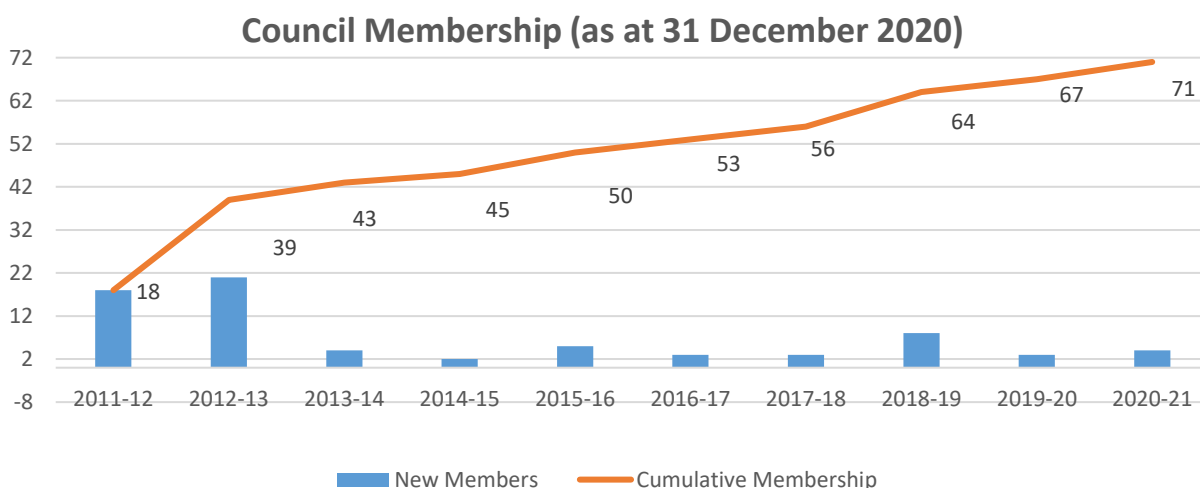
On 4 November 2020, Fitch reaffirmed our long-term local currency credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government. On 28 January 2020 Fitch placed our foreign currency credit rating of AA on positive outlook but left the local currency credit rating unchanged at AA+ with a stable outlook.

2. Provide at least 85% of aggregate long-term debt funding to the Local Government sector.

We use the PwC Local Government Debt Report as our source of market share. Our estimated market share for the rolling twelve-month period to 31 December 2020 was 81.8%. If we adjust for Auckland Council borrowing, then it increases to 94.5%. This compares to a historical average of 73.7% and our market share is strong compared to our global peers.



As at 31 December 2020, there are seventy-one participating local authority members of LGFA. This was an increase of three over the quarter with Waitaki and Central Otago District Councils joining as guarantors and Kawerau District Council joining as a non-guarantor. We estimate a further two councils could become members in the next twelve months.



Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020



3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

For the six-month period to 31 December 2020, Net Interest Income (“NII”) was estimated by management on an unaudited basis to be \$638k above budget while expenses are \$30k below budget. Net Operating Gain of \$5.948 million was \$673k above budget.

Included in the NII is the unrealised mark to market movement in fixed rate swaps that are not designated effective for hedge accounting purposes. We have used these swaps to reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between borrowing and on-lending terms in our balance sheet. The unrealised loss increases as interest rates fall but turns to a profit if interest rates rise. Due to a rise in interest rates since June 2020, the year to date revaluation is a profit of \$317k.

Expenses for the six-month period on an unaudited basis were \$3.938 million which is \$30k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding AIL) at \$1.4 million were \$14k above budget. A larger amount of bond issuance and short-term lending increased these costs relative to budget, primarily in relation to higher NZX costs and legal costs. These were offset to some extent from lower fees than budgeted relating to the NZDM facility.
- Operating costs at \$1.945 million were \$33k below budget due to lower travel and consulting costs offset by higher legal and personnel costs relative to budget.
- Approved Issuer Levy (AIL) payments of \$593k were \$11k below budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings are just below our SOI forecasts.

4. Meet or exceed the Performance Targets outlined in section 5.

See Section D on page 7 of this report.

As at 31 December 2020 we were meeting eight out of the ten performance targets but are confident that we will meet all targets by 30 June 2021.

5. Comply with the Health and Safety at Work Act 2015

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no Health and Safety incidents during the quarter.

6. Comply with Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.

There were no compliance breaches during the six-month period ending 31 December 2020.

Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020



7. Assist the local government sector with their COVID-19 response.

Shareholders on 30 June 2020 approved a change to the Foundation Policy covenants. For the financial year ending 30 June 2021 the net debt/total revenue covenant for borrowers with an external credit rating of at least 'A+' has been increased from 250% to 300%. This is to provide short term relief from a temporary reduction in revenue and allows councils to coinvest alongside central Government in infrastructure projects in response to COVID-19

As mentioned previously, LGFA has been contributing expertise to the Ratepayer Financing Scheme project that if successful could offer temporary financial relief to ratepayers via rates postponement.

LGFA has introduced a new lending Standby Facility product that will provide greater certainty of access to emergency funding for councils at a lower cost than going to the traditional bank provider.

LGFA has extended the longest dated lending maturity for councils from 2033 to 2037 to enable councils to be better match assets with liabilities and to benefit from record lows in interest rates and borrowings spreads.

F. Investor relations

Managing relations with our investor base is very important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our ongoing tender issuance.

Over the three-month period to 31 December 2020 we issued \$600 million of LGFA bonds and there were no bond maturities. The change in holdings amongst our investor groups during that time was

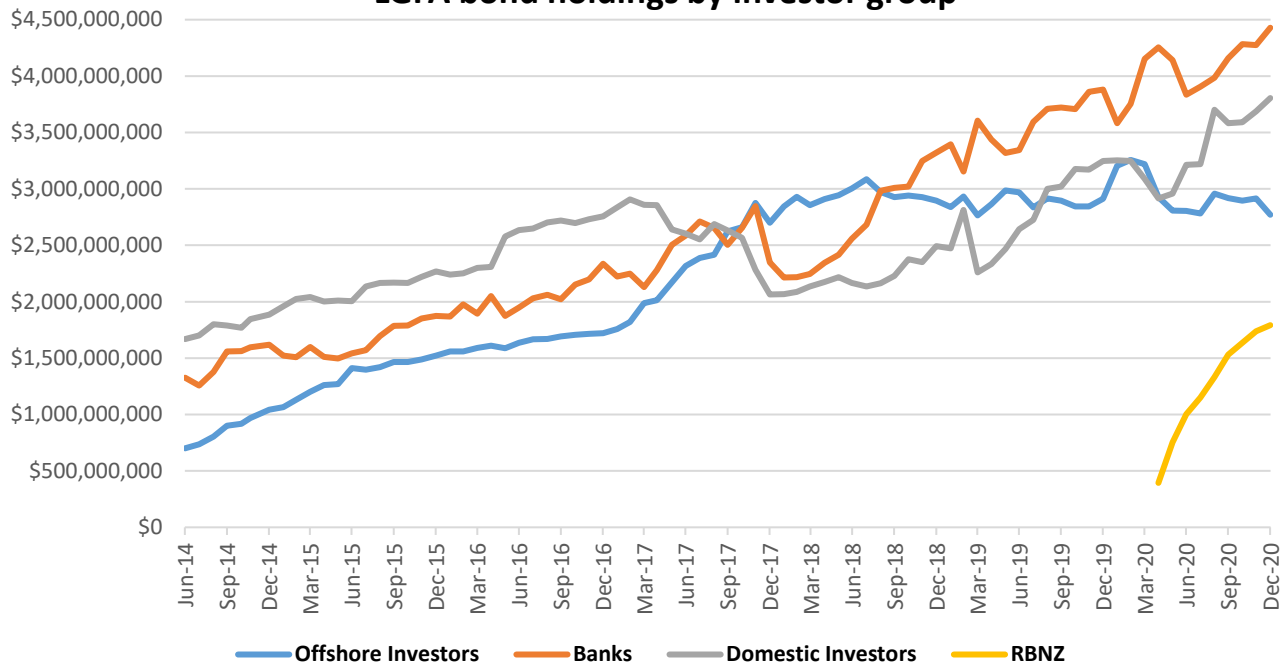
- Offshore investor holdings reduced by \$149 million (and reduced by \$143 million from 31 December 2019) and holdings are estimated to be \$2.70 billion as at 31 December 2020
- Domestic bank holdings increased by \$270 million (and up \$577 million from 31 December 2020) and holdings are estimated to be \$4.43 billion as at 31 December 2020
- Domestic investor (retail and institutional) holdings increased by \$221 million (and up \$528 million from 31 December 2020) and holdings are estimated to be \$3.85 billion as at 31 December 2020
- The Reserve Bank of New Zealand (RBNZ) increased their holdings by \$261 million over the quarter and now hold \$1.79 billion as at 31 December 2020.

Domestic banks continue to buy the short to mid curve LGFA bonds for their liquid asset books given the low interest rate environment and subdued outlook for lending. While offshore investors have reduced their holdings, they do remain supportive of LGFA bonds despite the relative unattractiveness of NZ to other markets.

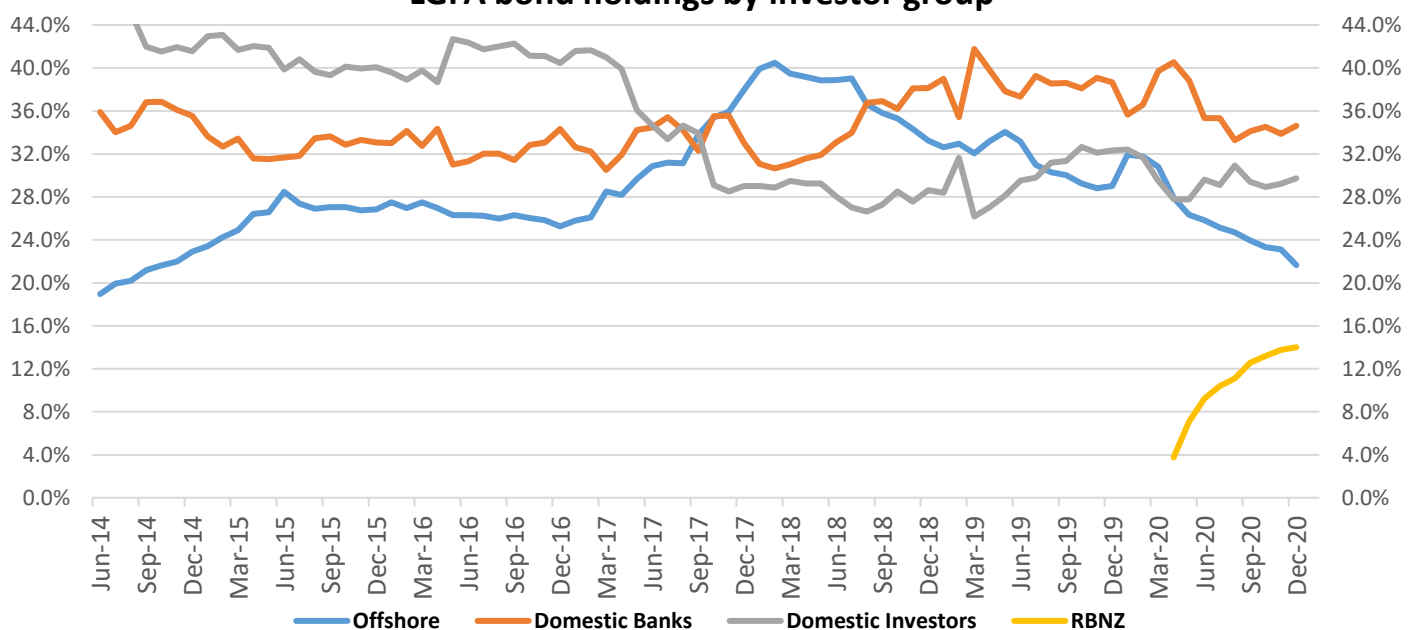
Quarterly Report

Quarter 2: 2020 - 2021
Period ended: 31 December 2020

LGFA bond holdings by investor group



LGFA bond holdings by investor group



Treasury management report

Meeting: Audit, Risk and Finance Committee
Date of meeting: 11 March 2021
Reporting officer: Graeme Coleman, Financial & Risk Manager

Purpose/Ngā whāinga

To provide the Audit, Risk and Finance Committee (the Committee) with detailed treasury management information and to provide an opportunity to discuss strategic directions.

Executive summary/Whakarāpopototanga

Council undertakes treasury management activities in accordance with its Treasury Management Policy and Treasury Operations Schedule. Council is working closely with PwC treasury advisors.

Council management provides the Committee with detailed operational treasury reporting

Attachments A—B.

Tools and techniques that are used to manage debt and funding are:

- Daily cash flow forecasting, undertaken in-house
- A treasury model, managed jointly by Council and PwC to monitor Council's funding and interest rate risk management position at a given point
- PwC treasury advisors provide in-depth advice on a monthly basis.

Council primarily borrows from the Local Government Funding Agency (LGFA) who provides the cheapest debt financing and longest maturity terms for debt financing available. Since 2016 Council has progressively refinanced and repaid debt.

Council borrowed two tranches of \$15 million and \$10 million with maturity date 15 May 2021. This existing funding maturity is now due within the period of 0 to 3 years, breaching Council's funding and liquidity position. Council is working together with PwC to refinance the borrowings ahead of 15 May 2021.

At 28 February 2021 a total of \$44 million was drawn.

Recommendation/Ngā tūtohunga

That the Audit, Risk and Finance Committee:

- a) Notes the treasury management report for February 2021.

Context/Horopaki

Council's current Treasury Management Policy was adopted in September 2020. Council's specialist Treasury advisors are PwC, since 2011.

Discussion/Ngā kōrerorero

Council management conducts treasury operations in conjunction with Council's advisors, PwC.

Tools and techniques that are used to manage debt are:

- Daily cash flow forecasting - projecting timing of cash movements over the course of the year
- A treasury model - managed jointly by Council and PwC to monitor Council's debt management position at a given point. This tool records loans and swaps that have been entered into and monitors the position against policy limits. It reflects on the current positions and projects future positions.

Council's funding and liquidity risk position (note that this position assumes existing funding maturities are repaid as they fall due).

Council's maturity profile showing its funding and liquidity risk position:

- Actual liquidity ratio is 123%.
- Committed loans are \$53.3m.
- Current Net Debt is \$43.3m.

	Minimum cover to Maximum cover	Actual %	Compliance
0 to 3 years	15% to 60%	83%	No
3 to 7 years	25% to 85%	17%	No
7 years plus	0% to 60%	0%	No

The liquidity risk position is outside of the policy and once it does not comply with policy for 90 days then Council has to officially accept that there will be a breach. This will continue to be breached in the future with a large amount of debt (\$25 million) coming due at 15 May 2021, **Attachment A**.

Current position (28 February 2021): Indicates whether or not Council is within Treasury Policy parameters and its current funding and liquidity risk position, **Attachment B**:

Council's borrowing should be within the following fixed/floating interest rate risk control limit.

Period	Minimum to Maximum Fixed	Actual %	Compliance
0 – 36 months	40% to 90%	80% Fixed	Yes
37 - 60 months	35% to 75%	51% Fixed	Yes
60 - 84 months	0% to 60%	19% Fixed	Yes
Greater than 84 months	0% to 50%	10% Fixed	Yes

There is no breach of the policy parameters.

Debt Interest rate policy parameters:

Debt ratios and limits:

Ratio	KDC Policy	LGFA Covenants	KDC as at 31 October 2020	Compliance
Net debt as a percentage of total revenue	<170%	<175%	81%	Yes
Net interest as a percentage of total revenue	<15%	<20%	3%	Yes
Net interest as a percentage of annual rates income	<20%	<25%	5%	Yes
Liquidity	>110%	>110%	123%	Yes

Council is well within its policy limits as at 28 February 2021.

Refinancing of the \$25 million loan maturing May 2021: To ensure that Council is able to meet its debt repayment obligations and have sufficient funding available on 15 May 2021 Council will participate in the LGFA borrowing rounds in March and April for \$5 million each. This will leave \$15 million to be borrowed in May. Obtaining the funding early will cost approximately \$12,000 in additional interest but and is the trade-off for the risk reduction of not being able to renew the whole \$25 million in May.

Taking some funding early will also assist in realigning the maturity profile. The surplus funds will be placed into Council's on call account until required. Arranging finance within LTP debt levels is within staff delegation.

The following table summarises the current and proposed debt maturity position after the refinancing and in relation the Treasury Policy.

Period	Policy		Current Profile			New Profile		
	Minimum Cover	Maximum Cover	\$	%	\$	\$	%	\$
0 to 3 years	15%	60%	35,000,000	79.5%	Out of policy	10,000,000	22.7%	In Policy
3 to 7 years	25%	85%	9,000,000	20.5%	Out of policy	28,000,000	63.6%	In Policy
7 years plus	0%	60%	-	0.0%	In policy	6,000,000	13.6%	In policy
			44,000,000	100%		44,000,000	100%	

Surplus Funds: Where Council has received funds in advance of operational spend or capital projects these funds are transferred to a BNZ on call account. The rate of return on that account is currently 0.05%pa. Before any funds are put on term deposit further work needs to be undertaken to ensure that there is a high level of confidence of the cashflow requirements for the projects those funds are tagged for.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Next steps/E whaiake nei

This report is for information only and does not trigger legal or delegation implications.

Attachments/Ngā tapiritanga

A	Funding and liquidity risk position at 28 February 2021
B	Debt interest rate policy parameters at 28 February 2021

28-Feb-21

Kaipara District Council Funding & Liquidity Risk Position

Committed Loans/Stock/Facilities/Investments \$53.3m

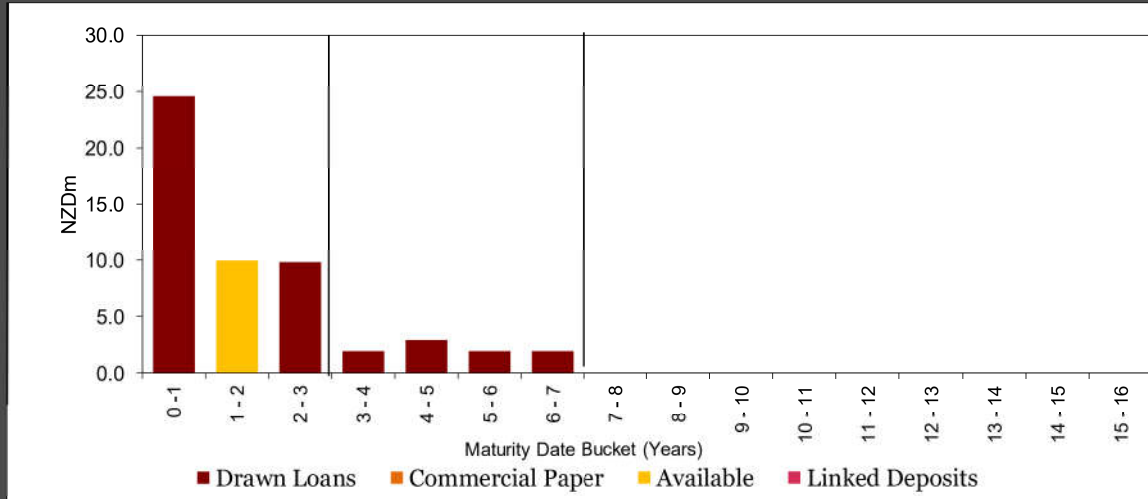
Policy Liquidity Ratio $\geq 110\%$

Current External Debt \$43.3m

Actual Liquidity Ratio 123%

Current Net Debt \$43.3m

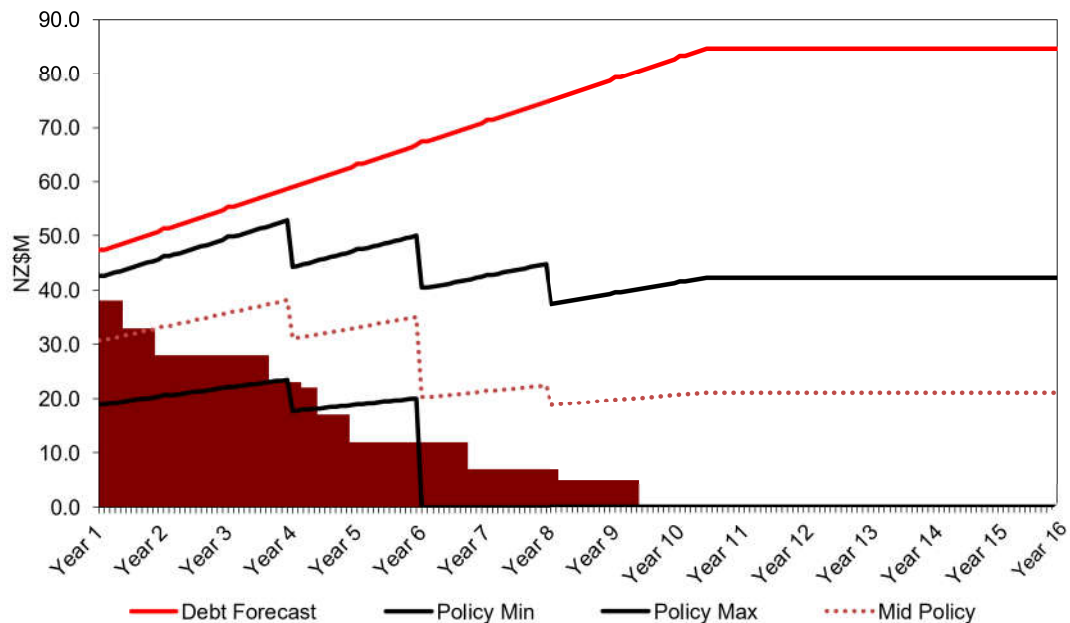
	0 - 3 years	3 - 7 years	7 years plus
Policy Target Band	15%-60%	25%-85%	0%-60%
Actual	83%	17%	0%
Actual (NZDm)	44.44	8.86	0.00



Current Positions

28-Feb-21

Kaipara District Council Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)



Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)

Debt Period Ending	Debt Forecast	Minimum %	Maximum %	Actual	Compliant (Y/N)
Year 1	47	40%	90%	80%	Yes
Year 2	51	40%	90%	55%	Yes
Year 3	55	40%	90%	51%	Yes
Year 4	59	30%	75%	39%	Yes
Year 5	63	30%	75%	19%	No
Year 6	67	0%	60%	18%	Yes
Year 7	71	0%	60%	10%	Yes
Year 8	75	0%	50%	9%	Yes
Year 9	79	0%	50%	6%	Yes
Year 10	83	0%	50%	0%	Yes
Year 11	85	0%	50%	0%	Yes
Year 12	85	0%	50%	0%	Yes
Year 13	85	0%	50%	0%	Yes
Year 14	85	0%	50%	0%	Yes
Year 15	85	0%	50%	0%	Yes

Recommendation to move into public excluded session

The following recommendation is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 (LGOIMA) and the particular interest or interests protected by section 7 of the Act.

On the grounds that matters will be prejudiced by the presence of members of the public during discussions on the following items, it is recommended:

Recommendation/Ngā tūhunga

a) That the following items are considered with the public excluded:

Item	Grounds for excluding the public
Contract monitoring and reporting	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (LGOIMA s7(2)(i))
Cyber security incident update	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (LGOIMA s7(2)(i))
Insurance renewal update	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (LGOIMA s7(2)(i))