



Notice is hereby given that a meeting of the Finance and Assurance Committee will be held on:

Date: Monday, 28 March 2022  
Time: 9am  
Venue: Virtual meeting via Zoom

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## Finance and Assurance Committee Agenda OPEN

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### MEMBERSHIP

Chairperson	Mr Bruce Robertson (external member)
Deputy Chair	Mayor Gary Tong
Councillors	Ebel Kremer
	Don Byars
	John Douglas
	Paul Duffy
	Julie Keast

### IN ATTENDANCE

Chief financial officer	Anne Robson
Committee advisor	Fiona Dunlop

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Online: [Southland District Council YouTube](#)

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[www.southlanddc.govt.nz](http://www.southlanddc.govt.nz)

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Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.



## Health and safety – emergency procedures

Toilets – The toilets are located outside of the chamber, directly down the hall on the right.

Evacuation – Should there be an evacuation for any reason please exit down the stairwell to the assembly point, which is the entrance to the carpark on Spey Street. Please do not use the lift.

Earthquake – Drop, cover and hold applies in this situation and, if necessary, once the shaking has stopped we will evacuate down the stairwell without using the lift, meeting again in the carpark on Spey Street.

Phones – Please turn your mobile devices to silent mode.

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Covid QR code – Please remember to scan the Covid Tracer QR code.

## Terms of Reference – Finance and Assurance Committee

TYPE OF COMMITTEE	Council standing committee
RESPONSIBLE TO	Council
SUBCOMMITTEES	None
LEGISLATIVE BASIS	<p>Committee constituted by Council as per schedule 7, clause 30 (1)(a), LGA 2002.</p> <p>Committee delegated powers by Council as per schedule 7, clause 32, LGA 2002.</p>
MEMBERSHIP	Mayor, three councillors and one external appointee
FREQUENCY OF MEETINGS	Quarterly or as required
QUORUM	Three members
SCOPE OF ACTIVITIES	<p>The Finance and Assurance Committee is responsible for:</p> <ul style="list-style-type: none"> <li>• ensuring that Council has appropriate financial, risk management and internal control systems in place that provide: <ul style="list-style-type: none"> <li>- an overview of the financial and non-financial performance of the organisation</li> <li>- effective management of potential opportunities and adverse effects</li> <li>- reasonable assurance as to the integrity and reliability of Council's financial and non-financial reporting.</li> </ul> </li> <li>• exercising active oversight of information technology systems</li> <li>• exercising active oversight of Council's health and safety policies, processes, compliance, results and frameworks</li> <li>• relationships with external, internal auditors, banking institutions and insurance brokers.</li> </ul> <p>The Finance and Assurance Committee will monitor and assess the following:</p> <ul style="list-style-type: none"> <li>• the financial and non-financial performance of Council against budgeted and forecasted outcomes</li> <li>• consideration of forecasted changes to financial outcomes</li> <li>• Council's compliance with legislative requirements</li> <li>• Council's risk management framework</li> <li>• Council's control framework</li> <li>• Council's compliance with its treasury responsibilities</li> <li>• Council's compliance with its Fraud Policy.</li> </ul>



DELEGATIONS	<p>The Finance and Assurance Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.</p> <p>In exercising the delegated powers, the Finance and Assurance Committee will operate within:</p> <ul style="list-style-type: none"> <li>• policies, plans, standards or guidelines that have been established and approved by Council</li> <li>• the overall priorities of Council</li> <li>• the needs of the local communities</li> <li>• the approved budgets for the activity.</li> </ul> <p>The Finance and Assurance Committee will have responsibility and delegated authority in the following areas:</p> <p><b>Financial and Performance Monitoring</b></p> <ul style="list-style-type: none"> <li>a) monitoring financial performance to budgets</li> <li>b) monitoring service level performance to key performance indicators.</li> </ul> <p><b>Internal Control Framework</b></p> <ul style="list-style-type: none"> <li>a) reviewing whether Council's approach to maintaining an effective internal control framework is sound and effective</li> <li>b) reviewing whether Council has taken steps to embed a culture that is committed to probity and ethical behaviour</li> <li>c) reviewing whether there are appropriate systems, processes and controls in place to prevent, detect and effectively investigate fraud.</li> </ul> <p><b>Internal Reporting</b></p> <ul style="list-style-type: none"> <li>a) to consider the processes for ensuring the completeness and quality of financial and operational information being provided to Council</li> <li>b) to seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.</li> </ul> <p><b>External Reporting and Accountability</b></p> <ul style="list-style-type: none"> <li>a) agreeing the appropriateness of Council's existing accounting policies and principles and any proposed change</li> <li>b) enquiring of internal and external auditors for any information that affects the quality and clarity of Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above</li> </ul>
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- c) satisfying itself that the financial statements and statements of service performance are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie letters of representation), and recommend signing of the financial statements by the chief executive/mayor and adoption of the Annual Report, Annual Plans, Long Term Plans

### **Risk Management**

- a) reviewing whether Council has in place a current, comprehensive and effective risk management framework and associated procedures for effective identification and management of the Council's significant risks
- b) considering whether appropriate action is being taken to mitigate Council's significant risks.

### **Health and Safety**

- a) review, monitor and make recommendations to Council on the organisations health and safety risk management framework and policies to ensure that the organisation has clearly set out its commitments to manage health and safety matters effectively.
- b) review and make recommendations for Council approval on strategies for achieving health and safety objectives
- c) review and recommend for Council approval targets for health and safety performance and assess performance against those targets
- d) monitor the organisation's compliance with health and safety policies and relevant applicable law
- e) ensure that the systems used to identify and manage health and safety risks are fit for purpose, being effectively implemented, regularly reviewed and continuously improved. This includes ensuring that Council is properly and regularly informed and updated on matters relating to health and safety risks
- f) seek assurance that the organisation is effectively structured to manage health and safety risks, including having competent workers, adequate communication procedures and proper documentation
- g) review health and safety related incidents and consider appropriate actions to minimise the risk of recurrence
- h) make recommendations to Council regarding the appropriateness of resources available for operating the health and safety management systems and programmes
- i) any other duties and responsibilities which have been assigned to it from time to time by Council.

**Internal Audit**

- a) approve appointment of the internal auditor, internal audit engagement letter and letter of understanding
- b) reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on Council's risk profile
- c) reviewing the adequacy of management's implementation of internal audit recommendations
- d) reviewing the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

**External Audit**

- a) confirming the terms of the engagement, including the nature and scope of the audit, timetable and fees, with the external auditor at the start of each audit
- b) receiving the external audit report(s) and review action(s) to be taken by management on significant issues and audit recommendations raised within
- c) enquiring of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks.

**Compliance with Legislation, Standards and Best Practice Guidelines**

- a) reviewing the effectiveness of the system for monitoring Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and best practice guidelines as applicable
- b) conducting and monitoring special investigations, in accordance with Council policy, and reporting the findings to Council
- c) monitoring the performance of Council organisations, in accordance with the Local Government Act.

**Business Case Review**

- a) review of the business case of work, services, supplies, where the value of these or the project exceeds \$2 million or the value over the term of the contract exceeds \$2 million.

	<p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>a) consider Council's insurance requirements, considering its risk profile</li> <li>b) approving the annual insurance renewal requirements</li> </ul> <p><b>Treasury</b></p> <ul style="list-style-type: none"> <li>a) oversee the treasury function of Council ensuring compliance with the relevant Council policies and plans</li> <li>b) ensuring compliance with the requirements of Council's trust deeds are met</li> <li>c) recommend to Council treasury policies at least every three years.</li> <li>d) approve debt, interest rate and external investment management strategy.</li> </ul> <p><b>Fraud Policy</b></p> <ul style="list-style-type: none"> <li>a) receive and consider reports relating to the investigation of suspected fraud</li> <li>b) monitor the implementation of the Fraud Policy.</li> </ul> <p><b>Power to Recommend</b></p> <p>The Finance and Assurance Committee is responsible for considering and making recommendations to Council regarding:</p> <ul style="list-style-type: none"> <li>a) policies relating to risk management, rating, loans, funding and purchasing</li> <li>b) accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements</li> <li>c) the approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.</li> </ul> <p>The Finance and Assurance Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases completed under the 'Power to Act' section above.</p>
FINANCIAL DELEGATIONS	<p>Council authorises the following delegated authority of financial powers to Council committees in regard to matters within each committee's jurisdiction.</p> <p><b>Contract Acceptance:</b></p> <ul style="list-style-type: none"> <li>• accept or decline any contract for the purchase of goods, services, capital works or other assets where the total value of the lump sum contract does not exceed the sum allocated in the Long Term Plan/Annual Plan and the contract relates to</li> </ul>

	<p>an activity that is within the scope of activities relating to the work of the Finance and Assurance Committee</p> <ul style="list-style-type: none"> <li>• accept or decline any contract for the disposal of goods, plant or other assets other than property or land that is provided for in the Long Term Plan</li> </ul> <p><b>Budget Reallocation.</b></p> <p>The committee is authorised to reallocate funds from one existing budget item to another. Reallocation of this kind must not impact on current or future levels of service and must be:</p> <ul style="list-style-type: none"> <li>• funded by way of savings on existing budget items</li> <li>• within the jurisdiction of the committee</li> <li>• consistent with the Revenue and Financing Policy.</li> </ul>
LIMITS TO DELEGATIONS	<p>Matters that must be processed by way of recommendation to Council include:</p> <ul style="list-style-type: none"> <li>• amendment to fees and charges relating to all activities</li> <li>• powers that cannot be delegated to committees as per the Local Government Act 2002 and sections 2.4 and 2.5 of this manual.</li> </ul> <p>Delegated authority is within the financial limits in section 9 of this manual.</p>
RELATIONSHIPS WITH OTHER PARTIES	<p>The committee shall maintain relationships with each of the nine community boards.</p> <p>Professional advisors to the committee shall be invited to attend all meetings of the committee including:</p> <ul style="list-style-type: none"> <li>• external auditor</li> <li>• internal auditor/risk advisor (if appointed)</li> <li>• chief financial officer.</li> </ul> <p>At each meeting, the chairperson will provide the external auditor and the internal auditor/risk advisor (if appointed) with an opportunity to discuss any matters with the committee without management being present. The chairperson shall request the chief executive and staff in attendance to leave the meeting for the duration of the discussion. The chairperson will provide minutes for that part of the meeting.</p> <p>The chief executive and the chief financial officer shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, material breakdown in internal controls and any material event of fraud.</p> <p>The committee shall provide guidance and feedback to Council on financial performance, risk and compliance issues.</p>

	<p>The committee will report to Council as it deems appropriate but no less than twice a year.</p>
CONTACT WITH MEDIA	<p>The committee chairperson is the authorised spokesperson for the committee in all matters where the committee has authority or a particular interest.</p> <p>Committee members, including the chairperson, do not have delegated authority to speak to the media and/or outside agencies on behalf of Council on matters outside of the committee's delegations.</p> <p>The chief financial officer will manage the formal communications between the committee and its constituents and for the committee in the exercise of its business. Correspondence with central government, other local government agencies or other official agencies will only take place through Council staff and will be undertaken under the name of Southland District Council.</p>

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## PUBLIC EXCLUDED

Procedural motion to exclude the public

289

C8.1 Foveaux road alliance contract review for 2021/2022

C8.2 Follow up audit action points



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1 Apologies

At the close of the agenda no apologies had been received.

2 Leave of absence

At the close of the agenda no requests for leave of absence had been received.

3 Conflict of interest

Committee members are reminded of the need to be vigilant to stand aside from decision-making when a conflict arises between their role as a member and any private or other external interest they might have.

4 Public forum

Notification to speak is required by 12noon at least one clear day before the meeting. Further information is available at [www.southlanddc.govt.nz](http://www.southlanddc.govt.nz) or by phoning 0800 732 732.

5 Extraordinary/urgent items

To consider, and if thought fit, to pass a resolution to permit the committee to consider any further items which do not appear on the agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the chairperson must advise:

- (i) the reason why the item was not on the agenda, and
- (ii) the reason why the discussion of this item cannot be delayed until a subsequent meeting.

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

**"Where an item is not on the agenda for a meeting,-**

- (a) that item may be discussed at that meeting if-
  - (i) that item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further **discussion."**

6 Confirmation of minutes

6.1 Meeting minutes of Finance and Assurance Committee, 11 February 2022



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## Finance and Assurance Committee

### OPEN MINUTES

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Minutes of a meeting of Finance and Assurance Committee as a Virtual meeting via Zoom on Friday, 11 February 2022 at 9.01am (9.01am – 11.16am, 11.31am – 12.39pm (PE11.44am – 12.39pm))

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#### PRESENT

Chairperson	Bruce Robertson Mayor Gary Tong (9.01am – 10.14am, 10.16am – 11.16am, 11.31am – 12.39pm)
Deputy chairperson	Ebel Kremer
Councillors	Don Byars John Douglas Paul Duffy Julie Keast

#### IN ATTENDANCE

Councillor Christine Menzies (9.22am – 11.16am, 11.31am – 12.39pm)  
Chief financial officer - Anne Robson  
Committee advisor - Fiona Dunlop

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1 Apologies

There were no apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of interest

There were no conflicts of interest declared.

4 Public forum

There was no public forum.

5 Extraordinary/urgent items

There were no extraordinary/urgent items.

6 Confirmation of minutes

Resolution

Moved Chairperson Robertson, seconded Cr Keast and resolved:

That the Finance and Assurance Committee confirms the minutes of the meeting held on 17 December 2021 as a true and correct record of that meeting.

Reports

7.1 Finance and Assurance Committee Work plan for the year ended 30 June 2022

Record No: R/21/12/66291

Project accountant – Emma Strong was in attendance for this item.

Resolution

Moved Chairperson Robertson, seconded Cr Douglas and resolved:

That the Finance and Assurance Committee:

- a) receives **the report titled “Finance and Assurance Committee Work plan for the year ended 30 June 2022” dated 4 February 2022.**

- b) notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2022 since the last meeting.

## 7.2 Draft significant forecasting assumptions for the 2022/2023 Annual Plan

Record No: R/21/11/62194

Corporate performance lead – Jason Domigan and Project accountant – Emma Strong were in attendance for this item.

Mr Domigan and Mrs Strong advised that the purpose of the report was for the Committee to review and endorse the draft significant forecasting assumptions to be used to compile the 2022/2023 Annual Plan which will be adopted in June 2022.

(During discussion on the item Councillor Menzies joined the meeting at 9.22am.)

Resolution

Moved Chairperson Robertson, seconded Deputy Chairperson Kremer and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft significant forecasting assumptions for the 2022/2023 Annual Plan” dated 4 February 2022.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Endorse the significant forecasting assumptions from the Long Term Plan 2021-2031 (attachment A of the officers report) including the proposed change below:
  - i) Increase the interest rates on borrowing from 2% to 3%.

## 7.3 Progress report on Annual Plan 2022/2023

Record No: R/22/1/1924

Corporate performance lead – Jason Domigan and Project accountant – Emma Strong were in attendance for this item.

Mr Domigan advised that the purpose of the report was to provide an update to the Finance and Assurance Committee on the progress of the Annual Plan 2022/2023.

Resolution

Moved Chairperson Robertson, seconded Cr Douglas and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Progress report on Annual Plan 2022/2023” dated 4 February 2022.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Endorse the updated Annual Plan 2022/2023 project plan.
- e) Recommends to Council that formal consultation on the Annual Plan not be undertaken due to no significant or material differences from year two of the 2021/2031 Long Term Plan.
- f) Recommends to Council that Annual Plan information be communicated to the community through First Edition.

(Mayor Tong left the meeting at 10.14am.)

7.4 Approach to borrowing

Record No: R/21/6/25966

Chief financial officer – Anne Robson was in attendance for this item.

Miss Robson advised that the purpose of the report was for the Committee to consider the **the Council’s Liability Management Policy and make a recommendation to Council.**

(During discussion on the item Mayor Tong returned to the meeting at 10.16am.)

Moved Chairman Bruce Robertson, seconded Councillor Kremer the following recommendations:

That the Finance and Assurance Committee:

- a) **receives the report titled “Approach to borrowing” dated 4 February 2022.**
- b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) **agrees the following borrowing approach in line with Council's Liability policy plus 1.6% of borrowers notes where required**

Instrument	Amount (\$millions)	Maturity
Fixed rate bond	\$13.5	2024
Floating rate note	\$1.5	2024
Fixed rate bond	\$5.9	2027
Floating rate note	\$5.9	2028
Fixed rate bond	\$6.7	2028
Fixed rate bond	\$8.4	2031
Fixed rate bond	\$8.4	2035
Floating rate note	\$8.4	2036
Fixed rate bond	\$8.4	2036
Total	\$67.1	

- e) agrees that the Chief Financial Officer can make changes to this approach based on funding needs but that any change will be in line with Councils Liability policy.
- f) requests that the committee be advised of any changes made to the borrowing approach noted in resolution (d) above.
- g) acknowledges that further borrowing may be undertaken, when necessary, with the Local Government Funding Agency for short term cash flow needs, in line with Councils Liability Policy.
- ~~h) recommends to Council that it approve the maximum daily transaction amounts that may occur on enacting the above borrowing strategy.~~
- New h) recommends to Council that authority be given to Chief Executive to approve any necessary increase in the maximum daily transaction amounts needed to give effect to the above borrowing strategy outlined in resolution d above.
- i) acknowledges the use of short term debt to fund the liabilities of the three waters activities until the date of transfer to the new three waters entity.
- ~~j) borrow the assessed annual funding requirement in two instalments per year in advance, if required, investing the funds until required.~~
- ~~k)j)~~ request staff investigate further the option of Council obtaining a credit rating.

The motion was put and declared CARRIED.

Final resolution

That the Finance and Assurance Committee:

- a) **receives the report titled “Approach to borrowing” dated 4 February 2022.**
- b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) agrees the following borrowing **approach in line with Council’s Liability policy** plus 1.6% of borrowers notes where required

Instrument	Amount (\$millions)	Maturity
Fixed rate bond	\$13.5	2024
Floating rate note	\$1.5	2024
Fixed rate bond	\$5.9	2027
Floating rate note	\$5.9	2028
Fixed rate bond	\$6.7	2028
Fixed rate bond	\$8.4	2031
Fixed rate bond	\$8.4	2035
Floating rate note	\$8.4	2036
Fixed rate bond	\$8.4	2036
Total	\$67.1	

- e) agrees that the Chief Financial Officer can make changes to this approach based on funding needs but that any change will be in line with Councils Liability policy.
- f) requests that the committee be advised of any changes made to the borrowing approach noted in resolution (d) above.
- g) acknowledges that further borrowing may be undertaken, when necessary, with the Local Government Funding Agency for short term cash flow needs, in line with Councils Liability Policy.
- h) recommends to Council that authority be given to Chief Executive to approve any necessary increase in the maximum daily transaction amounts needed to give effect to the above borrowing strategy outlined in resolution d above.
- i) acknowledges the use of short term debt to fund the liabilities of the three waters activities until the date of transfer to the new three waters entity.
- j) request staff investigate further the option of Council obtaining a credit rating.

(The meeting adjourned for morning tea at 11.16am and reconvened at 11.31am with all members of the Committee present.)

## 7.5 Health and Safety Update

Record No: R/22/1/683

Health, safety and wellbeing advisor – Teri Black was in attendance for this item.

Mrs Black advised that the purpose of the report was to provide an update on health and safety related events and activity over the last quarter.

### Resolution

Moved Chairperson Robertson, seconded Cr Keast and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Health and Safety Update” dated 4 February 2022.**
- b) Determines that this matter or decision be recognised as not significant in terms of section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

### Public excluded

Exclusion of the public: Local Government Official Information and Meetings Act 1987

### Resolution

Moved Chairperson Robertson, seconded Cr Keast and resolved:

That the public be excluded from the following part(s) of the proceedings of this meeting.

#### C8.1 Health and Safety Events

#### C8.2 Update on judicial review proceedings brought against Council by Forest and Bird

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Health and Safety Events	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of



	s7(2)(d) - the withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.	information for which good reason for withholding exists.
Update on judicial review proceedings brought against Council by Forest and Bird	s7(2)(g) - maintain legal professional privilege.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

The public were excluded at 11.44am.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not publicly available unless released here.

The meeting concluded at 12.39pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A  
MEETING OF THE FINANCE AND ASSURANCE  
COMMITTEE HELD ON FRIDAY 11 FEBRUARY 2022.

DATE:.....

CHAIRPERSON:.....



## Finance & Assurance Committee work plan to 30 June 2022

Record no: R/22/3/11051  
Author: Emma Strong, Project accountant  
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

### Purpose

1. To update the Committee on the status of the work programme discussed and agreed at the 24 March 2021 meeting for the financial year ending 30 June 2022.
2. As noted at the meeting the adoption of the work plan does not preclude the Committee or staff from including additional reports as and when required.
3. As the year proceeds the work plan will be updated to incorporate the actual dates reports are being presented where that differs to the work plan adopted. For the committees information the "X" in red shows the date the report was presented, where this differs from what was approved in the work plan or if it is a new report that will be presented on an annual basis. If there is a black "X" on the same line as a red "X", the black "X" indicates the date agreed by the committee. The "X" in green reflects changes identified to the ongoing work plan since it was adopted. The "X" in blue reflects a report that has been removed permanently.
4. The following reports have been added or removed from the work programme:
  - The 2020/21 Debenture Trust Limited Independent Assurance Report has been added to this meeting. This has previously been completed with the annual report audit, however it was done separately this year due to audit resource constraints.
  - The Fund Manager Appointment Process has been added to this meeting to consider and recommend to Council a shortlist of fund managers to be approached to complete a request for proposal to manage Councils reserves funds.
  - The Impact on Rates of Approved Unbudgeted Expenditure report has been added to this meeting to provide the Council with an overview of the impact on rates of unbudgeted expenditure reports approved up to but not including the current meeting.
  - The 2021/22 Local Government Funding Agency Participating Councils Compliance Overview was added to this meeting for the first time. It is being proposed that compliance with the LGFA be incorporated into the first monthly financial report of the year.
  - The Comparison of Actual to Forecast for 20/21 was presented at the 27 September 2021 meeting so has been removed from this meeting as this was added in error.
  - An update on audit action points has been added to this meeting further to the committees request to receive it quarterly rather than six monthly.
  - A proposal to change the internal audit programme has been added to identify where Council is most at risk of bribery and corruption and provide additional training and support to staff in key positions further to the Audit NZ management report.

5. The following reports have been moved to a future meeting:
- The Internal Audit Final Report (Project Management) has been moved to 8 June 2022 meeting as staff are in the process of finalising it.
  - The 2021/22 Annual Report Audit Arrangements Letter and Audit Timetable have both been moved to next meeting due to audit resource constraints. Audit NZ have yet to provide Council staff with 2022/2023 interim audit dates or a year-end audit timeline.

## Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled “Finance & Assurance Committee work plan to 30 June 2022” dated 22 March 2022.**
- b) notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2022 since the last meeting.

## Attachments

- A Finance & Assurance Committee Workplan to 30 June 2022 (at 31 March 2022) [↓](#)

**Finance and Assurance Committee Workplan to 30 June 2022**

Content	25 Aug 2021 (removed)	27 Sept 2021	22 Oct 2021	3 Dec 2021	17 Dec 2021 (Annual Report)	11 Feb 2022 (Annual Plan)	28 Mar 2022	8 Jun 2022
2022/23 Annual Plan – Timetable		X	X					
2022/23 Annual Plan – Accounting policies		X	X	X				
2022/23 Annual Plan – Significant Forecasting Assumptions		X	X	X		X		
2022/23 Annual Plan – Workshop (if required)				X		X		
2022/23 Annual Plan – Progress Report Annual Plan						X		
2022/23 Annual Plan – Recommend adoption by Council								X
Quarterly Risk Report		X		X			X	X
Health & Safety Update		X		X		X	X	X
Health & Safety Events Report		X		X		X	X	X
Financial Monthly Report		X		X			X	X
Update on Audit Action Points				X			X	X
2020/21 Annual Report – Interim Audit Management Report	X							
2020/21 Annual Report – Agree report ready for audit	X	X	X					
2020/21 Annual Report – Final audit management report		X	X		X	X	X	
2020/21 Annual Report – Recommend adoption by Council		X	X		X			
2020/21 Debenture Trust Engagement Letter		X						
2020/21 Debenture Trust Limited Independent Assurance Report							X	
2021/22 LGFA Participating Councils Compliance Overview							X	
2021/22 Annual Report – Audit Arrangements Letter							X	X
2021/22 Annual Report – Audit Timetable							X	X
2021/22 Annual Report – Accounting Policies								X
2021/22 Annual Report – Interim Audit Management Report								X
2021/22 Debenture Trust Engagement Letter								X
Comparison of actual to forecast for 20/21		X					X	
Work Programme for 2021/22 incl projects c/f from 20/21		X						
Forecast Financial Position				X			X	
Interim Performance Report		X		X			X	
Financial Transaction Update Report to 30 June 2021		X						
Determine Finance & Assurance Meeting Content 22/23							X	
Financial and Risk Policies – Debt Recovery Policy						X		X

Content	25 Aug 2021 (removed)	27 Sept 2021	22 Oct 2021	3 Dec 2021	17 Dec 2021 (Annual Report)	11 Feb 2022 (consulting on AP)	28 Mar 2022	8 Jun 2022
Internal Audit Terms of Reference (Asset Management and Information Integrity, Bribery, Corruption and Fraud)					X	X	X Bribery, Corruption & Fraud	X
Internal Audit Final Report (Contract Management, Project Management, Asset Management or Information Integrity)	X	X	X (contract mgmt.)	X (project mgmt.)		X (project mgmt.)	X (project mgmt.)	X (project mgmt.)
Insurance - Insurance policy renewal approval								X
External Waka Kotahi Technical Audit	X	X	X	X		X	X	
External Waimea Area Road Alliance Audit		X	X					
External Foveaux Area Road Alliance Audit							X	
QV Southland District 2021 Revaluation Summary Report				X				
Projects Over \$2 Million – Core professional roading services								X
External Audit – 2020 Central Area Road Alliance	X	X	X	X				
LTP Management Audit NZ Report		X						
Judicial Review – Forest & Bird v SDC and New Brighton Collieries Ltd		X				X		
Territorial Authority Waste Levy Expenditure Audit Report for Levy Spend 2019/20			X					
Financial Information System (FMIS) Procurement Report				X				
IANZ Building Accreditation Interim Report							X	
Approach to Borrowing Report						X		
Fund Manager Appointment Process							X	
Impact on rates of approved unbudgeted expenditure							X	

R/21/3/11371

## Annual Report - Management Report from Audit NZ for the year ended 30 June 2021

Record No: R/22/2/5457  
Author: Brie Lepper, Accountant  
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

### Purpose

1. To present the management report from Audit New Zealand which relates to the audit of the 2020/2021 Annual Report and to confirm the approach to the listed recommendations.

### Executive Summary

2. As part of the audit process, Audit New Zealand (Audit NZ) provides Council with management report at the conclusion of the interim and final audits of the Annual Report. This report outlines the work that was performed and notes any recommended areas for improvement.
3. The Audit NZ management report is included as attachment A and outlines both the new recommendations and open/closed recommendations from previous management reports.
4. Overall, from a staff perspective, it is a good audit report emphasising issues more at a transactional level. As such this provides assurance to the Council and the public that the information presented in the financial report, taken as a whole, reflects the financial position of the Council at 30 June 2021. It also provides assurance that the systems and processes to collate this information are managed appropriately.
5. There were five new areas identified by Audit NZ as part of the 2020/2021 Annual Report audit process; these relate to creating a bribery and corruption policy, related parties and conflicts of interest, review of unit rates for roading assets, compliance with legislative requirements and sensitive expenditure controls.
6. Audit NZ categorises any recommendations into three categories, urgent, necessary and beneficial. The five new recommendations have been categorised as necessary and should be addressed at the earliest opportunity.
7. Seven prior year recommendations have been implemented/closed over the past 12 months and five remain open, however all are actively being managed. Of the open recommendations, one is prioritised as urgent, two necessary and three beneficial.
8. Audit NZ is looking for additional fees in relation to the work they completed over the how the Palmerston North Call Centre tracked complaints in regards to water for Council. This is further discussed in paragraph 33-37.
9. Dereck Ollsson, Audit NZ audit director, will be present at the meeting to discuss the management report.

## Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Annual Report - Management Report from Audit NZ for the year ended 30 June 2021” dated 22 March 2022.**

## Background

10. Council is required by the Local Government Act (2002) to develop and adopt an Annual Report within four months of the end of a financial year, however due to issues associated with Covid-19, in 2021 the government extended the deadline to 31 December 2021. Overall, the Annual Report informs the community on how Council has done to what it said it would do in its Long Term Plan (LTP) or relevant Annual Plan.
11. The Annual Report is audited by Audit NZ. The audit process has a number of steps as shown in the diagram below, please note this diagram is from Audit NZ’s perspective.

### 1 The Audit Cycle



### 2

- **planning** – based on our knowledge of Council, Audit NZ will begin to plan for the audit
- **audit engagement letter** – issued to Council’s governing body or chief executive to confirm the terms of the annual audit engagement. This usually happens every three years, but Audit NZ will issue a new letter sooner if there are significant changes to the terms of the audit
- **audit arrangements letter** – issued annually. It details specifics about the audit
- **interim audit** – depending on the size and complexity of Council, Audit NZ may do an interim audit during the year to look at the control environment. (The control environment is the overall awareness of, and actions that affect the internal control system)



- **district/site visits** – Audit NZ may visit Council offices to undertake specific audit work
- **final audit** – carried out after the end of Council’s financial year
- **audit report** – Audit NZ’s opinion on Council’s financial statements and statement of service performance.
- **report to governors/management report or management letter** – key findings from the audit and recommendations for areas where Audit NZ have identified potential improvements (this is also known as the management letter or report).

3 Source: Audit NZ website

12. Within the annual audit process there are typically two audits. The first one is called the interim audit and usually occurs in March/April each year and a final audit which usually occurs in September. After the interim audit, Audit NZ produce a management report on this stage of the audit process. However, due to resource shortages within Audit NZ, the interim audit was completed concurrently with the final audit.
13. The management report referred to in this document relates to the results of the audit visit which occurred in November/December 2021 when both interim and final audit procedures were undertaken (see attachment A). It discusses the key findings and areas for potential improvement as well as summarises the outcome of matters raised in the audit plan, key matters for public sector audits and Council’s approach to adoption of the new accounting standards. The management report also includes comments from Council staff on each of the recommendations made by Audit NZ.
14. Audit NZ identified five areas for improvement during their audit. Section 5 on pages 16 to 18, section 6 on page 19 and section 7 on page 20 to 22 of attachment A outlines the recommendations made by Audit NZ. Refer to the issues section below for further discussion on these five matters. Council staff have already commenced implementing these recommendations and anticipate they will be rectified within the next 12 months.
15. Appendix 1 of Audit NZ’s management report (pages 26-29) also includes matters carried forward from previous management reports. Seven prior year recommendations have been implemented/closed over the past 12 months and five remain open, however all are actively being managed. Where the recommendations remain open or are in progress, Council staff have provided an update on the status.
16. Staff will update the Committee on progress against the open recommendations during the quarterly update on outstanding audit actions.

#### Issues

17. The recommendations raised in the management report are noted below.

#### 4 Bribery and corruption policy review

18. Parliament’s Finance and Expenditure Committee expressed an interest in understanding whether the public sector has effective corruption prevention and detection processes in place.
19. Audit NZ have requested that Council:
  - includes definitions of bribery and corruption in its Fraud Policy,

- perform a risk assessment to identify areas where Council is most at risk of bribery and corruption,
  - provide additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound); and
  - assign responsibility of maintaining adequate internal controls over bribery and corruption to one or more senior officers.
20. Council's Fraud Policy was reviewed and adopted in June 2021 before this recommendation was made. The policy was updated at the time to reflect that the definition of fraud includes bribery and corruption, it includes updated training procedures through People and Capability, assigned responsibilities to maintain internal controls and prevention actions. When the policy is next reviewed we will look to define further what those entail.
21. In the meantime this agenda includes a proposal to amend the internal audit programme to include a session covering bribery, corruption and fraud.

#### 5 Related parties and conflicts of interest

22. From Audit NZ's search through the Companies and Charities Registers, they noted two interests that were not disclosed in the conflicts register, and therefore there is a risk that related party disclosures are not complete in the annual report.
23. As a result of this comment, Council staff have already included an additional step in the Annual Report plan to check the Companies and Charities registers annually.

#### 6 Review of unit rates for roading assets

24. Audit NZ tested a sample of assets from all categories of transport assets to confirm that the unit rates used by the valuer are reasonable based on recent contracts in place or other comparative Council rates.
25. They questioned whether some of the unit rates were appropriate for culverts, kerbs and channels and recommended that Council ensure that they align with current contract rates.
26. Council staff reviewed the instances noted and agreed the rates should have been higher but not at the levels Audit NZ indicated. Planning for the 2021/22 roading valuation is currently underway and processes for the establishment of values is being reviewed in line with the recommendation. When considering specific values to use, a full review of contracts needs to be undertaken to establish a fair price, as an individual contract may have specifications not reflective of replacing major sections of the network.

#### 7 Non-compliance with certain sections of the Local Government Act 2004

27. Under the Local Government Act, key documents related to Council Controlled Organisations (CCO) documents are required to be publicly available on Southland District Council's website. The act requires that a CCO's Statement of Intent, half yearly report and annual report be published on Council's website within one month of receiving it and Council must maintain the report on that site for a period of no less than seven years for Milford Community Trust, Great South and Southland Museum and Art Gallery Trust Board (SMAG).

28. This has been an oversight and has been rectified with the inclusion of statement of intents, half yearly reports and annual reports being now included on the website.
29. Processes have also been implemented by Council staff to ensure the necessary information is published on Council's website going forward.

8 Efficiency, waste, and lack of probity or financial prudence

30. As part of the OAG's public sector mandate, Audit NZ are required to be alert for and review matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence.
31. During the sensitive expenditure testing, Audit NZ identified the following:
- one of the travel expenses that was incorrectly classified to mileage claims
  - two instances where the costs for meals incurred as part of business meetings were more than \$100 per head. This is higher than the dollar limit as per the Sensitive Expenditure Policy which is "not expected to exceed \$60".
  - an instance where management failed to provide evidence and supporting documentation for approval of travel and accommodation expenditure.
32. As noted above the policy states, "not expected to exceed \$60", at times and relevant to the situation this may occur as noted above. Reminders will be sent to elected members and staff of the policy. Additionally some extra checks and training will be given where necessary.

9 Performance Reporting – Palmerston North Call Centre

33. The management report notes a completeness risk for the information captured by the Palmerston North Call Centre (PNCC) as part of Council's after-hours service. Following the identification of this issue on the prior year, staff worked with PNCC to resolve two issues identified at that time relating to the separation of three waters calls into individual categories being water supply, wastewater and stormwater and changed processes to ensure multiple calls on one issue were recorded to achieve an accurate count of overall complaints.
34. In working with audit to further understand the nature of the issue in this year, it was further identified that calls to the call centre that were recorded as requests for information (RFI's) were not logged and reported to Council and this still resulted in a completeness risk for Audit NZ.
35. Staff have since reviewed the business rules and recording of complaints with PNCC and these have now been amended so that all three waters calls are now logged as requests for service (RFS) This results in all information being recorded and provided to Council to ensure that the correct number of complaints are included in the performance reporting.
36. Audit NZ have indicated that they would like to recover additional costs in relation to this issue. Staff would like to highlight that a significant amount of time and resource was invested by Council staff during the audit process to fully understand and identify the actual issue through the audit process. It was only through working together that Audit NZ staff fully understood the process to then conclude a completeness risk may still exist. As a result, staff feel that being asked to recover additional costs in relation to this matter should be reconsidered or discussed further.
37. It should be noted that this issue is now considered resolved by Audit NZ.

## Factors to Consider

### Legal and Statutory Requirements

38. Under the Public Audit Act 2001 the Auditor-General is appointed as the auditor of all public entities. Audit NZ, as a business unit of the Auditor-General, has been appointed as the auditor of Council.
39. In reviewing the annual report, Audit NZ are required to express an opinion on the presentation of the Council's annual report including its financial statements and non-financial performance measures. This includes considering whether the annual report achieves its overall statutory objective, as outlined in section 98, of promoting the accountability of the local authority to its community and whether it complies with the more detailed requirements in schedule 10 of the Local Government Act 2002.
40. In undertaking their work Audit NZ are also required to remain alert to any potential issues that might be of interest to the Auditor-General in terms of his obligations to report on performance, authority, waste and probity in public sector entities. Audit NZ have not indicated that they have identified any issues in this area in regards to Council.
41. Audit NZ is also required to exercise professional judgement and a degree of scepticism to their work and ensure that they understand the broader context within which the organisation is operating.

### Community Views

42. The community would expect Council to actively consider and implement where appropriate, recommendations made by its auditors.

### Costs and Funding

43. Council has been previously advised of the cost of undertaking the audit and this was incorporated into Councils budgets.
44. At the time of writing this report, staff were not in a position to confirm costs associated with additional audit work required regarding the logging of complaints through the Palmerston North Call Centre identified in the 2019/2020 audit, however Audit NZ have advised that they may seek to recover additional costs in relation to this matter.

### Next Steps

45. Staff will monitor the progress against these recommendations and report back to the Finance and Assurance Committee at its next meeting.

## Attachments

- A Management report for the year ended 30 June 2021 from Audit NZ [↓](#)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# **Report to the Council on the audit of**

Southland District Council

For the year ended 30 June 2021

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## Key messages

We have completed the audit for the year ended 30 June 2021. This report sets out our findings from the audit and draws attention to areas where Southland District Council (the District Council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit opinion for the financial statements and a modified opinion for the District Council activities dated 17 December 2021.

Without modifying our audit opinion, we have included an emphasis of matter paragraph to draw attention to note 30 on page 249, which outlines that subsequent to year-end, the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024.

We have identified, in broadly this order of importance, these significant matters, issues, or risks in this audit.

### Matters identified during the audit

#### Three waters reform

Following the announcement by the Local Government Minister on 27 October 2021 regarding central government proceeding with the three waters service delivery reforms using a legislated “all in” approach, the District Council continues to recognise its three waters assets at 30 June 2021 in accordance the accounting policies. There has been no adjustment in these financial statements to reflect the expected future transfer of assets to the new water entity. It is expected central government will develop details around the mechanism for the transfer of the water assets and this will be completed prior to 1 July 2024. As further details are established this may require adjustments to Council’s three water assets either in respect of disclosure or measurement.

We have reviewed and confirmed the District Council has appropriately disclosed this.

#### Performance reporting

We have reviewed the reliability of systems, appropriateness of information, and presentation of information. We followed up an issue raised in the prior year regarding the Palmerston North Call Centre (PNCC) completeness of complaints recorded. We noted that not all calls were recorded as complaints, as additional callers about the same incident were not captured as a complaint. This impacted the number of complaints used to calculate the material measure tested: drinking water satisfaction key performance indicator (KPI) for the District Council.

We discuss this further under section 4.

**Valuation of property, plant and equipment**

Our audit work included reviewing the valuation reports prepared by WPS Opus (roading assets) and Waugh (three waters utility assets) and supporting schedules, understanding, and confirming the movements and the assumptions used in the valuation through discussions with both District Council asset staff and the valuation expert. The infrastructure assets valuation resulted in an increase in value of \$18.7 million. We also assessed the valuers' consideration of the impact of Covid-19 on the assumptions used in the valuation as well as the timing at which the valuation was conducted.

Overall, we considered the valuation for the asset class revalued in 2021 was performed in accordance with the public benefit entity financial reporting standards and is materially correctly stated in the financial statements.

**Thank you**

We would like to thank the District Council, management, and staff for the efficient and timely assistance we received throughout the audit.



Dereck Ollsson  
Appointed Auditor  
21 March 2022



# 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Explanation	Priority
<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.	Urgent
<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.	Necessary
<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.	Beneficial

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<b>Bribery and Corruption Policy</b> We recommend the District Council: <ul style="list-style-type: none"> <li>include definitions of bribery and corruption in the Fraud Policy;</li> <li>perform a risk assessment to identify areas where the District Council is most at risk of bribery and corruption;</li> <li>provide additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound); and</li> <li>assign responsibility of maintaining adequate internal controls over bribery and corruption to one or more senior officers.</li> </ul>	5.2.1	Necessary

Recommendation	Reference	Priority
<b>Related parties and conflicts of interest</b> We recommend that the Conflict of Interest Policy be reviewed and updated with complete interests.	5.2.2	Necessary
<b>Review of unit rates for roading assets</b> We recommend the District Council review the unit rates assigned to culverts, kerbs, and channels to align them with current contract rates.	6.1	Necessary
<b>Compliance with legislative requirements</b> We recommend the District Council ensures council-controlled organisations (CCOs) reports are published on the District Council's website.	7.1.1	Necessary
<b>Sensitive expenditure control deficiencies</b> We recommend the District Council adheres to the following Sensitive Expenditure Policy requirement which states that cost of meals is not expected to exceed \$60. We recommend the District Council ensures proper supporting documentation is kept for expenditure incurred. We recommend correct classification of expenditure when recording in the general ledger.	7.1.2	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	1	2	4
Implemented or closed	1	5	2	8
<b>Total</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>12</b>

## 2 Our audit report

### 2.1 We issued a non-standard audit report



We issued an unmodified audit opinion for the financial statements and a modified opinion for the District Council activities dated 17 December 2021.

We have included an emphasis of matter paragraph to draw attention to note 30 on page 249, which outlines that subsequent to year-end, the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

### 2.2 Uncorrected misstatements

The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr) \$'000	Dr (Cr) \$'000
Impairment expense	1				288
Buildings	1	(288)			
		<b>(288)</b>			<b>288</b>

#### Explanation of uncorrected misstatements

- The District Council did not impair a third of the Forth Street building which was declared earthquake prone during the prior year (2020). The net book value of this amount at 30 June 2021 is \$865K. The District Council used insurance indemnity on the building to justify not impairing the building, however this is not in line with the accounting standard. Above is the current year estimated impairment loss on one third of the book value of the building.

### 2.3 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of zero as it was a reclassification from one current asset to another. The corrected misstatements are listed below.

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr) \$'000	Dr (Cr)	Dr (Cr)	Dr (Cr)
Other financial assets	1	700			
Cash and cash equivalents	1	(700)			
Investment in associate	2	289			
Share of associate surplus	2				(289)
<b>Total parent</b>		<b>289</b>			<b>(289)</b>

#### Explanation of corrected misstatements

- 1 The adjustment relates to reclassification of term deposits that have a term longer than 90 days from cash and cash equivalents to other financial assets.
- 2 The adjustment relates to recording of the increase in value of the investment in Southland Regional Development Agency per updated financial statements.

### 2.4 Corrected disclosure deficiencies

Detail of disclosure deficiency
<b>Reclassification of credit balances in the rates debtors report</b> Reclassification of credit balances emanating from overpayments from rate payers to trade and other payables. The note disclosure was also updated to show an accurate position of the rates receivables balance.
<b>Correction of Intangible assets note disclosure</b> Aligning the disclosure of intangible assets note to the requirements of IPSAS 31, that is, inclusion of opening and closing cost of assets and accumulated amortisation.
<b>Correct disclosure of KMP disclosures</b> Aligning the salary banding disclosure with the requirements of the legislation. Disclosure of salaries of all three Chief Executives that served the District Council during the year 2020/21 in the annual report.

Detail of disclosure deficiency
<p><b>Severance payment disclosure</b></p> <p>Inclusion of amounts paid out in severance payments according to the requirements of the legislation.</p>
<p><b>Aligning property, plant, and equipment disclosures to requirements of the District Council model financial statements</b></p> <p>Disclosure of work in progress (WIP) assets broken down into their respective asset classes.</p> <p>Disclosure of replacement costs for core assets.</p> <p>Update of insurance of assets figures to align with the latest report.</p> <p>Disclosure of assumptions and judgements made in the valuation reports as shown in model financial statements.</p> <p>Update of accounting policy with the changes in useful life of bridges per valuation report.</p>
<p><b>Financial instrument note disclosure</b></p> <p>Updating the financial instrument note disclosure to reflect the journal corrections mentioned in 2.3.</p>

## 2.5 Corrected performance reporting misstatements

Detail of misstatement
<p><b>General disclosure corrections</b></p> <p>Correction of wording for some measures.</p> <p>Correction of presentation of the measures and results to comply with the reporting requirements.</p> <p>Correction of any mismatch between the financial statements and results reported in the performance report where relevant.</p>

## 2.6 Quality and timeliness of information provided for audit



Management provided information for audit relating to the annual report of the District Council. This included the draft annual report with supporting working papers. We received all this information before and on our first day of the audit. We commenced the use of AuditDashboard in the current year, and we are happy to say that management received and used it well.

Management responded to queries timeously. We held catch up meetings twice a week which helped speed up the work on both ends.

Management showed their commitment in assisting the audit team to follow up with the PNCC on a pending issue from the prior year. This resulted in all parties gaining a better understanding on the PNCC matter and how it should be resolved in the 2022 financial year. We will be initiating a process to seek a recovery of some additional costs incurred. These costs relate to the additional time spent on this PNCC matter in order to reach a conclusion. We will discuss this with you once we have received the required Office of the Auditor-General (OAG) approval.

Management should continue to improve their use of the model financial statements in preparing their financial statements. An area to note is property, plant, and equipment related disclosures. Property, plant, and equipment is the most material and significant to the District Council's stakeholders and this is reflected in the information disclosed in the model financial statements. Management should take time to check their draft annual report to the model financial statements to ensure that all necessary disclosures have been made.

Overall, we were happy with management and their team's response to our requests as well as the level of preparedness. The audit team had a good working relationship with the finance team, and we look forward to working with the District Council staff on ways to continue to improve the audit process.

### 3 Matters raised in the audit plan



In our audit plan of the District Council, we identified the following matters as the main audit risks and issues:

Significant risk/ issue	Outcome
<b>Covid-19 pandemic</b>	
<p>The impact of the Covid-19 pandemic on the sector has been wide and varied.</p> <p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. The pandemic is still significantly impacting people and organisations globally. The borders remain closed, and it is likely the pandemic will continue to have effects throughout the year ending 30 June 2021.</p>	<p>We continue to monitor and update our understanding of how Covid-19 has affected the district council and its subsidiaries.</p> <p>In relation to Covid-19 and as part of our audit, we:</p> <ul style="list-style-type: none"> <li>• reviewed the District Council's impact assessment of the Covid-19 pandemic on the financial statements, performance information and control environment to determine the effect on our audit approach, specifically: <ul style="list-style-type: none"> <li>◦ the valuations of all categories of assets;</li> <li>◦ the Council's and management's assessment of any impairment indicators for the District Council's property, plant and equipment, and intangible assets, including the calculation of recoverable amounts and allocations of any identified impairment losses to assets; and</li> <li>◦ the Council's and management's assessment of the recoverability of material trade and other receivable balances; and</li> </ul> </li> <li>• assessed the completeness and accuracy of disclosures in the annual report relating to the Covid-19 pandemic.</li> </ul> <p>We concluded that all the impact of Covid-19 has been appropriately reassessed in the current financial year and there is no impact on the audit opinion.</p>

Significant risk/ issue	Outcome
<b>Revaluation of infrastructural assets</b>	
For assets that are revalued, PBE IPSAS 17 Property, Plant and Equipment requires that the valuations are carried out with sufficient regularity to ensure that the carrying amount of an asset class does not differ materially from its fair value.	<p>Our audit work included reviewing the valuation report and supporting schedules, understanding, and confirming the movements and the assumptions used in the valuation through discussions with both District Council asset staff and the valuation expert. The movement is a net effect of an increase in the three waters valuation of \$21.7 million and a decrease in Roading assets valuation by \$3 million. Three waters valuation increase is mostly attributed to an update of unit rates assigned to assets to align to the current contracts. The roading assets on the other hand dropped because of a reduction in useful lives of bridges from 120 years to 100 years.</p> <p>In our detailed testing we noted a few infrastructure assets with unit rates that are not in line with the current contract rates. We calculated the potential misstatement had these assets been valued at the current contract rates and noted that the difference for each line item was below our asset intensive materiality and was not likely to cause a material misstatement.</p>
<b>Revaluation of forestry</b>	
For assets that are revalued, PBE IPSAS 27 Agriculture requires that the valuations are carried out with sufficient regularity to ensure that the carrying amount of an asset class does not differ materially from its fair value.	We reviewed the valuation for compliance with relevant valuation and accounting standards. We can conclude the assumptions applied are reasonable, and the revaluation movement has been accounted for correctly in the financial statements.
<b>The risk of management override of internal controls</b>	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	<p>To address the risk of management override we:</p> <ul style="list-style-type: none"> <li>tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> </ul>



Significant risk/ issue	Outcome
Auditing standards require us to treat this as a significant risk on every audit.	<ul style="list-style-type: none"> <li>reviewed the appropriateness and application of accounting policies to particular transactions;</li> <li>reviewed accounting estimates, such as impairments and depreciation, for bias and whether this represented a risk of material misstatement due to fraud; and</li> <li>reviewed and evaluated any unusual or one-off transactions, including those with related parties.</li> </ul> <p>Based on our audit procedures, we did not identify any instance of management override during the year.</p>

In addition to the issues discussed above, we also focused on the following areas:

Areas of focus	Outcome
<b>Rates</b>	
Rates are the Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of their rates and rating processes with legislation.	<p>Consistent with prior years, we considered the District Council's compliance with these aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the funding impact statement. We also reviewed a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The District Council is responsible for ensuring that it complies with applicable laws and regulations.</p> <p>We did not identify any matters in this area to bring to your attention.</p>

Areas of focus	Outcome
<b>Annual report disclosures</b>	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 detail disclosures to be included in the annual report. The Council should review these requirements to ensure all disclosures have been included in the annual report.</p> <p>Note: The Local Government (Community Well-being) Amendment Act 2019 has amended schedule 10 of the LGA which now includes the requirements to:</p> <ul style="list-style-type: none"> <li>outline any significant negative effects that any activity within the group of activities may have on the social, economic, environmental, or cultural well-being of the local community; and</li> <li>describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community.</li> </ul>	<p>We ensured that the disclosures required by Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 have been appropriately included in the Council's annual report.</p> <p>We also provided management with 2021 model financial statements. Included there-in are some disclosures required by the above-mentioned regulations. We issued the model financial statements for management to check the Council's annual report against the required disclosures and structure per model financial statements.</p>
<b>Ethics and integrity</b>	
<p>Ensuring that the public sector is effective and, above all, trusted, requires transparency, honesty, and accountability. For that reason, the Auditor-General is interested in ethics and integrity.</p>	<p>We assessed whether:</p> <ul style="list-style-type: none"> <li>the District Council's control environment promotes transparency and ethical behaviour;</li> <li>elected members of the District Council provide clear and consistent communication about expected behaviours (that is "tone from the top"); and</li> <li>the District Council has controls and processes in place to mitigate the risks of unethical behaviour.</li> </ul> <p>We did not identify any matters in this area to bring to your attention</p>

## 4 Follow up on the prior year modified opinion

### 4.1 Performance reporting for PNCC

In the prior year, an issue was raised through the audit of PNCC showing that not all calls were recorded as complaints, and additional calls about the same incident were not captured as a complaint but rather as a “request for information” (RFI). This has increased the completeness risk around the number of complaints used to calculate the material measure tested: drinking water satisfaction KPI for the District Council. The District Council received a modified opinion on the drinking water KPI in the June 2020 audit report.

During the current audit it was noted that this process of PNCC has not been resolved and therefore the completeness misstatement remained. For the first six months of the year the business rules with PNCC remained the same. Since January 2021 the business rules with PNCC were updated and all calls that PNCC received were captured as a “request for service” (RFS). It is unclear which of the RFI’s captured related to complaints and indeed should have been counted as a complaint. After reviewing the job wrap up reports we noted that there were a number of jobs resolved for which there were no RFS logged, therefore indicating that the number of complaints counted were not complete.

We recommend the District Council resolve the business rules and reporting of complaints through PNCC in order to ensure that the correct number of complaints are included in the performance reporting.

#### Management comment

*Following the extensive review process by Council staff, the issue has been remedied as of February 2022. Staff have since reviewed the business rules and recording of complaints with PNCC and these have now been amended so that all three waters calls are now logged as requests for service (RFS) This results in all information being recorded and provided to Council to ensure that the correct number of complaints are included in the performance reporting.*

## 5 Assessment of internal control



The District Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparation of the financial statements. We review internal controls relevant to the audit, to design audit procedures that are appropriate in the circumstances. Our findings relate to our normal audit work, and may not include all weaknesses in internal control.

### 5.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish, and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures, and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the District Council and management to establish and maintain effective management procedures and internal controls.

No matters have come to our attention that we consider would affect the culture of honesty and ethical behaviour of the District Council. The elements of the control environment provide an appropriate foundation for other components of internal control.

### 5.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented, and maintained by the District Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We have identified areas detailed below where we believe processes can be improved. We have also set out the status of internal control matters from previous years' reports to the District Council in Appendix 1. This includes control findings we must report to you under audit standards where management may have previously accepted the risk of the finding. We observe progress has been made in implementation of previous recommendations during the current financial year.

### 5.2.1 Bribery and corruption policy review

Parliament's Finance and Expenditure Committee expressed an interest in understanding whether the public sector has effective corruption prevention and detection processes in place.

Bribery and corruption are criminal in both the public and private sectors in New Zealand. Offences apply to transactions that happen domestically and those that occur overseas. A New Zealander or New Zealand organisation may also be prosecuted under overseas legislation.

Organisations should assess the risk of corruption and bribery. Their focus should then be on the areas of higher risk.

Based on our review of bribery and corruption policies and procedures we noted the following:

- The words "bribery" and "corruption" are not individually defined in the Fraud Policy.
- No risk assessment has been undertaken to identify areas where the District Council is most at risk of bribery and corruption.
- No additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound).
- No formal process and responsibility for maintaining adequate internal controls over bribery and corruption to one or more senior officers.

We recommend the District Council:

- include definitions of bribery and corruption in the Fraud Policy;
- perform a risk assessment to identify areas where the District Council is most at risk of bribery and corruption;
- provide additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound); and
- assign responsibility of maintaining adequate internal controls over bribery and corruption to one or more senior officers.

#### Management comment

*Council's Fraud Policy was reviewed and adopted in June 2021 before this recommendation was made. The updated policy includes definitions of Fraud that includes bribery and corruption, updated training procedures through People and Capability, assigned responsibilities to maintain internal controls and prevention actions. When the policy is next reviewed we will look to define further what those entail.*

**5.2.2 Related Parties and conflicts of Interest**

From our search through the Companies and Charities Register, we noted two interests that were not disclosed in the conflicts register. There is a risk that related party disclosures are not complete in the annual report.

We recommend that the conflict of interest register be reviewed and updated with complete interests.

**Management comment**

*The conflict of interest register is reviewed and updated annually with information as disclosed by the elected members, however Council will implement a process to also check the Companies and Charities registers annually.*

## 6 Matters identified during the audit



In our audit, we identified the following issues or risks for the District Council. Where applicable, we have included recommendations for remedial action to be taken by the District Council.

### 6.1 Review of unit rates for roading assets

We tested a sample of assets from all categories of transport assets to confirm that the unit rates used by the valuer are reasonable based on recent contracts in place or other comparative District Council rates. We found some instances of assets with understated unit rates compared to recent contracts.

There is a risk that the value of these assets is not the fair value.

We recommend the District Council review the unit rates assigned to all culverts, kerbs, and channels to align them with current contract rates.

#### Management comment

*This is noted and will be reviewed and adjusted accordingly as part of the 2021/22 valuation. A full review of contracts needs to be undertaken to establish a fair price, as an individual contract may have specifications not reflective of replacing major sections of the network.*

## 7 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

Based on the audit work completed, we note the following:

### 7.1 Legislative compliance

To discharge the Auditor-General's mandate, we carried out an audit of legislative compliance. We limited this review to obtain assurance that the group has complied with significant legislative requirements that may directly affect the financial statements or general accountability. This means our review does not cover all of the Group's legislative compliance requirements.

#### 7.1.1 Non-compliance with certain sections of the Local Government Act 2004

Based on our review on Local Government 2002 requirements, we have noted that there were some documents from CCOs that were not publicly available on the District Council's website. This has resulted in a breach of section 64B(3), section 66(5), and section 67(4) of the Local Government Act:



- Section 64B(3) requires that if the shareholders in a CCO prepare a statement of expectations for a CCO, then the statement of expectations must be published on an internet site maintained by or on behalf of each local authority that is a shareholder of the organisation.
- Section 66(5) requires that each local authority that receives a report under this section (half-yearly and quarterly (if requested)) must publish the report on an internet site maintained by or on behalf of the local authority within one month of receiving it and must maintain the report on that site for a period of no less than seven years.
- Section 67(4) requires that each local authority that receives an annual report from the CCO must publish the annual report on an internet site maintained by or on behalf of the local authority within one month of receiving it and must maintain the report on that site for a period of no less than seven years.

We recommend The District Council ensures CCO reports are published on the District Council's website.

#### **Management comment**

*This is acknowledged and processes have been implemented, including a note to undertake as one of the tasks in our Annual Report timetable to ensure the necessary information is published on Council's website.*

#### **7.1.2 Efficiency, waste, and lack of probity or financial prudence**

As part of the OAG's public sector mandate, we are required to be alert for and review matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence. These matters could include:

- situations where those in governance or management roles have conflicts of interest which are not appropriately managed;
- the payment of unusually high or unjustifiable fees to those in a governance role;
- excessive or unusual ex-gratia payments made to employees; and
- frequent override of policies for sensitive expenditure.

In our sensitive expenditure testing, we have identified the following control deficiencies and made the respective recommendations:

- a) One of the travel expenses was incorrectly classified/coded to mileage/claims. Incorrect classification of expenses results in incorrect reports which mislead management and the District Council in decision-making.

We recommend the District Council thoroughly reviews expenditure to ensure correct classification of expenditure.

**Management comment**

*Based on the number of transactions Council processes, a coding error at times will occur. Council finance staff will look to see if processes need to be changed and will provide the relevant staff inputting expenses with additional support and training where necessary.*

- b) There were two instances where the costs for meals incurred as part of business meetings were more than \$100 per head. This is higher than the dollar limit as per the Sensitive Expenditure Policy which is "not expected to exceed \$60.00".

We recommend the District Council adheres to the following sensitive expenditure policy requirement which states that cost of meals are not expected to exceed \$60.00.

**Management comment**

*Elected members and staff will be reminded to adhere to the Sensitive Expenditure Policy, and in particular, not to exceed the specified maximum amounts for meals.*

- c) There was an instance where management failed to provide evidence and supporting documentation for approval of travel and accommodation expenditure.

We recommend the District Council ensures proper supporting documentation is kept for expenditure incurred.

**Management comment**

*Noted. This occurred at a time of changes in personnel. It is a reminder to check and ensure processes are occurring as required. This will occur in due course.*

## 8 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Councilors and management may find useful.

Description	Where to find it
<b>Performance reporting</b>	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the OAG's website under publications. Link: <a href="#">The problems, progress, and potential of performance reporting</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the OAG's website under publications. Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the OAG's website under publications. Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>
<b>Setting and administering fees and levies for cost recovery</b>	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters	On the OAG's website under publications. Link: <a href="#">Setting and administering fees and levies for cost recovery: good practice guide</a>

Description	Where to find it
public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	
<b>Managing conflicts of interest involving council employees</b>	
This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.	On the OAG's website under publications. Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a>
<b>Establishing a new "public entity"</b>	
This document is for people making policy decisions about establishing a new public entity. It sets out questions to help you consider what accountability requirements a new public entity should have.	On the OAG's website under publications. Link: <a href="#">Accountability requirements to consider when establishing a new "public entity"</a>
<b>Covid-19 implications for financial reporting and audit in the public sector</b>	
Audit New Zealand Executive Director Steve Walker and Head of Accounting Robert Cox joined an online panel hosted by Victoria University of Wellington and the External Reporting Board. They discuss the effects of Covid-19 and the economic recovery on financial reporting and audit in the public sector.	On our website under good practice. Link: <a href="#">Covid-19 page</a> Link: <a href="#">Webinar</a>
<b>Model financial statements</b>	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes: <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	Link: <a href="#">Model Financial Statements</a>

Description	Where to find it
<b>Tax matters</b>	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under good practice. Link: <a href="#">Tax Matters</a>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status and Audit New Zealand comment	Management comment
<b>Urgent</b>			
<b>Address delays in the update of the utility fixed asset register</b>  We recommend immediate recruitment of staff to perform the updating of the three waters asset register as this is a key process in preparing budgets, long-term plans and financial statements.	2020	<b>Open.</b>  Additional resource has been dedicated to this process and staff are making progress, however it is anticipated to continue beyond 30 June 2021.  The valuer acknowledges the actions the District Council has made to catch up with the backlog.  We have decided to keep this recommendation open until the backlog has been finished.	<i>There is an ongoing focus on data analysis, process improvement activities and resourcing requirements in this area which has resulted in some key improvements being delivered to date.</i>
<b>Necessary</b>			
<b>Contract management</b>  We recommend the development of a formalised approach to contract management and develop a Contract Management Policy.	2018	<b>Open.</b>  There has been no progress at present in relation to a policy for contract management.	<i>A draft policy has been prepared. Policy rollout and training awaiting establishment of a contract manual.</i>
<b>Beneficial</b>			
<b>No formal disaster recovery plan in place</b>  The District Council should develop a disaster recovery plan that will meet business requirements in the event of a disaster.  Once developed this should be tested to ensure it would be	2018	<b>In progress.</b>  Backup solution has been implemented. Datto allows the District Council to restore all production systems to the Datto cloud in the event of a disaster. The District Council are still in the process of determining	<i>The disaster recovery testing in 2021 has enabled us to better understand the Datto recovery processes but these processes have not yet been incorporated into the draft I.T disaster recovery plan.</i>

Recommendation	First raised	Status and Audit New Zealand comment	Management comment
effective in supporting the District Council in the event of a disaster.		how this will work and how to document it.	<i>Planning is underway for our next simulation to validate our learnings.</i>
<b>Unaudited associate and joint operations EMS and WasteNet</b> Ensure that the District Council obtain complete financial information from its associated and joint operations annually, as well as obtain assurance over the results as this may over time become more material to the District Council and will be assessed by the audit team as part of every audit.	<b>2019</b>	<b>Open.</b> Complete financial information was received from EMS and WasteNet, however, there is no assurance over the results.	<i>EMS and WasteNet audits for the year to 30 June 2021 were completed as part of the Environment Southland and Invercargill City Council audits (respectively) subsequent to the completion of Council's 2021 audit. We have not been advised of any significant changes from the draft financial results previously provided. Council has no ability to change the timing of these other entities' audits, so incorporates the most up to date information available at the time of our audit.</i>

**Implemented or closed recommendations**

Recommendation	First raised	Status and audit comment
<b>Urgent</b>		
<b>Performance reporting for PNCC</b> We recommend the District Council immediately address with PNCC how the after-hours complaints are recorded. This will assist the District Council to be in a position to adequately report complete numbers of all complaints received.	<b>2020</b>	<b>Closed.</b> The evidence obtained during this year's financial audit show that the issue has now been closed. This year's findings have been explained in section 4.
<b>Necessary</b>		
<b>Property, plant and equipment policies and procedures</b> Ensure that the District Council review and update the policies and procedures around fixed assets which include to: <ul style="list-style-type: none"> <li>complete a review of the fixed asset register and a stocktake of assets to ensure that all assets reported with nil book value are still in use; and</li> <li>de-recognise and remove the assets from the fixed assets register if these are not in existence anymore.</li> </ul>	<b>2018</b>	<b>Closed.</b> We reviewed the fixed asset register and noted that there are no assets that are fully depreciated that are still sitting there. The recommendation has been closed and implemented.
<b>Procurement</b> We recommend that there should be good oversight and coordination of staff with devolved procurement responsibilities. This ensures the central management of procurement risks and legal compliance issues. We also recommend that the review of the Procurement Policy be finalised as it has been on-going for some years now.	<b>2018</b>	<b>Closed.</b> The Procurement Policy was adopted by the District Council on 14 April 2021. The policy is scheduled to be reviewed again in 2024. The Procurement Policy requires all procurement to be approved in accordance with delegated authority. The recommendation has been closed and implemented.
<b>Expenditure delegations</b> Update the delegations document to require one-up approval and to specify who approves senior management and governance's "sensitive" expenditure.	<b>2019</b>	<b>Closed.</b> Although the delegation policy was not updated during the year under review, management provided evidence subsequent to year end that the policy was updated and approved on 3 August 2021.



Recommendation	First raised	Status and audit comment
		<b>Management comment</b>  <i>As stated previously the purchase order system now requires one up approval. This is also outlined in the sensitive expenditure policy. The delegations manual is in the process of being reviewed and expected to be completed by the end of 2022.</i>
<b>Waka Kotahi New Zealand Transport Agency (Waka Kotahi) audit</b>  In 2019 Waka Kotahi completed two audits on the District Council's investment performance. We would like to draw attention to a couple of Waka Kotahi's recommendations on the procurement strategy and late tender policy. Waka Kotahi recommended that that District Council updates their procurement strategy to reflect the Waka Kotahi in-house professional service policy requirements and that the updated strategy document should be endorsed by Waka Kotahi. Waka Kotahi also recommended that the late tenders' policy is included in all contract tender documents.	2019	<b>Closed.</b>  The Procurement Policy was adopted by the District Council on 14 April 2021.  The supporting procurement manual refers to the Waka Kotahi procurement requirements and approach for dealing with late tenders.  The recommendation has been closed and implemented.
<b>Service performance reporting</b>  Some KPI's have mandated wording and measures, the District Council has chosen to vary some of these and reports that it considers a "dry weather" in relation to sewage overflows as 72 hours with catchment rainfall, national practice is 24 hours. We recommend that the District Council update their wording in the future annual plans to comply with Department of Internal Affairs measures.	2019	<b>Closed.</b>  We reviewed the LTP and noted that the District Council amended the mandatory KPI's be aligned to reflect Department of Internal Affairs wording as prescribed.
<b>Beneficial</b>		
<b>Fraud risk</b>  We recommend the District Council continues to address recommendations made in the report by the external	2018	<b>Closed.</b>  We reviewed the Fraud Policy which was updated and reviewed by the District Council on 23 June 2021. All

Recommendation	First raised	Status and audit comment
contractor to further reduce opportunities identified for fraud, corruption, and error.		recommendations made have been addressed in this policy.  The recommendation has been closed and implemented.

**Closed - management accepts risk**

Recommendations	First raised	Status and audit comments
<b>Beneficial</b>		
<b>Project management</b>  We recommend the development of a project management framework ahead of the recommencement of the District Council's significant capital projects as the framework will outline the methodology and procedures to follow in order to complete projects within budgets.	<b>2019</b>	<b>Closed.</b>  Management has indicated that no further action will be taken in the short term. Integration will potentially form part of core systems scope.

## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and council activities and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Councillors of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Councillors.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Councillors and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed, which is compatible with those independence requirements. Other than this engagement, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$118 862 as detailed in our audit proposal letter.</p> <p>Other fees charged in the period are \$5,000 for the limited assurance engagement related to the District Council's debenture trust deed and \$96 581 for the LTP.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>



## Limited independent assurance report of the debenture trust deed for the year ended 30 June 2021

Record No: R/22/3/9712  
Author: Brie Lepper, Graduate accountant  
Approved by: Anne Robson, Chief financial officer

☐ Decision

☐ Recommendation

☒ Information

### Purpose

- 1 To provide an overview of Audit New Zealand's (Audit NZ) limited independent assurance report of Council's debenture trust deed for the year ended 30 June 2021.

### Executive summary

- 2 Audit NZ conducted a limited independent assurance engagement of Council's debenture trust deed, on the 17 February 2022, as required under Section 12.2.6 of the debenture trust deed between Council and Covenant (Councils trustee under the debenture trust deed). The purpose of the engagement is to provide assurance over the debenture trust reporting certificate and associated documents for the year ended 30 June 2021.
- 3 The limited independent assurance engagement of Council's debenture trust deed is typically conducted at the same time as the audit of Council's annual report, however due to staff resource shortages within Audit NZ, this engagement was conducted separately in February 2022
- 4 Audit NZ reported that no issues were identified during their review.
- 5 A copy of the limited independent assurance report and the associated signed representation letter are included for your information (refer attachments A and B).

### Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled "Limited independent assurance report of the debenture trust deed for the year ended 30 June 2021" dated 22 March 2022.**

### Background

- 6 Council's debenture trust was established in 2009 with assistance from Simpson Grierson in order to give Council a broader range of options for sourcing long term external funding. The debenture trust deed is an established market security for lenders, and similar trust deeds exist for various other Council's.
- 7 Council's trustee of the debenture trust is Covenant Trustee Services Limited ("Covenant"). Covenant act for the benefit of those who Council owe money to, referred to as stockholders. Under Section 12.2.6 of the debenture trust deed, Council is required to provide an independent

assurance report to Covenant on an annual basis on the specific matters in clause 12 of the Trust Deed.

- 8 Audit NZ were appointed to provide a separate limited independent assurance report for Council's debenture trust deed.
- 9 A limited assurance engagement is not an audit and the procedures that are performed are substantively less than for an audit, where reasonable assurance is provided. As a result, the level of assurance that is obtained is substantially lower than the assurance that would be been obtained had an audit been performed. The scope of this limited independent assurance engagement is specific to the matters stated in clause 12 of the Trust Deed based solely on the information obtained as a by-product of the audit of the financial statements and the performance information of Southland District Council for the year ended 30 June 2021.
- 10 Audit NZ provided Council with a letter of engagement relating to the debenture trust deed for the year ended 30 June 2021. This was presented to the Committee on the 27 September 2021
- 11 Audit NZ expected that the work would be undertaken concurrently with Council's statutory annual report audit; however due to Audit NZ's resource constraints this engagement was completed separately in February 2022.
- 12 Audit NZ reviewed the reporting certificate provided by Council and supporting documents, along with the audit confirmation report that was provided by Link Market Services. A copy of this can be found in attachment A (appendix 1 and 2).
- 13 Audit NZ provided a draft representation letter in February which was required to be signed by the mayor on behalf of the Council. It provides various representations to Audit NZ in relation to the limited assurance engagement of the debenture trust. Council staff are satisfied that the representations being made are appropriate and that they are consistent with previous years. A copy of the signed representation letter is included as attachment B for your information.
- 14 After undertaking their testing and reviews, Audit NZ concluded that nothing had come to their attention that caused them to believe that:
  - the statements made by the Council in the Reporting Certificate dated 29 October 2021 pursuant to clause 12.2.4 are materially incorrect (Reporting Certificate dated 29 October 2021 is given in Appendix 1, of attachment A);
  - there are any matters which, in their 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 their opinion, calls for further investigation by the Trustee in the interests of the Stockholders; and
  - 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.

#### Next Steps

- 15 Staff will provide a copy of Audit NZ's limited independent assurance report to Covenant Trustee Services Limited as per clause 12.2.1 of the Trust Deed.

## Attachments

- A      Debenture Trust Deed Limited Independent Assurance Report for the year ended 30 June 2021 from Audit NZ [↓](#)
- B      Debenture Trust Deed Letter of Representation for the year ended 30 June 2021 [↓](#)



### **Limited Independent Assurance Report**

#### **To Southland District Council and to Covenant Trustee Services Limited in respect of Southland District Council's Debenture Trust Deed for the year ended 30 June 2021**

The Auditor-General is the auditor of Southland District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf as required by clauses 12.2.6 of the Debenture Trust Deed dated 22 December 2009 (the Trust Deed), for the year ended 30 June 2021.

#### **The Council's responsibilities**

The Council is required to provide a copy of the annual report, which includes the audited financial statements of the Council and our audit opinion, to the Covenant Trustee Services Limited (Trustee) under clause 12.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 12.2.4 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 of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements, 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”<sup>1</sup>. 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.

### **Auditor’s responsibilities**

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited 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 New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board’s website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. 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.

The procedures performed when carrying out the audit of the financial statements 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(s) the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 12.2.6 of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the financial statements of the Council for the year ended 30 June 2021 (Statutory Audit Engagement).

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete the Statutory Audit Engagement 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 2021 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 12.2.6 of the Trust Deed must be viewed in that context.

Our responsibility under clause 12.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 29 October 2021 given on behalf of the Council pursuant to clause 12.2.4 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.

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<sup>1</sup> Please refer to the FMA website for a copy of the guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors” (2013).

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 29 October 2021 with Link Marketing Services.

- 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 by-product of the Statutory Audit Engagement.

- Report, as at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, 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 4.2.8.

We are not the auditor of the Register. Our procedures were limited to asking the Council for a copy of the audit report about the Register.

- Report as at 30 June 2021:
  - 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 Link Marketing Services. We have not tested that each individual Stockholder has received all monies due and payable to them.

### **Inherent limitations**

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.

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 Report 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.

### **Restricted use**

This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 12.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

### **Limited assurance 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 29 October 2021 pursuant to clause 12.2.4 are materially incorrect (Reporting Certificate dated 29 October 2021 is given in Appendix 1);
- 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; and
- 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 17 February 2022 and our conclusion is expressed as at that date.

### **The Register and Stock**

The Council has provided us with a copy of the audit report about the Register(s). Please refer to Appendix 2 for a copy of the audit report about the Register(s).

Based on the work described in this report, as at 30 June 2021 the following balances are given:

○ Total stock of	\$25,000,000
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This is comprised of:

○ Security stock of	\$25,000,000
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○	Bearer stock of	\$Nil
○	Other stock of	\$Nil
○	Security stock (Local Government Funding Agency stock) of	\$Nil

Based on the work described in this report, as at 30 June 2021 the following balances are given:

Total Principal Money owing and secured under the stock of	\$NIL
--	-------

This is comprised of:

○	Security stock of	\$Nil
○	Bearer Stock of	\$Nil
○	Other stock of	\$Nil
○	Security stock (Local Government Funding Agency stock) of	\$Nil

### Independence and quality control

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.

In addition to this engagement, we performed the annual audit of the Council's financial statements and performance information, and consultation document and long-term plan. Other than these engagements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.



Dereck Ollson  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand



## Reporting Certificate


I, Cameron Alastair McIntosh, Chief Executive of Southland District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated 22 December 2009 (the **Trust Deed**):

1. Since the date on which the last Reporting Certificate was:
  - (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 30 June 2021 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:
 

i. Debenture Stock of:	\$NIL
ii. Security Stock of:	\$25,000,000
iii. Bearer Stock of:	\$NIL
3. The Council has complied with the Act in connection with the Trust Deed, the Register and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by this 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 12 months from the date of this Certificate.
5. Since the date on which the last Reporting Certificate was given, the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of 12 months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

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.

Dated: 29 October 2021

  
 \_\_\_\_\_  
**Cameron McIntosh**  
 Chief Executive

## Appendix 2: Copy of the audit report about the Register



28 October 2021

SOUTHLAND DISTRICT COUNCIL  
C/- BRIE LEPPER  
P O BOX 903  
INVERCARGILL 9840

### Audit confirmation report 30 June 2021 – Southland District Council

Further to your request on behalf of Southland District Council. We confirm the following information as at 30 June 2021, in respect of our registry records as follows;

1. We confirm that the register has been maintained in accordance with the provisions of the Debenture Trust Deed.
2. There is one registered holder of a Security Stock Certificate for Southland District Council – register list has been attached as at 30 June 2021.
3. No Enforcement Event has occurred and remains unremedied.

Please find attached a summary of debt issued by Southland District Council as at 30 June 2021.

Please do not hesitate to contact me should you have any further queries.

Yours faithfully

A handwritten signature in black ink, appearing to read "Steven Lauv".

**Steven Lauv**  
Assistant Manager – Debt Capital Markets  
Link Market Services Limited  
DDI: 09 307 0493  
steven.lauv@linkmarketservices.com



17 February 2022

Dereck Ollsen  
Audit New Zealand  
PO Box 232  
Dunedin 9054

Dear Dereck

**Representation letter in respect of Southland District Councils Debenture Trust Deed Limited Assurance Engagement for the year ended 30 June 2021**

This representation letter is provided in connection with your limited assurance engagement, carried out on behalf of the Auditor General, in respect of Southland District Council's (Council) debenture trust deed dated 22 December 2009 (the trust deed) for the year ended 30 June 2021. We understand that this engagement uses information which was obtained as a by-product of your statutory audit engagement<sup>1</sup> of Council for the year ended 30 June 2021. The trustee is Covenant Trustee Services Limited (the trustee).

We understand that your limited assurance engagement is:

- for the purpose of reporting to Council and the trustee under Section 12 of covenants of the trust deed. Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance with the trust deed may occur and not be detected
- conducted 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 New Zealand auditing and assurance standards board
- conducted in accordance 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.

**General representations**

To the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

We have provided you with:

- all information, such as records and documentation, that are relevant to your limited assurance engagement
- unrestricted access to persons within Council from whom you determined it necessary to obtain the evidence required to perform your limited assurance engagement

<sup>1</sup> Audit of the financial statements and performance information



- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when performing your limited assurance engagement.

We also acknowledge that Council is responsible for:

- preparing reporting certificates to the trustee in accordance with reporting covenant section 12 of the trust deed
- 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
- interpreting the clauses and definitions in the trust deed.

#### Representations in respect of the trust deed

To the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

- Council has continuously complied in all material respects with all the material provisions, covenants and obligations under the trust deed
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with the trust deed
- we are not aware of any reason why Council will not continue to comply with all provisions, covenants and obligations under the trust deed
- Council has met all its liabilities in relation to stock and interest payments and no enforcement events have occurred
- we are not aware of any reason why Council will not be able to meet all its liabilities in relation to stock and interest which are anticipated to fall due or to become payable during the 12 months from the date of this letter
- the reporting certificate(s) for the year ending 30 June 2021 is accurate and complete
- Council has maintained the register in accordance with the trust deed and has had the register audited for the year ended 30 June 2021 by Grant Thornton.

The representations in this letter are made at your request and to supplement information obtained by you from the records of Council and to confirm information given to you orally.

Yours faithfully

A handwritten signature in blue ink, appearing to be "Gary Tong".

**Gary Tong, JP**

Mayor



## Building re-accreditation interim audit February 2022 - outcome

Record no: R/22/2/5940

Author: Julie Conradi, Manager building solutions

Approved by: Matt Russell, Group manager infrastructure and environmental services

☐ Decision

☐ Recommendation

☒ Information

### Purpose

- 1 The purpose of this report is to inform the committee of the outcome from the recent audit of Council's building solutions team by International Accreditation New Zealand (IANZ).

### Executive summary

- 2 This report summarises the recent IANZ interim assessment audit process, the outcome from this, and the additional post-audit work completed to address matters highlighted through the audit process.

### Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled "Building re-accreditation interim audit February 2022 - outcome" dated 22 March 2022.**
- b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) notes the report and associated clearance action plan as information.

### Background

- 3 Under the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006, for councils to be legally able to continue to process and issue building consents as a Building Consent Authority (BCA) as defined in the act, they must have successfully completed a regular external audit process. This process is undertaken by International Accreditation New Zealand (IANZ).
- 4 To date, Southland District Council have undergone the standard, bi-annual IANZ accreditation audits which reflect a history of 'low risk' outcomes. The one exception to this was the 2021 audit.

- 5 In the February 2021 audit, one Serious Non-Conformance (SNC) and 20 General Non-Conformances (GNC's) were identified with a number of recommendations also made. While all of these findings were actioned within the specified 3-month timeframe, the volume and nature of these non-conformances resulted in Council receiving a 'medium risk' rating.
- 6 Councils with a medium risk rating are required to undergo an 'interim assessment' at 12 months. This interim assessment is required by the regulations to assure the accreditation authority that continued compliance has been achieved.
- 7 A biennial BCA accreditation report is issued by MBIE at the completion of every two-year cycle of audits to share the findings. The most recent report, issued June 2021 showed that:
- 11% of BCAs were assessed as having demonstrated one or more serious non-compliances
  - the average number of total non-compliances per BCA was 16
  - 11 special (monitoring) assessments/ interim assessments were carried out
  - two BCAs were issued with an initial 'notice of revocation' in regards to their accreditation during the 2019-2021 period. Both are working to address this and prevent loss of accreditation.
- 8 Southland District Council's results for the 2021 audit therefore shows that GNCs issued during the 2021 audit were above average.
- The audit report
- 9 The February 2022 interim assessment report from IANZ lead auditor is attached as Appendix A.
- 10 No serious non-compliances and seven general non-compliances (GNCs) were identified along with two recommendations and three advisory notes. One of the GNCs was resolved while IANZ were on-site, leaving six GNCs remaining to be rectified.
- 11 While the results of this assessment are a significant improvement it is noted that an interim assessment is a 'reduced scope' assessment which focuses on the non-conformances of the previous audit. These results are therefore not able to be compared with the biennial BCA accreditation trends directly.
- 12 The auditor's comments at the exit meeting were complimentary and the final report reflected these comments, advising that "The assessment identified that the BCA had put considerable focus on addressing the issues raised during the last assessment. The assessment mostly identified full compliance, with a small number of findings raised."
- 13 Further, the report found that "The BCA also demonstrated a number of examples of particular note as good practice and/or performance".
- 14 In conclusion, the BCA was considered by IANZ to pose a 'low risk' for the following reasons:
- only a small number of non-compliances were identified during this Special Monitoring Assessment, with no Serious Non-compliances raised
  - the assessment team had no serious concerns regarding the technical output from the BCA
  - although the majority of the non-compliances identified during this assessment were implementation related, the BCA appeared to have robust plans in place, to address the findings within the required timeframe

- the BCA had not required additional clearance time for their February 2021 assessment.

15 Unless the BCA undergoes a significant change, requiring some form of interim assessment, or the BCA is unable to clear the identified non-compliances within the agreed timeframe, the next assessment of the BCA is planned as a 'routine reassessment' for February 2023.

#### Issues

16 Key issues raised in the audit report can be summarised as follows:

- the competency assessment and classification framework were found to be unnecessarily complex, creating some scenarios where work was completed without the required competency or supervisory oversight
- examples were observed where performance standards were not sufficiently detailed by the applicant yet were accepted by the processor, with no further information requested. Performance standards were therefore not sufficiently accurate on the issued consents
- in a small number of cases the Compliance Schedules issued were not fully compliant.
- one example was found where an incorrect decision regarding s112 of the act was made
- Occasionally the BCA listed acceptable solutions as being part of the building code, however they are not.

#### Factors to consider

##### Legal and statutory requirements

17 As referred to above, the IANZ audit process is very important to enable Council to continue to issue building consents under the Building Act 2004.

18 At a broader level it is also an important part of seeking to ensure that buildings constructed in the Southland district are robust for current and future owners, and liability for Council's ratepayers is mitigated.

##### Community views

19 While community views are not part of the IANZ audit process, reaccreditation is an important part of the community having confidence that Council's building consent processes are robust and thorough and meet legislative requirements.

##### Costs and funding

20 The costs of an annual audit process and internal resources involved have been budgeted for and managed within existing budgets.

21 A regular assessment has been planned for in the forecast FY 2022/2023 budget as the building manager was aware that no matter the outcome of the interim assessment, an assessment would be required for this financial year.

##### Policy implications

22 There are no specific policy implications in relation to this audit, although IANZ reaccreditation is an important part of Council's broader risk management framework.

## Analysis

### Options considered

### Analysis of Options

#### Option 1 – Reaccreditation

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• allows Council to legally process and issue consents as a building consent authority</li><li>• gives customers confidence that Council's processes are robust</li><li>• mitigates potential future liability</li><li>• ensures that processes continue to reflect best practice.</li></ul>	<ul style="list-style-type: none"><li>• none (albeit that the reaccreditation process is resource-hungry).</li></ul>

#### Option 2 –

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• none seen.</li></ul>	<ul style="list-style-type: none"><li>• cannot legally process and issue building consents</li><li>• decline in confidence in Council</li><li>• need to make an alternative arrangement for processing and issue of building consents, with likely associated significant costs and possible delays</li><li>• difficulties in attracting and retaining staff.</li></ul>

### Assessment of significance

- 23 The IANZ reaccreditation process is not considered significant in terms of the relevant criteria of the Local Government Act 2002.

### Recommended option

- 24 Option 1- Re-accreditation following the clearance of the general non-compliance items. As at the time of writing this report IANZ have received the attached clearance plan and the team are on track for clearing all non-compliance items within the specified period.

### Next steps

- 25 The next steps in the process is to obtain written confirmation of all non-compliances being cleared and accreditation maintained, then prepare for the next regular bi-annual IANZ accreditation assessment in February 2022.

## Attachments

A      2022 IANZ Final assessment report with clearance plan [↓](#)



The NZ mark of competence  
Tohu Matatau Aotearoa

## **BUILDING CONSENT AUTHORITY ACCREDITATION INITIAL ASSESSMENT REPORT**

**SOUTHLAND DISTRICT COUNCIL**

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IANZ, Private Bag 28908, Remuera, Auckland 1541; Tel (09) 525 6655

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## INTRODUCTION

This report relates to the remote accreditation monitoring assessment of the Southland District Council Building Consent Authority (BCA) which took place during **February 2022** to determine compliance with the requirements of the *Building (Accreditation of Building Consent Authorities) Regulations 2006* (the Regulations).

This report is based on the document review, review of records, and interviews with the BCA's employees undertaken during the accreditation assessment.

A copy of this report, and subsequent information regarding progress towards clearance of non-compliance/s, will be provided to the Ministry of Business, Innovation and Employment (MBIE) in accordance with International Accreditation New Zealand's (IANZ) contractual obligations. This report may also be made publicly available by the BCA as long as this is not done in a way that misrepresents the content within. It may also be released under the Local Government Meetings and Official Information Act 1987 consistent with any ground for withholding that might be applicable.

## BACKGROUND

The BCA has been assessed by IANZ four times in the last three years. During the February 2019 assessment it was identified (among other things) that the BCA had not been compliant with the statutory clock for issuing of CCCs within 20 working days. Although this finding was cleared at the time by the BCA providing ongoing evidence to IANZ of substantial compliance with the CCC timeframe, it appeared that the resolution was not effective in the long term as, during the February 2021 assessment, it was again identified that the BCA was not compliant with the statutory timeframe for issue of CCC within 20 working days. This issue was raised as a serious non-compliance due to its repetitive nature, with 20 other issues raised as general non-compliances. As a result of the serious non-compliance and the number of other non-compliances raised, a Special Focus Assessment was required to be carried out in February 2022 so that IANZ could be assured that the BCA regained and were maintaining compliance with accreditation requirements.

## ASSESSMENT SUMMARY

This assessment was carried out as a Special Focus assessment, with an assessment focus placed on the items of non-compliance identified during the February 2021 assessment.

The assessment identified that the BCA had put considerable focus on addressing the issues raised during the last assessment. The assessment mostly identified full compliance, with a small number of findings raised. A number of recommendations were also discussed during the assessment and all but two were immediately addressed by the BCA.

The BCA also demonstrated a number of examples of particular note as good practice and/or performance. These included the use of a robust calendar system for management of BCA quality functions, a system for detailed and thorough performance review of its contractors against the KPIs determined in their contract, a significant improvement in the standard of Compliance Schedules, and the fact that the BCA allowed one day every second month for staff training and continued development.

There were however, some outstanding issues, especially related to the allocation of work to employees assessed as competent and to the management of applications with specified systems, including the issue of the resultant Compliance Schedules. These are detailed below. The outstanding non-compliances must be addressed in order for accreditation to continue.



## CONTINUING ACCREDITATION

Accreditation is a statement, by IANZ, that your organisation complies with the Regulations and MBIE BCA accreditation scheme guidance documents (as relevant). Where non-compliance with the Regulations has been identified, the Act requires that it must be addressed.

### Addressing non-compliances identified during the assessment

**Action Plan:** Your non-compliances with the Regulations have been summarised and recorded in detail in this report. Please complete the Record of Non-compliance table/s detailing your proposed corrective actions and the evidence that will be provided, and forward a copy to IANZ.

**Evidence of addressing non-compliances:** Evidence, as described in your action plan, must be supplied to IANZ to demonstrate that you have addressed your non-compliances.

To maintain accreditation you must provide evidence of the actions taken to clear non-compliance to IANZ within the required timeframe. Please allow at least 10 working days for IANZ to respond to any submitted material and allow sufficient time after submission of your evidence in case further evidence is required.

If you do not agree with the non-compliances identified, or if you need further time to address non-compliances, please contact the Lead Assessor as soon as possible. Where you are seeking an extension to an agreed timeframe to address a non-compliance, your Chief Executive is required to make a formal request for an extension of the timeframe. These will only be granted for unpredictable and unmanageable reasons.

If you have a complaint about the assessment process, please refer the BCA Accreditation disagreements guidance which can be found [here](#) or contact the IANZ Lead Assessor, IANZ Programme Manager – Building, or IANZ Operations Manager - Inspection and BCA sectors, for further information about the IANZ appeals and complaints process.

## RISK ASSESSMENT

The BCA's risk, both to the Territorial Authority, as a BCA and also as an organisation accredited by IANZ was assessed. The BCA was considered to pose a **Low Risk**. The main reasons for considering this risk category were:



- Only a small number of non-compliances were identified during this Special Monitoring Assessment, with no Serious Non-compliances raised.
- The assessment team had no serious concerns regarding the technical output from the BCA.
- Although the majority of the non-compliances identified during this assessment were implementation related, the BCA appeared to have robust plans in place, to address the findings within the required timeframe.
- The BCA had not required additional clearance time for their February 2021 assessment.

## NEXT ACCREDITATION ASSESSMENT

Unless your BCA undergoes a significant change, requiring some form of interim assessment, or the BCA is unable to clear the identified non-compliances within the agreed timeframe, the next assessment of the BCA is planned as a **Routine Reassessment** for **February 2023**.

You will be formally notified of your next assessment six weeks prior to its planned date.

**BCA AND ASSESSMENT DETAILS**

ORGANISATION DETAILS					
<b>Organisation:</b> Southland District Council					
<b>Address for service:</b> 15 Forth Street, Invercargill 9810					
<b>Client Number:</b>	7426	<b>Accreditation Number:</b>	6		
<b>Chief Executive:</b>		Cameron McIntosh			
<b>Chief Executive Contact Details:</b>		cameron.mcintosh@southlanddc.govt.nz			
<b>BCA Responsible Manager:</b>		Julie Conradi			
<b>BCA Responsible Manager Contact Details:</b>		julie.conradi@southlanddc.govt.nz			
<b>BCA Authorised Representative:</b>		Matt Russell			
<b>BCA Authorised Representative Contact Details:</b>		matt.russell@southlanddc.govt.nz			
<b>BCA Quality Manager:</b>		Talita Aitken			
<b>BCA Quality Manager Contact Details:</b>		talita.aitken@southlanddc.govt.nz			
<b>Number of BCA FTEs</b>	<b>Technical</b>	13.5	<b>Admin support</b>	7.65	
Total FTEs should = technical FTEs + admin FTEs + vacancies		<b>Vacancies (Technical)</b>	2	<b>Vacancies (Admin)</b>	1
<b>BCA Activity during the previous 12 months</b>					
<b>Building Consents</b>					
<b>R1</b>		678	<b>R2</b>	95	<b>R3</b> 25
<b>C1</b>		119	<b>C2</b>	17	<b>C3</b> 1
<b>CCCs</b>				506	
<b>New compliance schedules</b>				13	
<b>BCA Notices to Fix</b>				2	
ASSESSMENT TEAM					
<b>Assessment Date:</b>		15 February 2022 to 18 February 2022			
<b>Lead Assessor:</b>		Adrienne Woollard			
<b>Lead Assessor Contact Details:</b>		awoollard@ianz.govt.nz			
<b>Technical Expert:</b>		John Hudson			
<b>Observer:</b>		Mike Reedy (MBIE)			
ASSESSMENT FINDINGS					
	<b>This assessment:</b>		<b>Last assessment:</b>		
<b>Total # of "serious" non-compliances:</b>	0		1		
<b>Total # of "general" non-compliances:</b>	7		20		
<b>Total # of non-compliances outstanding:</b>	6		16		
<b>Recommendations:</b>	2		4		
<b>Advisory notes:</b>	3		7		
<b>Date clearance plan required from BCA:</b>	25 March 2022				
<b>Date non-compliances must cleared:</b>	27 May 2022				
NEXT ASSESSMENT					
<b>Recommended next assessment type:</b>	Routine Reassessment				
<b>Recommended next assessment date:</b>	February 2023				
IANZ REPORT PREPARATION					
<b>Prepared by: Adrienne Woollard</b>	<b>Date: 21 February 2022</b>	<b>Signature:</b> 			
<b>Checked by: Peter Wakefield</b>	<b>Date: 22 February 2022</b>	<b>Signature:</b> 			

**ASSESSMENT OBSERVATIONS****REGULATION 6A NOTIFICATION REQUIREMENTS**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had appropriately documented its procedure for notification requirements in accordance with Regulation 6A.</p> <p>The BCA had notified both IANZ and MBIE of changes to the BCA as required by this Regulation.</p>	

**REGULATION 7 PERFORMING BUILDING CONTROL FUNCTIONS****Regulation 7(2)(b)-(c), and 7(2)(d)(i): receiving, checking and recording applications**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had appropriately documented and effectively implemented its procedure for receiving, checking and recording applications in accordance with Regulation 7(2)(b), (c) and 7(2)(d)(i).</p>	

**Regulations 7(2)(d)(ii): assessing applications**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	<b>-</b>
<b>Opportunities for improvement? Y/N</b>	<b>Yes</b>
<b>Number of recommendations:</b>	<b>0</b>
<b>Recommendation number/s:</b>	<b>-</b>
<b>Number of advisory notes:</b>	<b>1</b>
<b>Advisory note number/s:</b>	<b>A1</b>
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had documented its procedure for assessing (categorising) applications in accordance with Regulation 7(2)(d)(ii).</p> <p>The BCA was categorising work using its interpretation of the NCAS using the header table / classification framework within its DC2 – technical skills matrix. The system was complex and unwieldy. The BCA is advised <b>(A1)</b> to consider simplifying its categorisation system and system for applying limitations to employees competence.</p>	

**Regulations 7(2)(d)(iii): allocating applications**

<b>Non-compliance? Y/N</b>	<b>Yes - See Record of Non-compliance for details</b>
<b>Non-compliance number/s:</b>	<b>GNC 1</b>
<b>Opportunities for improvement? Y/N</b>	<b>No</b>
<b>Number of recommendations:</b>	<b>0</b>
<b>Recommendation number/s:</b>	<b>-</b>
<b>Number of advisory notes:</b>	<b>0</b>
<b>Advisory note number/s:</b>	<b>-</b>
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriately documented procedure for allocating applications in accordance with Regulation 7(2)(d)(iii).</p> <p>The BCA had not always effectively implemented its procedure for allocating applications for processing, where in several examples the processors did not have full competency for the tasks they had been allocated. This issue is similar to the circumstances that gave rise to GNC 2 during the last assessment.</p> <p><b>GNC 1</b> - the BCA acknowledged that one of the examples related to an incorrect competency transcription on the skill matrix that in turn had led to several other misallocations. The BCA updated the skills matrix during the assessment to prevent further occurrences of this type however, that didn't fully address the GNC as other consents not affected by the competence transcription were also affected.</p>	

**Regulation 7(2)(d)(iv): processing building consent applications and Regulation 7(2)(e): planning inspections**

<b>Non-compliance? Y/N</b>	<b>Yes - See Record of Non-compliance for details</b>
<b>Non-compliance number/s:</b>	<b>GNC 2</b>
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had adequately documented its procedure for processing building consent applications in accordance with Regulation 7(2)(d)(iv).</p> <p>Implementation of its procedure was not fully effective, notably:</p> <ol style="list-style-type: none"> <li>1. One example was found where the notes in the processing checklist for alteration to a building recorded reasons and a decision for why s112 was not applicable. Section 112 is always applicable to proposed alteration work. As this was a one off example it might not have been raised as a GNC except that it demonstrated that the previously issued GNC regarding section 112 had not been fully addressed.</li> <li>2. Examples were observed where performance standards were not sufficiently detailed by the applicant yet were accepted by the processor, with no further information requested.</li> <li>3. Some work had been processed by staff without a current competence assessment.</li> </ol> <p><b>GNC 2 – to be resolved</b></p>	

**Regulation 7(2)(d)(v): granting and issuing consents**

<b>Non-compliance? Y/N</b>	<b>Yes - See Record of Non-compliance for details</b>
<b>Non-compliance number/s:</b>	<b>GNC 3</b>
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p><b>Compliance with Form 5</b></p> <p>The BCA had adequately documented its procedure for granting and issuing consents, in accordance with Regulation 7(2)(d)(v).</p> <p>Implementation of the procedure was generally effective however, the following was observed:</p> <ul style="list-style-type: none"> <li>• Examples were observed where performance standards on issued consents were not sufficiently accurate/did not provide sufficient detail.</li> <li>• One example was noted where the statement that "A compliance schedule is required for the building" and, the list of specified systems and their performance standards was missing from the building consent (Form 5).</li> </ul> <p>Missing and inappropriate performance standards were raised as part of a GNC in the last assessment where the findings recorded that "The BCA had missed some Performance Standards and recorded</p>	

inappropriate Performance Standards on issued Building Consents.". As this issue is ongoing this is again raised as a non-compliance.

**GNC 3 – to be resolved**

One example was found with an RMA requirement listed in the consent conditions field on the building consent (Form 5). The BCA stated that they had previously become aware of the issue through their auditing and they had made changes to the computer system which now prevented the TA adding conditions to building consents. The change occurred after the example reviewed and as such no finding is made.

**Compliance with statutory timeframes**

Statistics provided by the BCA indicated substantial compliance with the statutory clock for issue of building consents. The BCA was not able to fully demonstrate the working of the clock starting and stopping as part of RFI requests due to the remote nature of the assessment so the assessment team was unable to fully understand how the 20 day clock was operated in relation to processing RFIs. It is suggested that the BCA further investigates the operation of the clock to ensure that it is working appropriately. This issue will be addressed on-site during the next assessment.

**Regulation 7(2)(e): planning, performing and managing inspections**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>Inspections were planned as part of processing.</p> <p>The BCA had appropriately documented its procedure for planning, performing and managing inspections in accordance with Regulation 7(2)(e).</p> <p>As this was a remote assessment implementation of the procedure could not be fully reviewed however, those records observed during the assessment demonstrated compliance with the requirements.</p>	

**Regulation 7(2)(f): code compliance certificates, compliance schedules and notices to fix**

<b>Non-compliance? Y/N</b>	<b>Yes - See Record of Non-compliance for details</b>
<b>Non-compliance number/s:</b>	<b>GNC 4</b>
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p><b>Application for a code compliance certificate</b></p> <p>The BCA had appropriately documented and effectively implemented its procedure for receiving and considering applications for a Code Compliance Certificate.</p>	

**Code compliance certificates**

The BCA had appropriately documented its procedure for preparation and issue Code Compliance Certificates.

Implementation of its procedure was seen to be adequate and effective.

**Compliance with statutory timeframes**

The BCA was seen to be substantially compliant with the statutory timeframe for issuing Code Compliance Certificates within 20 working days during the last 6 months.

**Compliance schedules**

The BCA had appropriately documented its procedure for preparation and issue of Compliance Schedules.

Implementation of its procedure was mostly appropriate where recently issued compliance schedules were very well detailed and the BCA was working hard to add sufficient information to describe the systems including adding relevant photos, listing locations or appending layout drawings, and adding the type and make of specified systems where relevant. The BCA had reviewed the exemplar compliance schedule issued by MBIE and had taken steps to more closely align their process and compliance schedule template with that example. It was reported that considerable attention had been paid to ensuring that the right people were completing this work and that they had received appropriate training.

In a small number of cases the Compliance Schedules were not fully compliant. The following observations of non-compliance are provided to guide the BCA forward when developing their new Compliance Schedule process. Examples were noted where:

- Multiple performance standards were listed for some specified systems with no indication of which parts of the systems each of the performance standards applied to.
- Systems described in compliance schedules were different to those set out in Form 5 (or the attached Draft CS).
- Occasionally the BCA listed acceptable solutions as being part of the building code (e.g., NZBC F6/AS1, date/version, relevant part, etc.). The acceptable solution is considered to be a means of meeting the requirements of the Building Code however it is not itself part of the code so this should not be quoted (e.g. F6/AS1, date, part, etc. is appropriate, not NZBC F6/AS1, date, part, etc.).

**GNC 4 – to be resolved****Regulation 7(2)(g): customer inquiries**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
The BCA had appropriately documented and effectively implemented its procedure for receiving and managing customer inquiries about building control functions in accordance with Regulation 7(2)(g).	

**Regulation 7(2)(h): customer complaints**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had documented its procedure for receiving and managing customer complaints about building control functions. A small alteration was made to the procedure during the assessment to clarify the timeframes for prioritised complaints.</p> <p>Implementation of its procedures was in accordance with Regulation 7(2)(h), where complaints were received and managed through the Council's contact management system.</p>	

**REGULATION 8 ENSURING ENOUGH EMPLOYEES AND CONTRACTORS****Regulation 8(2): identifying and addressing capacity and capability needs**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had appropriately documented and effectively implemented its procedure to identify and address capacity and capability needs in accordance with Regulation 8(2).</p>	



**REGULATION 9 ALLOCATING WORK**

<b>Non-compliance? Y/N</b>	<b>Yes - See Record of Non-compliance for details</b>
<b>Non-compliance number/s:</b>	<b>GNC 5</b>
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had appropriately documented its procedure to allocate work in accordance with Regulation 9.</p> <p>Implementation of its procedures was not always effective, where the BCA had not always ensured that work was allocated to competent or supervised employees. Examples were discovered where work was allocated to employees not assessed as competent due to a misunderstanding of the competence of some new employees and an error in the skills matrix.</p> <p>There was an electronic system error which led to inspections being allocated to a BCO without triggering the requirement for a supervision memo to be recorded.</p> <p>Problems with allocation were raised as part of a GNC in the last assessment, especially related to the complexity of the BCA's system for assessing and recording competence. This issue is raised again as <b>GNC 5 – to be resolved</b>. The BCA advised that the system relied on the processor checking that the NCAS complexity was accurate and ensuring that they had the appropriate competence. They suggested adding new prompts to the processing and supervision checklists to record a check of work complexity. This approach was considered to be appropriate.</p> <p>One example was found where the limitations transcribed for a BCO were more onerous than the limitations in their competency assessment. It is suggested that the BCA reviews the technical skills matrix and ensures that the limitations listed are accurate and appropriate</p>	

**REGULATION 10 ESTABLISHING AND ASSESSING COMPETENCY OF EMPLOYEES****Regulation 10(1): assessing prospective employees**

<b>Non-compliance? Y/N</b>	<b>Yes - resolved during assessment</b>
<b>Non-compliance number/s:</b>	<b>GNC 6</b>
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriately documented procedure in accordance with Regulation 10(1) for establishing the competence of a person who applied to it for employment as an employee performing building control functions.</p> <p>The BCA had not fully followed its documented procedure where two BCOs listed on the skills matrix as competent to perform building control functions did not have a full competency assessment on file (as required by procedure CA 1).</p> <p><b>GNC 6</b> – this was resolved during the assessment by amending the skills matrix to reflect that these employees were to work under supervision.</p>	

**Regulation 10(2) and (3): assessing employees performing building control functions**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	Yes
<b>Number of recommendations:</b>	1
<b>Recommendation number/s:</b>	R1
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriately documented procedure which was effectively implemented in accordance with Regulation 10(3)(a) to (f), and which specified the technical requirements for a competence assessment system.</p> <p>All competence assessments were found to be appropriate and to record an appropriate level of detail, as per the BCA's amended version of the National Building Consent Authority Competency Assessment System (NCAS). However, some assessments had not been completed within 12 months of the previous assessment. There was some discussion regarding whether assessments needed to be started or completed within 12 months of the previous assessment so it is recommended (<b>R1</b>) that the BCA determines (and records in its procedure) how it will measure the "clock" on competence assessments and ensures that all competence assessments are either started or completed at least annually (and as per the procedure).</p>	

**REGULATION 11 TRAINING EMPLOYEES DOING A TECHNICAL JOB****Regulation 11(1) and (2)(a)-(d),(f) and (g): the training system**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	Yes
<b>Number of recommendations:</b>	1
<b>Recommendation number/s:</b>	R2
<b>Number of advisory notes:</b>	1
<b>Advisory note number/s:</b>	A2
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had developed a training system in accordance with Regulation 11(1). They had recently employed a technical trainer to assist them with ensuring that appropriate training was planned, delivered and recorded. In order to place importance on the delivery and receipt of training, the BCA allowed one day every other month for staff training and CPD. This practice is to be commended.</p> <p>The BCA had appropriately documented and effectively implemented its procedure in accordance with Regulation 11(2)(a) to (d) for making annual (or more frequent) training needs assessments, preparing training plans that specified the training outcomes required, ensuring that employees received the training agreed for them, and monitoring and reviewing its employees' application of the training they received.</p> <p>The BCA undertook training needs assessments on a one-on-one basis and used those conversations to drive preparation of a training plan. It is recommended <b>(R2)</b> that for future reference a record of training needs assessment conversations is made.</p> <p>The BCA had experienced significant disruption to its planned training due to the Covid-19 pandemic. This had been recognised and recorded after the event however the BCA is advised <b>(A2)</b> that the BCOs, responsible for management of their own training, should record any delay in training past the planned date in their training plans as the delays occur.</p> <p>The BCA had appropriately documented and effectively implemented its procedure in accordance with Regulation 11(2) (f) and (g) for recording employees' qualifications, experience and training, and recording continuing training information.</p>	

**Regulation 11(2)(e): supervising employees doing a technical job under training**

<b>Non-compliance? Y/N</b>	<b>Yes - See Record of Non-compliance for details</b>
<b>Non-compliance number/s:</b>	<b>GNC 7</b>
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had appropriately documented its procedure to supervise its employees doing a technical job under training in accordance with Regulation 11(2)(e).</p> <p>Examples were noted during the assessment where employees, not yet assessed as competent, had performed building control functions without supervision. This issue was investigated during the assessment and it was determined that they had been accidentally added to the skills matrix as competent and therefore work had been allocated to them without requiring supervision.</p> <p><b>GNC 7</b></p>	

**REGULATION 12(1) and (2)(a) to (f) CHOOSING AND USING CONTRACTORS**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had appropriately documented its procedure for choosing and using contractors to perform its building control functions in accordance with Regulation 12(1).</p> <p>Implementation of the BCA's procedure for annual or more frequent review of contractor performance was reviewed. This demonstrated that the BCA was completing and documenting a very thorough review of contractor performance against the KPIs set out in the contract.</p>	

**REGULATION 15(1)(a) and (b) and (2): KEEPING ORGANISATIONAL RECORDS**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had documented its organisational structure in accordance with Regulation 15(1)(a) and (b). Implementation as seen to be effective where the organisational chart documented the relationships within the BCA and with other external parties.</p> <p>The BCA had an appropriate procedure for recording the roles, responsibilities, powers, authorities and any limitation on powers and authorities for its employees and contractors performing building control functions in accordance with Regulation 15(2).</p> <p>The BCA's delegations were reviewed. It was noted that the delegations for Section 91 inadvertently referred to "Certificate of Acceptance" rather than "Code Compliance Certificate". This was remedied during the assessment.</p>	

**REGULATION 16(1) and (2)(a) to (c): FILING APPLICATIONS FOR BUILDING CONSENT**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	Yes
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	1
<b>Advisory note number/s:</b>	A3
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure for allocating every application for building consent, and building consent amendment its own unique identification.</p> <p>The procedure was appropriately implemented in accordance with Regulation 16(1).</p> <p>The BCA had an appropriate procedure for putting information on an applications file and storing it securely and in a way that made it accessible and retrievable.</p> <p>It was difficult for the assessment team to determine whether information that was difficult to access during the assessment, would have been difficult to locate should the team have been on site. Therefore, no finding is made however, it is suggested (A3) that the BCA review its systems to ensure that all information is appropriately accessible and retrievable.</p>	

**REGULATION 17 ASSURING QUALITY****Regulations 17(1) and (2)(a): A quality assurance system that covers management and operations**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had developed a Quality Assurance System that covered its Management and Operations. Where omissions were detected they were addressed under their relevant Regulation in this report.</p> <p>The BCA had developed a detailed calendar system to manage all QA functions e.g. audits, meetings, CI reviews etc.</p>	

**Regulation 17(2)(b) and (3): A policy on quality and a quality manager**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate Quality Policy which included quality objectives, and quality performance indicators for its building control functions at a high level. It was adequately implemented in accordance with Regulation 17(2)(b) where the BCA had defined its KPIs and was conducting a six monthly review against the KPIs.</p> <p>The BCA had appointed a Quality Manager, named as Talita Aitken, in accordance with Regulation 17(3).</p>	

**Regulation 17(2)(d): Regular management reporting and review, including of the quality system**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure for reviewing its management system annually (or more frequently) against the expected standards for performance and high level performance indicators from its Quality Policy.</p> <p>This was adequately implemented in accordance with Regulation 17(2)(d), where the BCA undertook twice yearly reviews against its quality policy.</p>	

**Regulation 17(2)(e) Supporting continuous improvement**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure for supporting continuous improvement (CI) in accordance with Regulation 17(2)(e).</p> <p>During the previous assessment, it was noted that not all identified issues had been captured into the continuous improvement system. This assessment identified that findings from staff observations, audits, management reviews and IANZ assessments had all been appropriately captured within the CI system.</p> <p>While there were a relatively large number of active CIs in the system, these all appeared to have been considered, prioritised, and were being managed appropriately.</p>	

**Regulation 17(2)(h): Undertaking annual audits**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure for undertaking annual audits in accordance with Regulation 17(2)(h).</p> <p>Implementation of its procedures was appropriate where audits were being undertaken according to the BCA's schedule.</p>	

**Regulation 17(2)(i): Identifying and managing conflicts of interest**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure in its quality assurance system for identifying and managing conflicts of interest.</p> <p>Implementation of the procedure was appropriate where the BCA was recording all declared potential or actual conflicts in its conflicts of interest register. A number of suggestions were discussed during the assessment and the BCA took the opportunity during the assessment to revise its register to better record both the management plan for a conflict of interest and that the conflict had been appropriately resolved as planned.</p>	



**Regulation 17(3A): Complaints about building practitioners**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriately documented procedure to ensure that the BCA considered whether to make, and made complaints to relevant occupational or professional authorities about practitioners whenever they appeared to it necessary or desirable in accordance with Regulation 17(3A)(a) to (c).</p> <p>Implementation of its procedures was appropriate where the BCA had maintained an incident register that records concerns raised by employees and contractors. Robust evidence to support concern was also recorded.</p>	

**Regulation 17(4): Compliance with a quality assurance system**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure for ensuring that its employees and contractors complied with its quality assurance system. This was adequately implemented in accordance with Regulation 17(4).</p> <p>Implementation of its procedures was appropriate where the BCA completed audits to ensure that compliance was demonstrated.</p>	

**Regulation 17(5): Strategic management reporting and review**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure for annual (or more frequent) review of its quality assurance system, and for making appropriate changes in the quality assurance system. It was adequately implemented in accordance with Regulation 17(5).</p> <p>Implementation of its procedures was appropriate, where the BCA had documented a thorough Strategic Management Review.</p>	

**REGULATION 18 TECHNICAL QUALIFICATIONS**

<b>Non-compliance? Y/N</b>	<b>No</b>
<b>Non-compliance number/s:</b>	-
<b>Opportunities for improvement? Y/N</b>	No
<b>Number of recommendations:</b>	0
<b>Recommendation number/s:</b>	-
<b>Number of advisory notes:</b>	0
<b>Advisory note number/s:</b>	-
<b>Observations and comments, including good practice and performance</b>	
<p>The BCA had an appropriate procedure, which was adequately implemented for requiring technical qualifications, and establishing circumstances of employees and contractors that would make it unreasonable and impractical for requiring technical qualifications in accordance with Regulation 18(1) to (3).</p>	

## RECORDS OF NON-COMPLIANCE

<b>RECORD OF NON COMPLIANCE #:</b>	<b>GNC 1</b>
<b>Breach of requirement:</b>	<b>Regulation 7(2)(d)(iii)</b>
<b>Finding:</b>	General Non-compliance
<b>FINDING DETAILS</b>	
The BCA had not always effectively implemented its procedure for allocating applications for processing, where in several examples the processors did not have full competency for the tasks they had been allocated.	
<b>BCA ACTIONS REQUIRED</b>	
Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.	
Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.	
Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later than</u> the "Date final evidence of implementation is required from BCA" indicated below.	
<b>IMPORTANT DATES</b>	
<b>Plan of action from BCA due by:</b>	<b>25 March 2022</b>
<b>All action plans accepted by IANZ:</b>	Click or tap to enter a date.
<b>Date final evidence of implementation is required from BCA:</b>	<b>13 May 2022</b>
<b>Final date non-compliance to be cleared by:</b>	<b>27 May 2022</b>
<b>EVIDENCE</b>	
<b>Plan of action</b> <i>(To be provided by BCA):</i> <ol style="list-style-type: none"> <li>Skills matrix - review for accuracy. Over the next 12 months, work on removing or simplifying limitations as competency assessments are completed with a target of full NCAS complexity categories.</li> <li>Schedule QA quarterly audits (non-technical) into QA calendar. Audit to cover topics per below list. Repeatable audits to be carried out – April/ July/ Oct/ Jan (Note: special audit to be completed in March 2022 to enable further training and re-audit for GNC clearance). <ol style="list-style-type: none"> <li>Do the skills matrix and competency assessments align?</li> <li>Is the GoGet configuration setup correctly?</li> <li>Were the supervision memos triggered as they should?</li> <li>Were the supervision memos actioned/ closed in a reasonable time?</li> </ol> </li> <li>Schedule technical audits quarterly (Reg 7(2)(d)(iv), 9 and 11(2)(e)) into QA calendar. Audit to cover allocation of work to competent or supervised employees. Repeatable audits to be carried out - March/ June/ Sep/ Dec.</li> </ol>	
<b>Proposed evidence of implementation</b> <i>(To be provided by BCA):</i> <ol style="list-style-type: none"> <li>Accurate skills matrix and related competency assessments.</li> <li>March non-technical audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified).</li> <li>March technical audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified).</li> </ol>	
<b>Evidence of implementation and discussion:</b>	
<b>NON COMPLIANCE CLEARED</b>	
<b>Signed:</b>	<b>Date:</b> Click or tap to enter a date.

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<b>RECORD OF NON COMPLIANCE #:</b>	<b>GNC 2</b>
<b>Breach of requirement:</b>	<b>Regulation 7(2)(d)(iv)</b>
<b>Finding:</b>	General Non-compliance
<b>FINDING DETAILS</b>	
<p>Implementation of the processing procedure was not fully effective, notably:</p> <ol style="list-style-type: none"> <li>1. One example was found where the notes in the processing checklist for alteration to a building, recorded reasons and a decision for why s112 was not applicable. Section 112 is always applicable to proposed alteration work. As this was a one-off example it might not have been raised as a GNC except that it demonstrated that the previously issued GNC regarding section 112 had not been fully addressed.</li> <li>2. Examples were observed where performance standards were not sufficiently detailed by the applicant yet were accepted by the processor, with no further information requested.</li> <li>3. Some work had been processed by staff without a current competence assessment.</li> </ol>	
<b>BCA ACTIONS REQUIRED</b>	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p>Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later</u> than the "Date final evidence of implementation is required from BCA" indicated below.</p>	
<b>IMPORTANT DATES</b>	
<b>Plan of action from BCA due by:</b>	<b>25 March 2022</b>
<b>All action plans accepted by IANZ:</b>	Click or tap to enter a date.
<b>Date final evidence of implementation is required from BCA:</b>	<b>13 May 2022</b>
<b>Final date non-compliance to be cleared by:</b>	<b>27 May 2022</b>
<b>EVIDENCE</b>	
<p><b>Plan of action</b> (To be provided by BCA):</p> <ol style="list-style-type: none"> <li>1. Building control team leader to deliver 'building consent processing' refresher training to all BCOs in March for "recording sufficient reasons for S112 where applicable".</li> <li>2. Building control team leader to deliver 'building consent processing' refresher training to all BCOs in March for "performance standards provided by applicant". In addition, communication to be sent to the industry regarding the minimum required performance standard information to be provided with a building consent application.</li> <li>3. Temporary competency limitation applied to all BCOs for building consents with performance standards or alteration work until effectiveness of training is determined.             <ol style="list-style-type: none"> <li>a. As staff process consents (only as work creates opportunities), technical audit to be completed, documented and competency signed off.</li> <li>b. Also, remove staff who have not had a full competency assessment completed from the skills matrix. Review skills matrix for accuracy.</li> </ol> </li> </ol>	
<p><b>Proposed evidence of implementation</b> (To be provided by BCA):</p> <ol style="list-style-type: none"> <li>1. Attendance records from 'building consent processing' training session.</li> <li>2. Copy of information/ communication provided to the public.</li> <li>3. Submit the below evidence:             <ol style="list-style-type: none"> <li>a. Audit results demonstrating current competency for processing building consents with specified systems and alteration work for 2 x BCOs.</li> <li>b. Accurate skills matrix and related competency assessments.</li> </ol> </li> </ol>	
<b>Evidence of implementation and discussion:</b>	
<b>NON COMPLIANCE CLEARED</b>	
<b>Signed:</b>	<b>Date:</b> Click or tap to enter a date.

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<b>RECORD OF NON COMPLIANCE #:</b>	<b>GNC 3</b>
<b>Breach of requirement:</b>	<b>Regulation 7(2)(d)(v)</b>
<b>Finding:</b>	General Non-compliance
<b>FINDING DETAILS</b>	
<ol style="list-style-type: none"> <li>Examples were observed where performance standards on issued building consents were not sufficiently accurate/ did not provide sufficient detail.</li> <li>One example was noted where the statement that "A compliance schedule is required for the building" and, the list of specified systems and their performance standards was missing from the building consent (Form 5).</li> </ol>	
<b>BCA ACTIONS REQUIRED</b>	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p>Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later</u> than the "Date final evidence of implementation is required from BCA" indicated below.</p>	
<b>IMPORTANT DATES</b>	
<b>Plan of action from BCA due by:</b>	<b>25 March 2022</b>
<b>All action plans accepted by IANZ:</b>	Click or tap to enter a date.
<b>Date final evidence of implementation is required from BCA:</b>	<b>13 May 2022</b>
<b>Final date non-compliance to be cleared by:</b>	<b>27 May 2022</b>
<b>EVIDENCE</b>	
<p><b>Plan of action</b> (To be provided by BCA):</p> <ol style="list-style-type: none"> <li>(Per GNC 2) building control team leader to deliver 'building consent processing' refresher training to all BCOs in March for "performance standards provided by applicant".</li> <li>Technical trainer to deliver refresher training to all administrators in March. Topics to include:             <ol style="list-style-type: none"> <li>Identifying key information to be included on Form 5 (building consent) including: specified system information, all attachment options, conditions and advice notes.</li> <li>Checking accuracy of Form 5 produced before issuing including: header fields contain required information (n/a if not applicable), performance standard information is present (where relevant), required inspections correctly listed, name and role of BCO that granted consent, signature and date is applied, conditions are limited to those selected by BCO, advice notes are clearly segregated.</li> </ol> </li> <li>Schedule technical audits for Form 5 accuracy quarterly into QA calendar. Audit to ensure correct Form 5 documents are issued. Repeatable audits to be carried out – March/ June/ Sept/ Dec.</li> </ol>	
<p><b>Proposed evidence of implementation</b> (To be provided by BCA):</p> <ol style="list-style-type: none"> <li>(Per GNC 2)             <ol style="list-style-type: none"> <li>Attendance records from technical training session.</li> <li>Audit results demonstrating current competency for processing building consents with specified systems for 2 x BCOs.</li> <li>Accurate skills matrix and related competency assessments.</li> </ol> </li> <li>Attendance records from administration training session.</li> <li>March technical correctness of Form 5 audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified).</li> </ol>	
<b>Evidence of implementation and discussion:</b>	
<b>NON COMPLIANCE CLEARED</b>	
<b>Signed:</b>	<b>Date:</b> Click or tap to enter a date.

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<b>RECORD OF NON COMPLIANCE #:</b>	<b>GNC 4</b>
<b>Breach of requirement:</b>	<b>Regulation 7(2)(f)</b>
<b>Finding:</b>	General Non-compliance
<b>FINDING DETAILS</b>	
<p>Some compliance schedules were not fully compliant as follows:</p> <ul style="list-style-type: none"> <li>Multiple performance standards were listed for some specified systems with no indication of which parts of the systems each of the performance standards applied to.</li> <li>Systems described in compliance schedules were different to those set out in Form 5 (or the attached Draft CS).</li> <li>Occasionally the BCA listed acceptable solutions as being part of the building code (eg NZBC F6/AS1, date/ version, relevant part, etc.) The acceptable solution is considered to be a means of meeting the requirements of the building code however it is not itself part of the code so this should not be quoted (eg F6/AS1, date, part, etc. is appropriate, not NZBC F6/AS1, date, part, etc.)</li> </ul>	
<b>BCA ACTIONS REQUIRED</b>	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p>Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later</u> than the "Date final evidence of implementation is required from BCA" indicated below.</p>	
<b>IMPORTANT DATES</b>	
<b>Plan of action from BCA due by:</b>	<b>25 March 2022</b>
<b>All action plans accepted by IANZ:</b>	Click or tap to enter a date.
<b>Date final evidence of implementation is required from BCA:</b>	<b>13 May 2022</b>
<b>Final date non-compliance to be cleared by:</b>	<b>27 May 2022</b>
<b>EVIDENCE</b>	
<p><b>Plan of action</b> (To be provided by BCA):</p> <ol style="list-style-type: none"> <li>Building control team leader to deliver 'compliance schedule' refresher training to all BCOs in March. Topics include: <ol style="list-style-type: none"> <li>Listing multiple performance standards and ensuring relationship to the system each applies to is clear.</li> <li>Alignment between Form 5 building consent content and final CS. Requiring application for amendment once changes are identified and before they occur during a build.</li> <li>Acceptable solutions are not part of the building code and cannot be referred to as such.</li> </ol> </li> <li>Temporary competency limitation applied to all BCOs for issuing compliance schedules until effectiveness of training is determined.</li> <li>As staff process consents (only as work creates opportunities), technical audit to be completed, documented and competency signed off.</li> </ol>	
<p><b>Proposed evidence of implementation</b> (To be provided by BCA):</p> <ol style="list-style-type: none"> <li>Attendance records from 'compliance schedule' technical training session.</li> <li>Accurate skills matrix and related competency assessments.</li> <li>Audit results demonstrating current competency for Compliance Schedules for 2 x BCOs.</li> </ol>	
<b>Evidence of implementation and discussion:</b>	
<b>NON COMPLIANCE CLEARED</b>	
<b>Signed:</b>	<b>Date:</b> Click or tap to enter a date.

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<b>RECORD OF NON COMPLIANCE #:</b>	<b>GNC 5</b>
<b>Breach of requirement:</b>	<b>Regulation 9</b>
<b>Finding:</b>	General Non-compliance
<b>FINDING DETAILS</b>	
<p>The BCA had not always ensured that work was allocated to competent or supervised employees. Examples were identified where work was allocated to employees not assessed as competent due to a misunderstanding of the competence of some new employees and an error in the skills matrix.</p> <p>There was an electronic system error which led to inspections being allocated to a BCO without triggering the requirement for a supervision memo to be recorded.</p>	
<b>BCA ACTIONS REQUIRED</b>	
<p>Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.</p> <p>Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.</p> <p>Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later</u> than the "Date final evidence of implementation is required from BCA" indicated below.</p>	
<b>IMPORTANT DATES</b>	
<b>Plan of action from BCA due by:</b>	<b>25 March 2022</b>
<b>All action plans accepted by IANZ:</b>	Click or tap to enter a date.
<b>Date final evidence of implementation is required from BCA:</b>	<b>13 May 2022</b>
<b>Final date non-compliance to be cleared by:</b>	<b>27 May 2022</b>
<b>EVIDENCE</b>	
<p><b>Plan of action</b> <i>(To be provided by BCA):</i></p> <ol style="list-style-type: none"> <li>(Per GNC 1) Review skills matrix for accuracy</li> <li>(Per GNC 1) Schedule QA quarterly audits into QA calendar. Complete both technical and non-technical audits to ensure work is not performed without supervision or a full competency assessment being held.</li> </ol>	
<p><b>Proposed evidence of implementation</b> <i>(To be provided by BCA):</i></p> <ol style="list-style-type: none"> <li>(Per GNC 1) Accurate skills matrix and related competency assessments.</li> <li>(Per GNC 1) March non-technical audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified).</li> <li>(Per GNC 1) March technical audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified).</li> </ol>	
<b>Evidence of implementation and discussion:</b>	
<b>NON COMPLIANCE CLEARED</b>	
<b>Signed:</b>	<b>Date:</b> Click or tap to enter a date.

<b>RECORD OF NON COMPLIANCE #:</b>	<b>GNC 7</b>
<b>Breach of requirement:</b>	<b>Regulation 11(2)(e)</b>
<b>Finding:</b>	General Non-compliance
<b>FINDING DETAILS</b>	
Some employees, not yet assessed as competent, had performed building control functions without supervision.	
<b>BCA ACTIONS REQUIRED</b>	
Please analyse the cause of the above finding and then develop and implement an action plan to address the finding.	
Please provide the action plan to IANZ for acceptance in the space provided in this report. Please provide details of the records of the evidence that will be supplied to address the non-compliance in the space provided.	
Once the action plan and proposed evidence has been accepted by IANZ, and implemented by the BCA, please provide complete evidence to demonstrate that the findings have been addressed <u>no later than</u> the "Date final evidence of implementation is required from BCA" indicated below.	
<b>IMPORTANT DATES</b>	
<b>Plan of action from BCA due by:</b>	<b>25 March 2022</b>
<b>All action plans accepted by IANZ:</b>	Click or tap to enter a date.
<b>Date final evidence of implementation is required from BCA:</b>	<b>13 May 2022</b>
<b>Final date non-compliance to be cleared by:</b>	<b>27 May 2022</b>
<b>EVIDENCE</b>	
<b>Plan of action</b> <i>(To be provided by BCA)</i>	
<ol style="list-style-type: none"> <li>(Per GNC 1) Review skills matrix for accuracy</li> <li>(Per GNC 1) Schedule QA Quarterly audits into QA calendar. Complete both technical and non-technical audits to ensure work is not performed without supervision or a full competency assessment being held.</li> </ol>	
<b>Proposed evidence of implementation</b> <i>(To be provided by BCA):</i>	
<ol style="list-style-type: none"> <li>(Per GNC 1) Accurate skills matrix and related competency assessments</li> <li>(Per GNC 1) March non-technical audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified)</li> <li>(Per GNC 1) March technical audit results showing compliance (April audit results will also be provided if March audit identifies non-compliances to be rectified)</li> </ol>	
<b>Evidence of implementation and discussion:</b>	
<b>NON COMPLIANCE CLEARED</b>	
<b>Signed:</b>	<b>Date:</b> Click or tap to enter a date.



## SUMMARY OF RECOMMENDATIONS

Recommendations are intended to assist your BCA to maintain compliance with the Regulations. They are **not** conditions for accreditation but a failure to make changes may result in non-compliance with the Regulations in the future.

**It is recommended that:**

- a. **Regulation 10(3)** It was unclear whether the BCA planned to start or complete competence assessments within 12 months of the previous assessment so it is recommended that the BCA determines (and records in its procedure) how it will ensure that all competence assessments are either started or completed at least annually (and as per the procedure).]
- b. **Regulation 11(2)** The BCA undertook training needs assessments on a one-on-one basis and used those conversations to drive preparation of a training plan. It is recommended that for future reference, a record of training needs assessment conversations is made.

## SUMMARY OF ADVISORY NOTES

Advisory notes are intended to assist your BCA to improve compliance with accreditation requirements based on IANZ's experience. They are **not** conditions for accreditation and do not have to be implemented to maintain accreditation.

**IANZ advises that:**

- a. **Regulation 7(2)(d)(ii)** The BCA is advised to consider simplifying its categorisation system and system for applying limitations to its employee's competence.
- b. **Regulation 11(2)(c)** The BCA is advised that the BCOs, responsible for management of their own training, should record any delay in training events past the planned date in their training plans as the delays occur.
- c. **Regulation 16(2)** It is suggested that the BCA review its systems to ensure that all information is appropriately accessible and retrievable.

## SUMMARY TABLE OF NON-COMPLIANCE

The following table summarises the non-compliance identified with the accreditation requirements in your BCA's accreditation assessment. Where a non-compliance has been identified, a Record of Non-compliance template has been prepared detailing the issue, and to enable you to detail your proposed corrective actions to IANZ. You must update and return a template for each non-compliance identified.

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? Enter "Yes" where applicable						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY)	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (one sentence/line only to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recs.	Adv. notes	
6(A)(1)	Choose item.													
6(A)(2)	Choose item.													
<b>Regulation 7</b>														
7(1)	Choose item.													
7(2)(a)	Choose item.													
7(2)(b)	Choose item.													
7(2)(c)	Choose item.													
7(2)(d)(i)	Choose item.													
7(2)(d)(ii)	Choose item.													
7(2)(d)(iii)	General	GNC 1			Yes				No	27/5/2022				The BCA had not always effectively implemented its procedure for allocating applications for processing, where in several examples the processors did not have full competency for the tasks they had been allocated. The BCA updated the skills matrix during the assessment to prevent further occurrences caused by an error in competence transcription however, that didn't fully address the GNC as other consents, not affected by the transcription error, were also noted.
7(2)(d)(iv)	General	GNC 2			Yes				No	27/5/2022				Implementation of the processing procedure was not fully effective, notably: 1. One example was found where the notes in the processing checklist for alteration to a building recorded reasons and a decision for why s112 was not applicable. Section 112 is always applicable to proposed alteration work. As this was a one-off example it might not have been raised as a GNC except that it demonstrated that the previously issued GNC regarding section 112 had not been fully addressed. 2. Examples were observed where performance standards were not sufficiently detailed by the applicant yet were accepted by the processor, with no further information requested. Some work had been processed by staff without a current competence assessment.
7(2)(d)(v)	General	GNC 3			Yes				No	27/5/2022				Examples were observed where performance standards on issued building consents were not sufficiently accurate/did not provide sufficient detail. One example was noted where the statement that "A compliance schedule is required for the building" and, the list of specified systems and their performance standards was missing from the building consent (Form 5).
7(2)(e)	Choose item.													
7(2)(f)	General	GNC 4			Yes				No	27/5/2022				Some Compliance Schedules were not fully compliant as follows: <ul style="list-style-type: none"> <li>Multiple performance standards were listed for some specified systems with no indication of which parts of the systems each of the performance standards applied to.</li> <li>Systems described in compliance schedules were different to those set out in Form 5 (or the attached Draft CS).</li> </ul> Occasionally the BCA erroneously listed acceptable solutions as being part of the building code.
7(2)(g)	Choose item.													
7(2)(h)	Choose item.													
<b>Regulation 8</b>														
8(1)	Choose item.													

Southland District Council

Initial Report

15 to 18 February 2022

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? Enter "Yes" where applicable						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY)	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment  (one sentence/line only to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recs.	Adv. notes	
8(2)	Choose item.													
<b>Regulation 9</b>														
9	General	GNC 5			Yes				No	27/5/2022				The BCA had not always ensured that work was allocated to competent or supervised employees. Examples were discovered where work was allocated to employees not assessed as competent due to a misunderstanding of the competence of some new employees and an error in the skills matrix. There was an electronic system error which led to inspections being allocated to a BCO without triggering the requirement for a supervision memo to be recorded.
<b>Regulation 10</b>														
10(1)	General	GNC 6			Yes				Yes					The BCA had not fully followed its documented procedure where two BCOs listed on the skills matrix as competent to perform building control functions did not have a full competency assessment on file (as required by procedure CA 1)
10(2)	Choose item.													
10(3)	Choose item.													
<b>Regulation 11</b>														
11(1)	Choose item.													
11(2)(a)	Choose item.													
11(2)(b)	Choose item.													
11(2)(c)	Choose item.													
11(2)(d)	Choose item.													
11(2)(e)	General	GNC 7			Yes				No	27/5/2022				Some employees, not yet assessed as competent, had performed building control functions without supervision.
11(2)(f)	Choose item.													
11(2)(g)	Choose item.													
<b>Regulation 12</b>														
12(1)	Choose item.													
12(2)(a)	Choose item.													
12(2)(b)	Choose item.													
12(2)(c)	Choose item.													
12(2)(d)	Choose item.													
12(2)(e)	Choose item.													
12(2)(f)	Choose item.													
<b>Regulation 13</b>														
13(a)	Choose item.													
13(b)	Choose item.													
<b>Regulation 14</b>														
14	Choose item.													
<b>Regulation 15</b>														
15(1)(a)	Choose item.													
15(1)(b)	Choose item.													
15(2)	Choose item.													
<b>Regulation 16</b>														
16(1)	Choose item.													
16(2)(a)	Choose item.													
16(2)(b)	Choose item.													
16(2)(c)	Choose item.													
<b>Regulation 17</b>														
17(1)	Choose item.													

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? Enter "Yes" where applicable						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY)	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment  (one sentence/line only to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recs.	Adv. notes	
17(2)(a)	Choose item.													
17(2)(b)	Choose item.													
17(2)(c)	Choose item.													
17(2)(d)	Choose item.													
17(2)(e)	Choose item.													
17(2)(h)	Choose item.													
17(2)(i)	Choose item.													
17(2)(j)	Choose item.													
17(3)	Choose item.													
17(3A)(a)	Choose item.													
17(3A)(b)	Choose item.													
17(3A)(c)	Choose item.													
17(4)(a)	Choose item.													
17(4)(b)	Choose item.													
17(5)(a)	Choose item.													
17(5)(b)	Choose item.													
Regulation 18														
18(1)	Choose item.													
18(3)(a)	Choose item.													
18(3)(b)	Choose item.													



## Risk management - March 2022 quarterly update

Record no: R/21/12/64465

Author: Jane Edwards, Policy analyst

Approved by: Fran Mikulicic, Group manager democracy and community

☐ Decision

☒ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to submit the March 2022 quarterly risk management report for consideration by the Finance and Assurance committee (the committee).

### Executive summary

- 2 A risk management framework (RMF) was adopted by Council in February 2019. This framework supports risk thinking across Council so that risk can be understood, planned for and mitigated across all levels and activities.
- 3 As part of the RMF process, Council's priority strategic risks were identified and endorsed in June 2021 and these form the basis of the committee quarterly risk report including the risk register.
- 4 The leadership team (LT) jointly owns the current twelve priority risks for Council and is responsible for maintaining oversight of Council's risks, controls and treatments.
- 5 The LT has reviewed the status of the top priority risks for the March 2022 quarter and the risks are presented as attachment A with their assessment, any current and proposed mitigations, and their residual risk assessment.
- 6 The matrices used to assess the risks are included for information as attachment B.
- 7 Following the committee's consideration of the quarterly risk management update, those strategic risks considered of significant issue will be reported to Council at its 27 April 2022 meeting.

## Recommendation

That the Finance and Assurance Committee:

- a) receives the report titled **“Risk management - March 2022 quarterly update ” dated 22 March 2022.**
- b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) endorses those risks considered of significant issue being reported to Council at its 27 April 2022 meeting

## Background

- 8 Eleven priority risks were assessed by LT workshops in March 2021 and adopted by Council in June 2021. As a living document, the risk register will be reviewed formally on an annual and as required basis. The next formal LT review is scheduled to take place in March 2022.
- 9 To note is the addition of the Covid-19 response risk which was identified as an emergent risk in December 2021 and will be monitored as a priority strategic risk going forwards.
- 10 The priority strategic risks endorsed by Council are jointly owned by the LT and form the basis of the risk register.
- 11 The LT review the status of the top risks, and any emerging risks, on a quarterly basis and this report is then presented to the committee for consideration. After feedback from the committee each quarter, the RMF requires those risks considered of significant issue to be reported to the next Council meeting.
- 12 The priority risks are considered of equal importance to Council and are outlined in a single tiered risk register. This will allow prioritisation to be fluid for the reporting year with resource allocated where appropriate across the top risks. Governance will continue to have a clear indication of management's risk priorities by the utilisation of the risk thresholds and status to indicate where focus and resource could be directed each quarter.
- 13 The consequences, likelihoods and thresholds for each risk have been assessed after a review of the risk register and they reflect the highest assessed aspect of each risk for this current quarter.
- 14 The status of each risk is a summary of the mitigations that are currently in place for each risk and indicate whether the mitigations are assessed as causing the threshold to rise, lower or remain static.

## Issues

- 15 The risk register update for the March 2022 quarter is attached as attachment A.



16 The risk register has twelve priority risks of which there are two 'very high', three 'high', and six 'medium' rated risk post mitigation.

17 Issues to note this quarter include:

**Change and reform**

18 This risk continues to be assessed as worsening this quarter.

19 Central government regulatory reforms will continue to impact on Council's objectives, structures, strategy and processes.

20 The three waters and resource management act reforms along with the review of local government will continue to be monitored and assessed to ensure adequate awareness and understanding at both management and governance levels.

21 Councillors and elected members have attended recent LGNZ zoom workshops discussing issues around the future for local government. These issues include roles and functions, treaty partnerships, responsive local leadership and fiscal sustainability

22 It will be essential that Council positions itself to take advantage of opportunities to influence legislative development and potential transition planning on behalf of the District where possible.

**Climate change**

23 This risk continues to be assessed as static.

24 The recruitment process is currently underway for appointment of a climate change officer. This role will drive the development of a climate change strategy for the organisation. External resource may be sought to support its development.

25 Strategic work to support the District Plan is ready to start – this work will make impact assessments of natural hazards and climate change on Council's infrastructure.

26 LiDAR update – 38% of region has now been flown. Data sets are expected by end of 2022 to inform planning.

**Compliance and fraud**

27 This risk continues to be assessed as static.

28 As national environmental reforms progress, new legislative requirements will be imposed on the organisation. This may present challenges to attract and retain skilled employees combined with the obligations that affect Council's ability to maintain agreed performance standards. Detailed analysis of the changes will be identified and communicated to LT and governance.

29 Under the Covid-19 red light protocols, separation of roles has been undertaken to keep employees safe and ensure continued compliance with legislative requirements. Business continuity plans have been requested from contactors to ensure that essential services such as reticulation and sewerage are able to be maintained in the event of Omicron impacts on the workforce.

- 30 Collaboration proposed between staff at Gore District Council and Invercargill City Council to mitigate against staff shortage and a prioritised programme of work has indicated which projects could be stalled to focus on urgent work if required.

**Covid-19 response**

- 31 Although this risk was not formally assessed when reported on as an emergent risk in December 2021, it is assessed as worsening over the last quarter due to the uncertainty of Omicron impacts and the potential for other variants.
- 32 The emergence and impact of the Covid-19 Omicron variant has been prominent this quarter, especially the health, safety and wellbeing impacts, financial implications, and resourcing issues for the organisation.
- 33 The Incident Management Team (IMT) has continued to manage Council's response as community cases have emerged in the District. This has included adapting to changes to central government's Covid-19 response strategy including the devolution of isolation management back into the community.
- 34 The IMT's primary focus this quarter has been the provision of support and advice to the organisation in response to impacts on critical services and the wellbeing of staff and community.

Process:

- 35 The IMT utilised a risk matrix to assess critical services and develop a prioritised list of services/roles which has enabled:
- the separation of key essential roles into bubbles so that teams should not all be impacted simultaneously
  - all teams to have documented plans for preparedness
  - documented second and third fall back plans developed to allow agility and flexibility
  - a requirement for contractors to ensure they have appropriate contingency plans in place.
- 36 Working remotely has meant the risk of Covid spread has been reduced and the organisation has showed that the majority of work can be done offsite.
- 37 While key internal controls are currently continuing to operate effectively, external issues of supply chain constraints and the potential for critical skills shortages are addressed elsewhere in this report.
- 38 Where there have been impacts to services and Council has faced potential criticism, such as the closure of libraries and area offices, the community has largely been supportive and the organisation has suffered no reputational damage.
- 39 Council has also had positive feedback from the community for its proactive steps to investigate different ways of delivering services such as click and collect and area offices opened briefly for rates payments.

People

- 40 People leaders have been monitoring productivity levels, barriers, and the wellbeing of their teams. This is currently being done informally with monitoring via conversations rather than surveys to not overload staff already at capacity.
- 41 Regular delivery of information has utilised communication channels from chief executive to staff via a weekly newsletter Kia Korero, and to governance via a weekly elected member newsletter. In addition, weekly meetings have been held between the mayor and chief executive.
- 42 The first 'virtual' staff meeting was held this quarter and this is proposed to be undertaken regularly going forwards.

### **Cyber security**

- 43 This risk continues to be assessed as static.
- 44 Supply chain issues have meant that the March 2022 decommissioning of Citrix has been pushed out to July 2022.
- 45 Disaster recovery plan testing was completed December 2021 however staff are currently working through configuration issues and further testing will follow.
- 46 Initial phishing testing completed in February 2022 using new software capabilities. A cybersecurity working group is currently being established to test the awareness and phishing training before being released across the organisation.

### **Data and systems**

- 47 This risk continues to be assessed as improving.
- 48 The asset management tool (IPS) is now operational and staff are currently importing asset data into the system. Community facilities will work with geographic information system (GIS) team to create linkage creating further functionality similar to what is available with the three waters' data

### **Disaster event**

- 49 This risk continues to be assessed as static.
- 50 Throughout the reporting period, the incident management team have maintained a capability to support with emergency response in the event of natural or human induced disaster.
- 51 Business continuity planning has been undertaken across the organisation to ensure that Council is able to provide essential services and support to the community in the face of a disaster event.
- 52 It should be noted however that the business continuity plans are targeted towards pandemic response not natural disaster. Consideration will be given to broadening business resilience beyond a pandemic focus as a natural disaster will draw on resources already at capacity.

### **Health, safety and wellbeing**

- 53 This risk continues to be assessed as static.
- 54 Gap analysis recommendations were reviewed February 2022 ready for the 2022/23 implementation plan

- 55 As part of ongoing training for governance and management, due diligence reviews are currently being prepared ready for new triennium.
- 56 Staff are continuing to monitor office/remote working dynamics and challenges for the organisation due to the evolving Covid-19 risk landscape and government mandates.

### **Public health**

- 57 This risk continues to be assessed as static.
- 58 Business continuity plans have been requested from contactors to ensure that essential services such as reticulation and sewerage are able to be maintained in the event of Omicron impacts on the workforce.
- 59 Collaboration has been proposed between staff at Gore District Council and Invercargill City Council to mitigate against staff shortage and the development of a prioritised programme of work has indicated which projects could be stalled to focus on urgent work if required.

### **Relationships and reputation**

- 60 This risk continues to be assessed as static.
- 61 Community Board health check – this process is currently sitting with the community boards who have been tasked with undertaking a review of their roles and responsibilities. The outcome of this review will be a critical foundation piece to rebuilding the connection between Council and the community and ensuring that the two-way conduit is working effectively.
- 62 The review will also inform the campaign and induction process which will precede local body elections in October 2022.
- 63 To note is that Council will need to be aware of the election process that takes place between July and October to ensure no reputational damage to the organisation throughout this period.
- 64 Great South's annual statement of intent (SOI) process has continued over the quarter with workshops held with Great South and other shareholders to set the direction for Great South for the 2022/23 reporting period. Council's feedback to the draft SOI will contribute towards joint primary shareholder feedback via the Mayoral Forum held 11 March 2022. Staff from Invercargill City and Southland District councils will facilitate a workshop to be held with both class A and B shareholders to discuss the funding deficit/opportunities next quarter.

### **Resource and delivery**

- 65 This risk continues to be assessed as worsening.
- 66 The impact of Covid-19 has increased the challenges the organisation has to face balancing the combined impacts of inflation, escalating cost components, and labour/supply chain constraints. Market capacity and access to supply chain impacts are evolving on a daily basis with changes from central government and market players clamping down on material delivery.
- 67 The current volatility of the market, both nationally and globally, has meant that staff have had to consider different and increasingly flexible ways of procuring materials and services to reduce risk, for example, consideration of alliance type tendering.

- 68 Procurement plans will need to be updated to reflect current climate regarding Covid 19 and the effects e.g. corporate material controls, availability and/or lead in times required to secure certain high demand materials, volatility of material pricing and labour price increases.
- 69 Council is not currently being impacted by skilled staffing shortages however in the pandemic environment, the private sector now beginning to compete in terms of incentives traditionally offered by the public sector such as flexibility, less intensive work hours and a focus on mental health and wellbeing.
- 70 With a pool of applicants ‘window shopping’, some of Council’s traditional incentives may need to change to compete with private sector with applicants increasingly looking for health insurance, vehicles, phones, flexibility etc. Local government is still seen as holding its own in terms of job security and longevity and Southland as a region is seen as a drawcard at present with interest shown from those seeking better work/life balance and opportunities for families.

### **Strategy and direction**

- 71 This risk continues to be assessed as static.
- 72 The strategic programme currently underway is gathering data on regional spatial planning and growth information for the District and will drive Council’s strategic direction.
- 73 The community board health check currently underway is an opportunity to rebuild the connections between council and the community to ensure that the two-way conduit is working effectively.

### **Emergent risks**

- 74 No potential emergent risks have been identified this quarter.

### **Operational risk assurance**

- 75 Following the adoption of the revised strategic risk register in June 2021, work has begun to develop the operational risk register.
- 76 Discussions have been held both internally, and externally with risk managers within other local government organisations and risk management software providers to ascertain an effective model that Council could utilise.
- 77 A risk ‘101’ presentation was given to the team leaders’ forum on 4 November 2021. This introduction to the organisation’s strategic risk management process was proposed to be followed early 2022 with more detailed discussion with team leaders and activity managers to identify operational risks within each area of the organisation.
- 78 Due to resourcing issues and following feedback from LT, it is proposed to temporarily halt progress on the operational risk register until capacity allows this process to be undertaken again.

### **In-depth risk analysis**

- 79 As part of the risk management reporting process, the LT also undertakes a regular programme of in-depth analysis into each of the key risks identified by Council.

- 80 A workshop is scheduled to be held at the conclusion of the March committee meeting to facilitate discussion of both the change and reform, and the resource and delivery risks.
- 81 Due to resourcing issues, a separate report has not been prepared for the workshop however both LT and appropriate staff will be available for any questions.

#### Next steps

- 82 Following the committee's consideration of the March 2022 quarterly risk management update, those strategic risks assessed as of significant issue will be reported to Council at its meeting 27 April 2022.

#### Attachments

- A Risk register - Finance and Assurance committee - March 2022 quarter [↓](#)
- B Risk matrices - risk management framework [↓](#)



## Quarterly risk register – March 2022

### Finance and Assurance Committee

STRATEGIC RISK SUMMARY TABLE											
Change & reform	Climate change	Compliance and fraud	Covid 19 response	Cyber-security	Data & systems	Disaster event	Health, safety & wellbeing	Public health	Relationships & reputation	Resource & delivery	Strategy & direction
<b>PRE TREATMENT THRESHOLD</b>											
High	Very high	High		Very High	High	Very high	Very high	Very high	Very high	Very high	High
<b>POST TREATMENT THRESHOLD</b>											
Medium	High	Medium		Medium	Medium	Very high	Very high	High	High	Medium	Medium
<b>RISK STATUS FOR THE CURRENT QUARTER IS ASSESSED AS:</b>											
Worsening	Static	Static		Static	Improving	Static	Static	Static	Static	Worsening	Static
<b>RISK LEAD</b>											
Chief executive					Leadership team						Chief executive
<b>ACTION OFFICER</b>											
Strategic project lead	Environmental planning manager Services & assets leadership team	Building solutions manager Environmental planning manager Strategic manager water & waste Transactional project lead	Incident management team	Business solutions manager		Communications manager Environmental planning manager Services & assets leadership team	Health, safety & wellbeing advisor	Strategic manager water & waste Asset manager – water & waste	All	Commercial infrastructure manager Project delivery manager	Leadership team

Risk register template  
1/06/2019

Southland District Council  
Te Rohe Pōtae o Murihiku

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Strategic risk CHANGE AND REFORM			
DESCRIPTION	Risk that Council has inadequate adaptability to respond to a continuously changing environment		Status: Worsening
Risk management framework CATEGORY	Strategic	Risk register LINKS	Climate change Compliance Strategy and direction
RISK LEAD	Chief executive	ACTION OFFICER	Strategic project lead
POTENTIAL RISK TRIGGERS	<p><u>External:</u></p> <ul style="list-style-type: none"> <li>• changes in central government political direction and/or decision-making</li> <li>• changes in community/stakeholder service level expectations</li> <li>• sector messaging creating uncertainty for business, communities and organisation</li> </ul> <p><u>Internal:</u></p> <ul style="list-style-type: none"> <li>• organisational lack of agility and resilience due to:               <ul style="list-style-type: none"> <li>○ inadequate capacity and capability</li> <li>○ complexity and effectiveness of organisational systems and processes</li> <li>○ siloed culture</li> <li>○ political personalities, trust and relationships</li> <li>○ loss of key staff/elected members</li> <li>○ inadequate contingency planning</li> <li>○ ineffective change communication</li> <li>○ lack of strategic direction</li> </ul> </li> </ul>		
PRE TREATMENT THRESHOLD	Consequence: Moderate	Likelihood: Likely	High





<b>CURRENT MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• monitoring of macro trends/broader environment               <ul style="list-style-type: none"> <li>○ taking an apolitical approach to continue momentum on projects</li> <li>○ continued engagement with LGNZ to monitor anticipated reforms from central government</li> <li>○ work to understand implications of climate changes to communities and how this will impact on service delivery</li> </ul> </li> <li>• improving organisational resilience               <ul style="list-style-type: none"> <li>○ review and improve systems/procedures around data capture, management and storage</li> <li>○ review of current internal structures and practices to ensure they are fit for purpose</li> <li>○ review and identify process to increase adaptiveness and agility of governance/management/staff</li> </ul> </li> <li>• improving financial resilience               <ul style="list-style-type: none"> <li>○ monitoring of macro trends/broader environment</li> <li>○ ensuring the ability to urgently reprioritise capital spending and/or community levels of service spending</li> </ul> </li> <li>• maintain trust and confidence of our communities through effective communication and engagement               <ul style="list-style-type: none"> <li>○ continued engagement/collaboration with neighbouring councils/central government / governance/management/ staff level relationships</li> </ul> </li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b> Moderate	<b>Likelihood:</b> Possible	
	<b>Medium</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• leadership forum</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• none reported for the March 2022 quarter</li> </ul>		



Strategic risk						CLIMATE CHANGE	
DESCRIPTION		Risk that Council fails to adapt to, or mitigate the effects of, climate change impacts				Status: Static	
Risk management framework CATEGORY		Health, safety and wellbeing	Strategic	Risk register LINKS		Change and reform	
		Regulatory and compliance	Social, cultural and environmental			Disaster event	
RISK LEAD		Leadership team		ACTION OFFICER		Environmental planning manager Services and assets leadership team	
POTENTIAL RISK TRIGGERS		<u>External:</u> <ul style="list-style-type: none"><li>ineffective clear advice to enable evidence-based quality decisions due to:<ul style="list-style-type: none"><li>variability and uncertainty in climate change modelling</li><li>changes in political direction</li></ul></li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>inadequate consideration of climate impacts in:<ul style="list-style-type: none"><li>strategic decision-making</li><li>fit for purpose activity management</li></ul></li></ul>					
PRE TREATMENT THRESHOLD		Consequence: Major		Likelihood: Likely			
		Very high					
CURRENT MITIGATIONS		<ul style="list-style-type: none"><li>effective governance, strategies and plans<ul style="list-style-type: none"><li>infrastructure planning to have activity-based approach to address zoning decisions</li><li>climate change considerations included in draft Long Term Plan 21/31, draft infrastructure strategy, activity management plans</li><li>ensuring continued compliance with appropriate national and regional plans</li></ul></li><li>build knowledge<ul style="list-style-type: none"><li>understand and identify implications of climate changes to communities and how this will impact service delivery</li></ul></li></ul>					



	<ul style="list-style-type: none"> <li>○ research programme including stakeholders</li> <li>○ continuing to engage with LGNZ and central government to monitor anticipated reform change</li> <li>○ continuing to engage at regional level on information gathering and analysis relating to hazards</li> <li>● build capacity               <ul style="list-style-type: none"> <li>○ adequate borrowing capacity in place through the financial strategy to assist with recovery costs</li> <li>○ Local Authority Protection Programme insurance in place</li> <li>○ emergency resourcing in place and available</li> </ul> </li> </ul>	
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b> Major	<b>Likelihood:</b> Possible
	High	
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>● development of a climate change strategy which will identify and prioritise actions towards managing climate change impacts</li> <li>● development of a draft climate change policy that sets out appropriate climate change scenarios to use, governance for climate change, capability and capacity requirements</li> <li>● investigate Council's carbon footprint to better understand actions required to reduce Council's operational emissions</li> </ul>	
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>● none reported for the March 2022 quarter</li> </ul>	



Strategic risk COMPLIANCE AND FRAUD			
<b>DESCRIPTION</b>	Risk that Council is unable to adapt to the impacts of fraud and increasing compliance standards on the organisation		<b>Status:</b> Static
<b>Risk management framework CATEGORY</b>	Financial Regulatory and compliance	Strategic <b>Risk register LINKS</b>	Public health Reputation Service delivery
<b>RISK LEAD</b>	Leadership team	<b>ACTION OFFICERS</b>	Building solutions manager Environmental planning manager Strategic manager water & waste Transactional project lead
<b>POTENTIAL RISK TRIGGERS</b>	<u>External:</u> <ul style="list-style-type: none"> <li>central government changes to the regulatory standards for compliance               <ul style="list-style-type: none"> <li>external attempts to perpetrate fraud</li> </ul> </li> </ul> <u>Internal:</u> <ul style="list-style-type: none"> <li>community and stakeholder service-level expectations not being met</li> <li>breakdown in internal controls resulting in:               <ul style="list-style-type: none"> <li>continued or serious breaches leading to increased compliance requirements and regulation</li> <li>poor resource allocation/prioritisation</li> <li>complacency</li> <li>emotionally and financially stressed staff</li> <li>lack of training and awareness</li> <li>remote/flexible working</li> </ul> </li> </ul>		
<b>PRE TREATMENT THRESHOLD</b>	<b>Consequence:</b> Catastrophic	<b>Likelihood:</b> Unlikely	
	High		



<b>CURRENT MITIGATIONS</b>	<p>Fraud:</p> <ul style="list-style-type: none"> <li>• effective governance, strategies and plans               <ul style="list-style-type: none"> <li>○ fraud policy adopted, fraud officers nominated and fraud awareness training initiated</li> <li>○ external and internal audits, segregation of duties and well established documented approvals process</li> <li>○ well documented and aligned procurement process - procurement policy and manual adopted and training workshops initiated</li> </ul> </li> </ul> <p>Compliance:</p> <ul style="list-style-type: none"> <li>• ensuring continued compliance with appropriate national and regional plans</li> <li>• effective governance, strategies and plans               <ul style="list-style-type: none"> <li>○ prioritisation of projects to ensure compliance is maintained</li> <li>○ forward planning for resourcing works programme</li> <li>○ documented process and procedures, internal and external audit, staff training, strengthened links between teams and quality assurance processes</li> </ul> </li> <li>• collaborative governance group meetings</li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b>	Catastrophic	<b>Likelihood:</b> Rare
	<b>Medium</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• internal audit registers proposed for all compliance functions with a minimum internal audit target set for each</li> <li>• quality assurance system broadened to include other 'at risk' areas of Council</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• none reported for the March 2022 quarter</li> </ul>		



## Strategic risk COVID-19 RESPONSE

DESCRIPTION				Status
Risk management framework CATEGORY	Strategic	Risk register LINKS		
RISK LEAD	Chief executive	ACTION OFFICER	Incident management team	
POTENTIAL RISK TRIGGERS	<u>External:</u> <ul style="list-style-type: none"><li>• changes in central government political direction and/or decision-making</li><li>• changes in community/stakeholder service level expectations</li><li>• sector messaging creating uncertainty for business, communities and organisation</li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>• insufficient organisational agility and resilience due to:<ul style="list-style-type: none"><li>○ inadequate capacity and capability</li><li>○ ineffectiveness of organisational systems and processes</li><li>○ absence of key staff/elected members</li><li>○ inadequate contingency planning</li><li>○ ineffective change communication</li></ul></li><li>• critical asset failure that impacts safety as a result of poor resource allocation/prioritisation</li><li>• ineffective clear advice to enable evidence-based quality decisions due to variability and uncertainty</li><li>• inadequate or ineffective engagement, communication, governance</li><li>• ineffective or lack of collaboration /partnership</li><li>• relationship mismanagement</li><li>• inadequate contingency planning</li></ul>			



<b>PRE TREATMENT THRESHOLD</b>	<b>Consequence:</b>	<b>Likelihood:</b>
<b>CURRENT MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• monitoring of broader environment               <ul style="list-style-type: none"> <li>○ continued engagement/collaboration with other agencies/stakeholders, neighbouring local authorities and central government</li> <li>○ work to understand implications of pandemic on the community and how this will impact on service delivery</li> </ul> </li> <li>• improving organisational resilience               <ul style="list-style-type: none"> <li>○ monitor, review and improve systems/procedures around remote/flexible working</li> <li>○ monitor and review of current internal structures and practices to ensure they are fit for purpose</li> <li>○ monitor, review and identify processes to increase adaptiveness and agility of governance/management/staff</li> <li>○ monitor capacity, resilience, stress and capability gaps of staff</li> </ul> </li> <li>• improving financial resilience               <ul style="list-style-type: none"> <li>○ monitoring of broader environment</li> <li>○ ensuring the ability to urgently reprioritise capital spending and/or community levels of service spending</li> </ul> </li> <li>• maintain trust and confidence of our communities through effective communication and engagement               <ul style="list-style-type: none"> <li>○ continued engagement/collaboration with neighbouring councils/central government / governance/management/ staff level relationships</li> </ul> </li> </ul>	
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b>	<b>Likelihood:</b>
<b>PROPOSED MITIGATIONS</b>		
<b>COMPLETED MITIGATIONS</b>		



Strategic risk							CYBER SECURITY	
DESCRIPTION	Risk that Council's systems are vulnerable to cyber-attack and/or error						Status:	
							Static	
Risk management framework CATEGORY	Financial Operational	Regulatory and compliance	Risk register LINKS	Data and systems Disaster event	Reputation Service delivery			
RISK LEAD	Leadership team		ACTION OFFICER	Business solutions manager				
POTENTIAL RISK TRIGGERS	<u>External:</u> <ul style="list-style-type: none"><li>external threat attempts</li><li>complacency with regard to international trends and attacks</li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>technical failure to protect IT systems<ul style="list-style-type: none"><li>increasing digitisation without integration with processes</li><li>inadequate cyber strategy</li><li>underinvestment/lack of maintenance</li></ul></li><li>breakdown of internal controls<ul style="list-style-type: none"><li>inadequate IT security awareness/culture/behaviours /competency potentially resulting in malicious or innocent employee activities</li><li>remote/flexible working creating less secure connections</li></ul></li></ul>							
PRE TREATMENT THRESHOLD	Consequence:	Catastrophic		Likelihood:	Possible			
	Very high							
CURRENT MITIGATIONS	<ul style="list-style-type: none"><li>increased digital protection<ul style="list-style-type: none"><li>E-delivery project, regular updating of IT equipment including enhanced mobility</li></ul></li><li>effective governance, strategies and plans<ul style="list-style-type: none"><li>cyber security strategy, SAM for compliance, disaster recovery plan</li></ul></li></ul>							





	<ul style="list-style-type: none"> <li>improve internal controls               <ul style="list-style-type: none"> <li>phone systems, systems back up, role based controls in place</li> <li>establishment of cyber security engineer role completed</li> </ul> </li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b>	Catastrophic	<b>Likelihood:</b> Rare
	<b>Medium</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>improve internal controls:               <ul style="list-style-type: none"> <li>mobile device management (MDM)</li> </ul> </li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>improve internal controls:               <ul style="list-style-type: none"> <li>phone systems reviewed and additional back up contracts in place</li> <li>system back up completed and regular testing of rebuild included in disaster recovery plan</li> <li>recruitment of cyber security engineer</li> </ul> </li> </ul>		

Mar 2022



Strategic risk DATA AND SYSTEMS			
DESCRIPTION	Risk of ineffective and inefficient use of information in Council's decision-making		
	Status: Improving		
Risk management framework CATEGORY	Financial Operational	Strategic	Risk register LINKS Cyber security
RISK LEAD	Leadership team	ACTION OFFICER	Leadership team
POTENTIAL RISK TRIGGERS	<u>Internal:</u> <ul style="list-style-type: none"> <li>inability to maximise effectiveness of information systems and tools due to:               <ul style="list-style-type: none"> <li>complexity of organisational systems</li> <li>lack of integration/alignment across information systems</li> <li>lack of analytics capability/capacity</li> <li>insufficient data governance</li> <li>poor resource allocation/prioritisation</li> </ul> </li> <li>cyber security               <ul style="list-style-type: none"> <li>inefficient systems which are vulnerable to attack and/or error</li> </ul> </li> </ul>		
PRE TREATMENT THRESHOLD	Consequence: Moderate	Likelihood: Likely	
	High		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> <li>review and improve systems/procedures around data capture, management and storage               <ul style="list-style-type: none"> <li>implementation of asset management tool (IPS)</li> <li>contract alignment</li> <li>staff training and reporting options</li> <li>implementation of metadata standards</li> <li>established infrastructure design standards</li> </ul> </li> <li>effective communication</li> </ul>		



	<ul style="list-style-type: none"> <li>○ part of BAU with operational reporting to community boards</li> <li>• effective resourcing               <ul style="list-style-type: none"> <li>○ recruitment has been completed and currently being utilised to resolve the backlog of Three Waters data</li> </ul> </li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b>	Moderate	<b>Likelihood:</b> Possible
	<b>Medium</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• review and prioritisation of data analytics</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• asset management workshops</li> <li>• recruitment of data/GIS temporary resources to resolve backlog of 3-Waters data</li> <li>• communication with community – part of BAU with operational reporting via community leadership team and services &amp; assets</li> </ul>		

Dec 21  
Jun 21  
Jun 21



Strategic risk		DISASTER EVENT			
DESCRIPTION	Risk that Council is unable to respond to the consequences of a natural or human-induced event impacting the District				Status: Static
Risk management framework CATEGORY	Financial	Social, cultural and environmental	Risk register LINKS	Climate change Cyber security	Public health Relationships
RISK LEAD	Leadership team		ACTION OFFICERS	Communications manager Environmental planning manager Services & assets leadership team	
POTENTIAL RISK TRIGGERS	<u>External:</u> <ul style="list-style-type: none"><li>• biosecurity outbreak</li><li>• severe weather event</li><li>• disaster caused by failure of man-made structure</li><li>• natural disaster event without warning or build up</li><li>• global financial crisis</li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>• critical asset failure that impacts safety as a result of poor resource allocation/prioritisation</li><li>• insufficient organisational agility and resilience</li><li>• ineffective clear advice to enable evidence-based quality decisions due to variability and uncertainty</li><li>• inadequate or ineffective engagement, communication, governance</li><li>• ineffective or lack of collaboration /partnership</li><li>• relationship mismanagement</li><li>• inadequate contingency planning</li></ul>				
PRE TREATMENT THRESHOLD	Consequence:	Catastrophic		Likelihood:	Possible
	Very high				



<b>CURRENT MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• emergency management               <ul style="list-style-type: none"> <li>○ collaboration on emergency management response approach across agencies and the region</li> <li>○ emergency response and pandemic plans</li> <li>○ community emergency response plans</li> <li>○ ensuring warning systems and protocols are in place e.g. flood monitoring system, tsunami alerts</li> </ul> </li> <li>• business continuity planning</li> <li>• infrastructure resilience               <ul style="list-style-type: none"> <li>○ identify strategic sites at risk and develop plan for their maintenance and return to normal</li> <li>○ criticality assessment and asset identification ratings</li> <li>○ availability of technical expertise to manage, monitor, operate and maintain critical infrastructure</li> <li>○ infrastructure strategy</li> </ul> </li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b> Catastrophic	<b>Likelihood:</b> Possible	
	Very high		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• none reported for the March 2022 quarter</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• documented plans for preparedness undertaken across organisation</li> </ul>		Mar 2022



Strategic risk		HEALTH, SAFETY AND WELLBEING			
DESCRIPTION	Risk of health, safety and wellbeing harm to staff, contractors and community				Status: Static
Risk management framework CATEGORY	Health, safety and wellbeing	Operational	Risk register LINKS	Public health	Reputation
RISK LEAD	Leadership team		ACTION OFFICER	Health, safety & wellbeing advisor	
POTENTIAL RISK TRIGGERS	<u>External:</u> <ul style="list-style-type: none"><li>• complacency leading to greater risks being taken by the community of public safety issues</li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>• poor health and safety culture and/or behaviours across the organisation leading to:<ul style="list-style-type: none"><li>○ stressed disengaged staff</li><li>○ increased staff workloads</li><li>○ limited capability and capacity</li><li>○ inadequate governance understanding of role/accountability</li></ul></li><li>• competing priorities:<ul style="list-style-type: none"><li>○ deferred maintenance / under resourcing</li><li>○ time pressures and/or complacency leading to acceptance of high levels of risk</li></ul></li><li>• failure to engage with and listen to the community</li><li>• failure to act on lessons learned from near misses and incidents (including lessons from other industry experiences)</li><li>• BCP and Pandemic Plans not adhered to</li></ul>				
PRE TREATMENT THRESHOLD	Consequence:	Catastrophic		Likelihood:	Highly likely
	Very high				
CURRENT MITIGATIONS	<ul style="list-style-type: none"><li>○ effective governance, strategies and plans</li><li>○ health and safety wellbeing policy and framework</li></ul>				



	<ul style="list-style-type: none"> <li>○ health and safety strategic road map 2021-23</li> <li>○ health and safety gap analysis – development of a prioritisation programme to address gap analysis recommendations</li> <li>○ health and safety risk management framework implemented across organisation</li> <li>○ pandemic business continuity plan in place and current</li> <li>○ organisational culture <ul style="list-style-type: none"> <li>○ wellbeing programme</li> <li>○ ongoing education process with staff about the controls in place along with continued monitoring of their effectiveness</li> </ul> </li> <li>○ comprehensive audit framework</li> <li>○ collaboration with other agencies</li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b> Catastrophic	<b>Likelihood:</b> Possible	
	Very high		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>● as part of ongoing training for governance and management, due diligence reviews currently being prepared ready for the new triennium</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>● health, safety &amp; wellbeing review undertaken and improvements actioned Dec 21</li> <li>● wellbeing calendar launched Sep 21</li> <li>● health and safety risk management framework in place Dec 21</li> <li>● health and safety competency register developed across the organisation Sep 21</li> <li>● revised HS&amp;W dashboard reporting prepared for LT and governance reporting providing hot spot data Jun 21</li> <li>● core improvement in standardisation of contract administration process Jun 21</li> </ul>		



Strategic risk		PUBLIC HEALTH				
DESCRIPTION	Risk that Council exposes the community to a public health emergency					Status: Static
Risk management framework CATEGORY	Financial Health, safety and wellbeing Operational	Regulatory and compliance Social, cultural and environmental	Risk register LINKS	Compliance and fraud Disaster event	Health, safety and wellbeing	
RISK LEAD	Leadership team		ACTION OFFICERS	Strategic manager water & waste Asset manager – water & waste		
POTENTIAL RISK TRIGGERS	<u>External:</u> <ul style="list-style-type: none"><li>severe weather, natural disaster, a fire, chemical spill</li><li>complacency leading to greater risks being taken by the community of public safety issues e.g. potential for unknown residential connection to stock water supplies resulting in contamination event</li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>failures in asset maintenance<ul style="list-style-type: none"><li>ineffective clear advice to enable evidence-based quality decisions results in poor understanding of the health and safety risks within Council’s facilities and services provided</li><li>competing priorities lead to deferred maintenance across portfolio and/or under resourcing</li></ul></li><li>time pressures and/or complacency leading to acceptance of high levels of risk</li><li>human error / inappropriate behaviours / criminal behaviours or damage at Council assets</li><li>failure to engage with and listen to the community</li><li>failure to act on lessons learned from near misses and incidents (including lessons from other industry experiences)</li><li>BCP and Pandemic Plans not adhered to</li></ul>					
PRE TREATMENT	Consequence: Catastrophic		Likelihood:	Highly likely		





THRESHOLD	Very High		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> <li>ensure compliance with appropriate national and regional plans               <ul style="list-style-type: none"> <li>robust compliance monitoring system</li> <li>prioritised programme of review including sanitary assessment report and water safety plans</li> <li>condition assessments for assets</li> <li>review of public access to operational sites</li> <li>effective business continuity planning in place from both organisation and contractors</li> </ul> </li> </ul>		
POST TREATMENT THRESHOLD	Consequence:	Catastrophic	Likelihood: Unlikely
	High		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> <li>review of sanitary assessment report and water safety plans</li> <li>increased public education and awareness of requirements of the Health Act</li> <li>effective communication strategy in place for potential contamination event</li> </ul>		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> <li>recruitment of water safety officer</li> <li>establishment of water and waste leadership team</li> <li>documented plans for preparedness undertaken across organisation and required from contractors</li> </ul>		Dec 21 Sep 21 Mar 22



Strategic risk							RELATIONSHIPS AND REPUTATION		
DESCRIPTION		Risk that Council fails to manage its local, regional and national relationships					Status:		
		Risk that Council suffers reputational damage because of service delivery failure					Static		
Risk management framework category		Social and cultural	Strategic	Risk register LINKS		Change and reform	Health, safety and wellbeing		
						Compliance and fraud	Public health		
						Cyber security	Resource and delivery		
						Disaster event	Strategy and direction		
RISK LEAD		Leadership team		ACTION OFFICER		Leadership team			
POTENTIAL RISK TRIGGERS		<u>External</u> <ul style="list-style-type: none"><li>political EQ</li></ul> <u>Internal:</u> <ul style="list-style-type: none"><li>inadequate or ineffective engagement, communication, governance<ul style="list-style-type: none"><li>narrow, short term/misaligned strategic focus</li><li>ineffective or lack of collaboration/partnership with stakeholders/community</li><li>dysfunctional internal relationship between governance and staff</li></ul></li><li>dysfunctional organisational culture - job uncertainty/restructures/staff burnout/remote working</li><li>lack of awareness regarding Treaty obligations and iwi protocol</li></ul>							
PRE TREATMENT THRESHOLD		Consequence: Major			Likelihood: Likely				
		Very high							
CURRENT MITIGATIONS		<ul style="list-style-type: none"><li>establish strong networks with other agencies and external stakeholders to share knowledge, learnings and culture<ul style="list-style-type: none"><li>regular engagement with stakeholders at political and executive level</li><li>collaborative governance group meetings to progress alignment of strategic direction – Mayoral forum, TAMI board sessions, Te Roopu Taiao meetings, CEG civil defence forums, neighbouring councils</li></ul></li></ul>							



	<ul style="list-style-type: none"> <li>• understanding Council's Treaty obligations               <ul style="list-style-type: none"> <li>○ Iwi charter of understanding in place</li> <li>○ identify and address gaps in organisational cultural and diversity awareness</li> </ul> </li> <li>• enabling community boards to bring community voice back into Council               <ul style="list-style-type: none"> <li>○ community board 'health check' completed – planning underway to action improvements</li> </ul> </li> <li>• establish internal mentoring and knowledge sharing workshops by senior management               <ul style="list-style-type: none"> <li>○ monthly team leader forums established for knowledge sharing across the organisation</li> </ul> </li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b>	Major	<b>Likelihood:</b> Possible
	<b>High</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• induction and training of management in terms of Treaty obligations</li> <li>• establish internal mentoring and knowledge sharing workshops by senior management</li> <li>• proactive steps taken at the start of each local government triennium to re-establish trust and relationships with community and stakeholders</li> <li>• relationship management between: CE/Mayor, LT/key staff, Mayor/elected members</li> </ul>		
<b>COMPLETED MITIGATIONS</b>			



Strategic risk RESOURCE AND DELIVERY				
DESCRIPTION	Risk of non-performance/delivery of committed outcomes and meeting expectations			Status: Worsening
Risk management framework CATEGORY	Operational	Regulatory and compliance	Risk register LINKS	Reputation
RISK LEAD	Leadership team		ACTION OFFICER	Commercial infrastructure manager Project delivery manager
POTENTIAL RISK TRIGGERS	<p><u>External:</u></p> <ul style="list-style-type: none"> <li>• market capacity</li> <li>• inadequate response to macro factors affecting price and accessibility e.g. climate change, Covid alert level impacts, international political instability</li> <li>• change in community/ stakeholder service level expectations</li> </ul> <p><u>Internal:</u></p> <ul style="list-style-type: none"> <li>• ineffective clear advice to enable evidence-based quality decisions</li> <li>• inadequate measures including accountability, capability, transparent and proactive self-monitoring</li> <li>• complexity of organisational systems</li> <li>• competing priorities resulting in deferred maintenance across portfolio</li> <li>• siloed organisational culture</li> <li>• inadequate or failed cooperation and collaboration with neighbouring councils</li> <li>• difficulty attracting and maintaining skilled resources</li> <li>• strategic objectives: <ul style="list-style-type: none"> <li>○ narrow strategic approach - not looking at 'big picture'</li> <li>○ unclear and incomplete understanding of objectives</li> </ul> </li> </ul>			
PRE TREATMENT	Consequence:	Major	Likelihood:	Highly likely



THRESHOLD	Very high		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> <li>• effective governance, strategies and plans               <ul style="list-style-type: none"> <li>○ development of a well-informed capital works programme based on known condition and performance of assets</li> <li>○ allocation of appropriate funding and resources to deliver the prioritised work plan</li> <li>○ procurement optimisation</li> <li>○ Three Waters works programme</li> <li>○ internal and external audit</li> <li>○ effective communication between teams and other agencies</li> </ul> </li> <li>• recruiting and retaining skilled resources               <ul style="list-style-type: none"> <li>○ monitoring organisational climate</li> <li>○ work closely with industry providers and training institutions</li> <li>○ workforce strategy</li> <li>○ resource sharing</li> <li>○ develop potential for secondments, internships and developing a cadet system</li> </ul> </li> <li>• organisational culture               <ul style="list-style-type: none"> <li>○ look after staff by building a culture that encourages staff to stay and to recruit into</li> <li>○ outsourcing and using external mechanisms at key pressure points to mitigate stress</li> </ul> </li> </ul>		
POST TREATMENT THRESHOLD	Consequence:	Major	Likelihood: Unlikely
	Medium		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> <li>• prioritisation plan to consider the number and impact of work outside the formally signed off works programme</li> </ul>		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> <li>• procurement plan prepared for the entire 2021-22 year – completed and signed off by Council as part of LTP Sep 21</li> <li>• project scoping document developed and signed off by community boards – completed through LTP process Sep 21</li> <li>• project delivery team in place and adequately resourced - ongoing Sep 21</li> </ul>		



	• development of established minimum LoS for community facilities. Review was progressed through AMP update process with community board	Sep 21
	• works programme input into Global Forecast Programme and baseline tracking set up	Sep 21



Strategic risk STRATEGY AND DIRECTION			
DESCRIPTION	Risk of poor or ineffective decision-making due to lack of strategic integration and alignment		Status: Static
Risk management framework CATEGORY	Financial Strategic	Risk register LINKS	Change and reform
RISK LEAD	Chief executive	ACTION OFFICER	Leadership team
POTENTIAL RISK TRIGGERS	<ul style="list-style-type: none"> <li>• inadequate discussion of strategic direction</li> <li>• unclear and incomplete understanding of strategic objectives</li> <li>• near-sighted decision making</li> <li>• competing priorities</li> <li>• complex decision-making processes and requirements</li> <li>• ineffective clear advice to enable evidence-based quality decisions</li> </ul>		
PRE TREATMENT THRESHOLD	Consequence: Moderate	Likelihood: Likely	High
CURRENT MITIGATIONS	<ul style="list-style-type: none"> <li>• effective governance, strategies and plans               <ul style="list-style-type: none"> <li>○ strategy development workplan currently being developed</li> </ul> </li> </ul>		
POST TREATMENT THRESHOLD	Consequence: Moderate	Likelihood: Possible	Medium
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> <li>• long term formal commitment to collaboration between Council and key agencies</li> <li>• deliver strategic vision to the community effectively</li> </ul>		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> <li>• none reported for the March 2022 quarter</li> </ul>		

**KEY:****CONSEQUENCE****LIKELIHOOD****THRESHOLD****STATUS**

INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
RARE	UNLIKELY	POSSIBLE	LIKELY	HIGHLY LIKELY
	LOW	MEDIUM	HIGH	VERY HIGH
	IMPROVING	STATIC	WORSENING	





## Risk management framework – risk matrices

CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
<b>STRATEGIC</b>	No significant adverse public comment No impact on achievement of LTP objectives Key stakeholder relationships unaffected	Adverse comment in local or social media Letter to CEO, complaints to Councillors May slow achievement of LTP objectives Minor impact on key stakeholder relationships	National media coverage Will impact achievement of one or more LTP objectives Negative impact on key stakeholder relationships	National media coverage 2-3 days Will significantly impact the achievement of multiple LTP objectives Significant impact on multiple key stakeholder relationships	Coverage in national media 3+ days Commission of Inquiry/Parliamentary questions Stakeholder relations irreparably damaged Cannot deliver on most LTP objectives
<b>OPERATIONAL</b>	No loss of operational capability Minimal changes to service level Minimal loss of internal capacity	Loss of operational capability in some areas Some disruption to service levels Internal capacity lost for up to 1 week	Serious loss of operational capability for over 6 weeks and/or Disruption to service levels for 4-6 weeks Loss of internal capacity 1-3 weeks	Serious loss of operational of capability for over 8 weeks and major disruption to service levels and/or Loss of internal capacity 4-6 weeks	Serious loss of operational capability for 3-4 months and serious disruption to service levels and Loss of internal capacity for more than 6 weeks
<b>FINANCIAL</b>	No impact on financial targets	Up to 1% impact on financial targets	Up to 5% impact on financial targets	Up to 10% impact on financial targets	More than 10% impact on financial targets
<b>HEALTH, SAFETY AND WELLBEING</b>	No Medical treatment required Issue noted, no action required	Minimal personal injury and/or sickness AND Less than 2 weeks incapacitation H&S issue noted by Worksafe	Personal injury and/or sickness with up to 3mths incapacitation OR H&S issue to court	Significant public health impact OR Personal injury and/or sickness with 3+ months incapacitation or long term disability OR	Permanent severe disability or loss of life OR H&S issue taken to court resulting in imprisonment OR



CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
				H&S issue to court and fine imposed	Widespread community sickness
<b>SOCIAL, CULTURAL, ENVIRONMENTAL</b>	No significant community Impact	Single community affected	Multiple communities affected	Many communities affected	Most or all communities OR
	Localised short-term reversible environmental, economic or social impact	Localised short-term reversible environmental, economic or social damage	Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social or cultural)	Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social or cultural)	Extensive or irreversible damage or disruption (environmental, economic, social or cultural)
<b>REGULATORY AND COMPLIANCE</b>	Fine/ liability less than \$10K	Fine/ liability \$10 - \$100K	Fine/ liability \$100 - \$250K	Fine/ liability \$250K - \$1M	Fine/ liability \$1M+



LIKELIHOOD	
<b>HIGHLY LIKELY</b>	Risk event is expected to occur in most circumstances; or 90% chance within the next 12 months; or 18 out of every 20 years
<b>LIKELY</b>	Risk event will probably occur in most circumstances; or 55% chance within the next 12 months; or 11 out of every 20 years
<b>POSSIBLE</b>	Risk event should occur at some time; or 25% chance within the next 12 months; or 5 out of every 20 years
<b>UNLIKELY</b>	Risk event could occur at some time; or 10% chance within next 12 months; or 1 out of every 10 years
<b>RARE</b>	Risk event may occur only in exceptional circumstances Up to 4% chance within next 12 months Once in 25 years

LIKELIHOOD	CONSEQUENCE				
	Insignificant	Minor	Moderate	Major	Catastrophic
<b>HIGHLY LIKELY</b>	Low	Medium	High	Very High	Very High
<b>LIKELY</b>	Low	Medium	High	Very High	Very High
<b>POSSIBLE</b>	Low	Medium	Medium	High	Very High
<b>UNLIKELY</b>	Low	Low	Medium	Medium	High
<b>RARE</b>	Low	Low	Low	Medium	Medium



## Interim Performance Report - period two - 1 July 2021 to 28 February 2022

Record No: R/22/3/6988

Author: Shannon Oliver, Planning and reporting analyst

Approved by: Fran Mikulicic, Group manager democracy and community

☐ Decision

☐ Recommendation

☒ Information

### Purpose

- 1 The purpose of the report is to provide the finance and assurance committee with the Interim Performance Report (IPR) for the period 1 July 2021 to 28 February 2022 for review and feedback.

### Executive summary

- 2 The IPR forms part of the Corporate Performance Framework (CPF), the purpose of which is to streamline Council planning and reporting functions.
- 3 The IPR provides a 'snapshot in time' record of the status of Council's key performance indicators (KPIs) every four months and is reported to the Finance and Assurance Committee. The report will be presented as a cumulative record throughout the financial year, 1 July 2021 to 30 June 2022.
- 4 The final IPR results at the end of June 2022 are used in the Annual Report 2021/2022. The Annual Report is audited by Audit NZ and will be examined to ensure that the final result is correct and the methodology for monitoring the KPI is recorded and robust.
- 5 Of Council's 58 KPI's, the results show that 79% (42) were achieved, 13% (7) were not achieved and 8% (4) are near target. Five KPIs that are not measured until year end have been excluded from the results.
- 6 Of the 11 KPIs that were not achieved or were near target most are either low risk or showing improvement or have plans in place to remedy the non-performance. However, there are two KPIs which contain greater risk to Council and need closer monitoring and actions to improve the performance.
  - KPI 12.3: maintenance of a sealed local road network - the percentage of sealed local road network that is resurfaced is at risk of not meeting the target due to weather condition, intervention type and bitumen cost increases meaning the budget has been impacted.
  - KPI 9.1: Percentage of non-notified resource consents processed within statutory timeframes which had consent complexity issues, staff vacancies and delayed internal inputs have contributed towards the KPI not being achieved and will need to be addressed to avoid further risk to overall consents processed within timeframes.
- 7 In relation to 9.1 two positions have been filled within the Resource Management team – A Planning co-ordinator/Graduate planner and a Consents Planner. A position of Team Leader -

Consents is yet to be filled but recruitment is underway. There has also been an increase in resource consents demand which has increased the volume of consents to be processed.

- 8 In relation to 12.3 meeting the target will depend on weather constraints and the impact of increased costs of bitumen on the budget.
- 9 The main risk factors identified by staff from KPI 9.1 and 12.3 are from a budget, resourcing, service delivery and reputational perspective.
- 10 Staff recommend that the committee receive this report and provide feedback.

## Recommendation

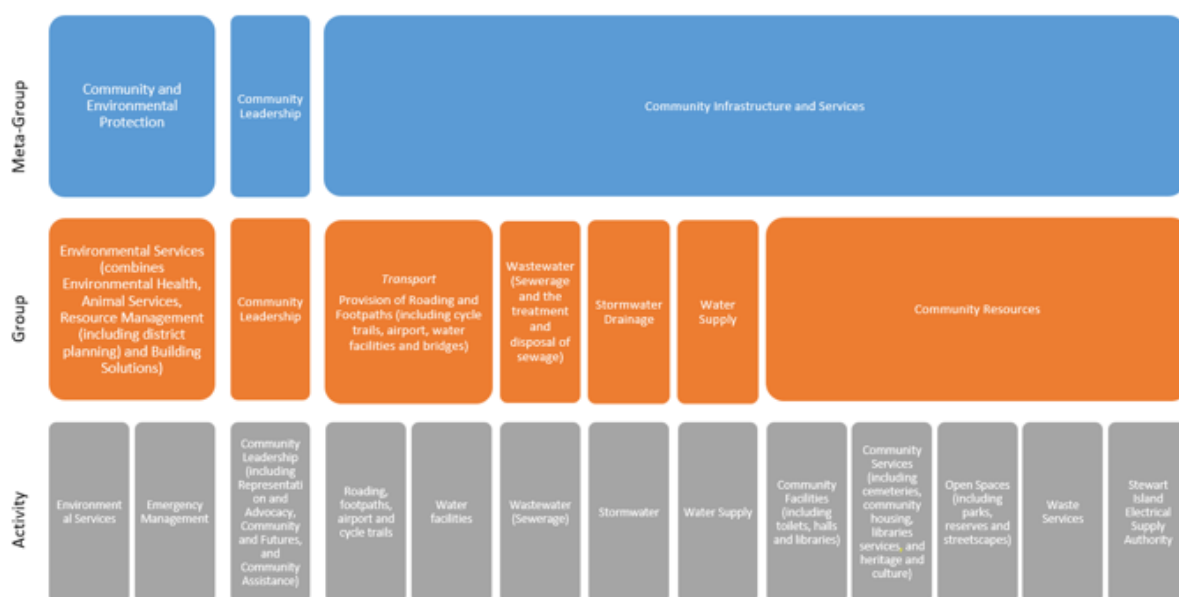
That the Finance and Assurance Committee:

- a) **Receives the report titled “Interim Performance Report - period two - 1 July 2021 to 28 February 2022” dated 22 March 2022.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

## Background

- 11 The Corporate Performance Framework (CPF) aligns Council’s high-level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions.
- 12 As part of the framework, Council produces interim performance reports for the periods - July to October, November to February and March to June showing the years cumulative results at that time, with the third being produced to inform the Annual Report at year end.
- 13 The intended role of the IPR is to provide a touch point throughout the financial year for elected members and staff to monitor progress against targets and milestones. Interim reporting is a critical element of any performance monitoring framework, keeping high level performance goals relevant to daily operations and enabling early identification of potential issues.
- 14 As part of the LTP 2021-2031 a review was undertaken of the KPIs and changes were made to the council activity groups and their performance measures to refine and simplify these. In the LTP 2018-2028 there were 113 key performance indicators (KPI’s) and in the LTP 2021-2031 there are now 58 which means that it is easier to focus, monitor and improve on the performance of the most strategically important KPI’s.

In the LTP 2021-2031 the new activity groups are:



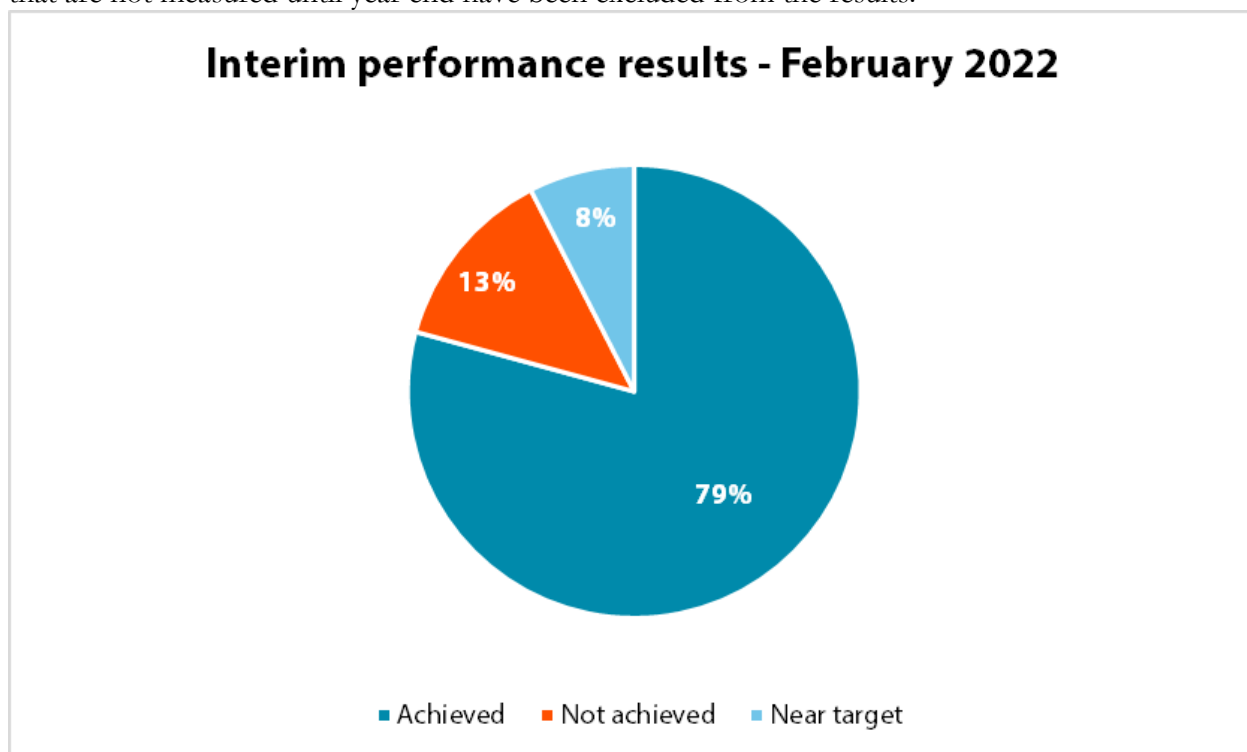
- 15 In the IPR the KPIs have been put into scorecards which are now based on the new Council activity groups in the LTP 2021-2031. The key changes from the LTP 2018-2028 and the LTP 2021-2031 is that the number and structure of the activity groups has changed. There are now seven groups instead of nine and the District Leadership activity group which incorporates a number of internal departments was removed and the Emergency Management group was combined into Environmental Services.
- 16 A summary of Council's overall KPI performance measures as contained in the report are detailed below.

### Results and analysis

- 17 The results show a slight improvement since the last reporting period of 79% achieved compared with 76% in October, 13% not achieved compared to 14% and 8% near target compared to 10%. The main reasons for the not achieved KPIs are delays due to Covid-19 disruption (in the library opening, building compliance), internal delays and staff resourcing, and transport has seen issues with the weather and bitumen cost increases leading to one of their KPIs at risk of not being met for the year. The KPI results have the following key definitions.

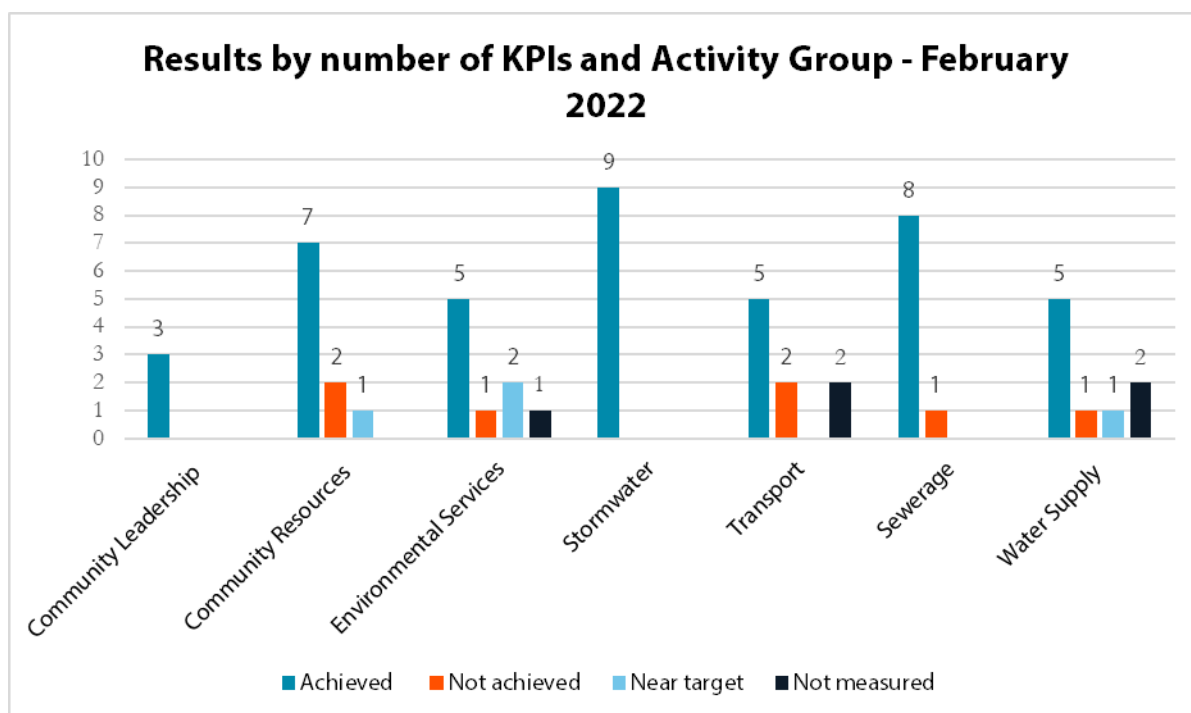
Achieved	Not achieved	Near target	Not measured
The result shows that the set target has been met.	The result shows that the set target has not been met	The result is close to the target (within 10%)	The result is not available within the reporting period because the information is not available.

The pie graph below shows that for the 53 KPI results measured for the report period two, 42 (79%) were achieved, seven (13%) were not achieved and four (8%) were near target. Five KPIs that are not measured until year end have been excluded from the results.



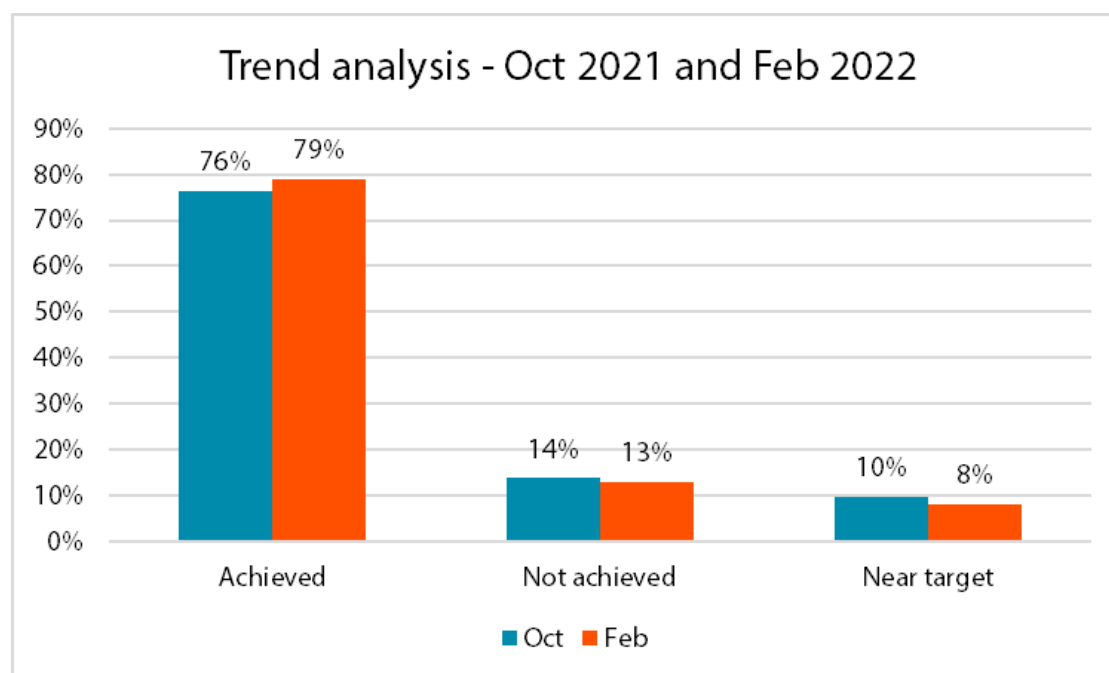
Note: that the five KPIs that are not measured at this time of the financial year are excluded.

The bar graph shows the number of KPI's for each activity group and their result status.





## Trend Analysis



Not achieved KPIs - **Target that won't or are unlikely to be meet year-end target**

- 18 There are 11 KPIs that are noted as not achieved or near target, and have been split into two tables; KPIs that won't or are unlikely to meet their year-end target and KPIs that are currently not achieved but could still meet target. These are listed in the table below and a summary for each group is also provided.
- 19 **Community resources activity group:**
- KPI 3.2: to meet family expectations that the burial plots are prepared by the time required was slightly under target which means it won't be met for the year. These were technical non-compliances. One burial was not showing as notified on time as reported in October 2021 and one was shown as no date recorded due to a timing issue of the interment data not being loaded into the system at month end, albeit the plot notification for this was prepared on time.
  - KPI 5.1: number of council library facilities that meet all level of service criteria. This will meet its target when the Winton Library is opened during the next reporting period.
  - KPI 7.1: number of unplanned points of consumer supply interruptions to Stewart Island electricity supply had a high number of unplanned interruptions to supply and will not meet the year-end target.
- 20 **Environmental services activity group:**
- KPI's are based on legislative targets. It will be difficult to achieve a result of 100% but they now provide a far more accurate picture of performance than the previous median based KPI's.
- KPI 9.1: percentage of non-notified resource consents processed within statutory timeframes whose result changed from 67% to 73%. Consent complexity issues, staff vacancies and delayed internal inputs all contributed towards the KPI not being achieved

and will need to be addressed. There has also been an increase in demand for resource consents compared to last year. The vacancy for a Consent's planner has been filled in February but there is still a vacancy for Team Leader - Consents to be filled which will impact into the next reporting period. The KPI will not meet the target for the year.

- KPI 9.2 and 9.3 are showing an improvement compared to the last reporting period but will not meet target.

21 **Transport activity group:**

- KPI 12.3: maintenance of a sealed local road network - the percentage of sealed local road network that is resurfaced is at risk of not meeting the target due to weather condition, intervention type and bitumen cost increases meaning the budget has been impacted. Roadworks are currently predicating a result of 6.2% against a target of 6.5%.
- KPI 12.5 road safety - the change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number is currently sitting at 15 fatal or serious injury crashes which is higher than the total of the previous year of 11, which means that the target will not be met.

22 **Wastewater activity group:**

- KPI 14.5: percentage of monitoring results that show compliance with resource consent conditions is at 93% but there is planned work which will lead to improvements.

23 **Water supply activity group:**

- KPI 15.1 (b): fault response times - resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption is above target and
- KPI 15.2 - customer satisfaction - The total number of complaints received by Council about any of the following: a) drinking water clarity, b) drinking water taste, c) drinking water odour, d) drinking water pressure or flow, e) continuity of supply, f) the way Council responds to any of these issues expressed per 1000 connections to Council's network is also above target. 15.2 will not meet its target for the year.

Target not met for the year KPIs

ACTIVITY GROUP	KPI	UNIT	TARGET	ACTUAL	COMMENT
Community resources	KPI 3.2: To meet family expectations that the burial plots are prepared by the time required	%	100	98	As at the end of February there was 50 interments in total year to date. One burial was not showing as notified on time as reported in October 2021 and one was shown as no date recorded due to a timing issue of the interment data not being loaded into the system at month end, albeit the plot notification for this was prepared on time.
Community resources	KPI 7.1: Number of unplanned points of consumer supply interruptions to Stewart Island electricity supply	#	6	9	There were eight unplanned interruptions for the period one and one for period two which was one station outage during December 2021.
Environmental services	KPI 9.1: Percentage of non-notified resource consents processed within statutory timeframes	%	100	73	This reporting period 73% of consent applications were processed within timeframes. Consent complexity, staff vacancies, delayed internal inputs and external consultant delays all contributed towards consent applications going over time. The vacancy for a <b>consent's planner has been</b> filled in February but there is still a vacancy for Team Leader consents to be filled and resource consents demand has increased compared to last year.
Environmental services	KPI 9.2: Percentage of building consent applications processed within statutory timeframes	%	100	96.6	Compliance to timeframe dropped to 92% in February 2022 as a result of increased volumes of work received and Covid-19 related work disruptions. A notification was sent to IANZ advising of this Covid-19 related impact to compliance was issued in January 2022.
Environmental services	KPI 9.3: Percentage of code compliance certificate applications processed within statutory timeframes	%	100	98.65	Council achieved 98% compliance to timeframe in February 2022, despite many Covid-19 challenges which are being experienced. This outcome has increased the cumulative average.

ACTIVITY GROUP	KPI	UNIT	TARGET	ACTUAL	COMMENT
Transport	KPI 12.3: Maintenance of a sealed local road network - The percentage of sealed local road network that is resurfaced	%	6.5	4.93	The 2021/2022 resealing season runs from October to end of March. Work productivity fluctuates due to weather condition. Intervention type and Bitumen cost increases are one of the highest risks for not achieving the programme while remaining within budget. Season to date - 671,115m <sup>2</sup> have been resurfaced which is approximately 4.9% of the sealed network. Based on current budgets versus cost it is projected that 6.2% of the network will be sealed.
Transport	KPI 12.5: Road Safety - The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	#	0	15	As at 1st March; there are fifteen fatal or serious injury crashes recorded in the CAS database. This is trending higher than the same period last year. Alcohol continues to trend high as a suspected contributing factor to these crashes. The total last year was 11.
Wastewater	KPI 14.5: Percentage of monitoring results that show compliance with resource consent conditions	%	100	93	For the year to date there were 242 out of 259 that were compliant. 147 out of 158 tests were compliant for the report period. Of the 11 that were non-compliant, one (Ammonia Nitrogen) was in Balfour, three (Faecals, Biological Oxygen Demand and Total Suspended Solids) were in Monowai which is essentially a septic tank. One (Faecal Coliforms) was in Nightcaps. Two were in Oban (Nitrate and Dissolved Oxygen Saturation). Three were in Ohai, a larger UV unit is to be installed this year that will reduce this non-compliance. One (Dissolved Reactive Phosphorus) was in Te Anau, now operating at Kepler.

## Currently not achieved but could still meet year-end target KPIs

The table below shows the not achieved or near target KPIs that are still likely to meet their year-end target provided that they are closely monitored by staff.

ACTIVITY GROUP	KPI	UNIT	TARGET	ACTUAL	COMMENT
Community Resources	KPI 5.1: Number of council library facilities that meet all level of service criteria	#	1	0	While no current library yet meets our minimum level of service criteria we are quickly wrapping up the refurbishment of the Winton library. When Winton reopens in April (estimate) it will become the first library to meet the criteria.
Water supply	KPI 15.1 (b): Fault response times - resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption	Hours	6	6.57	The resolution time is 34 minutes over the target hours.

## Not measured KPIs

- 24 There are five KPIs that are not measured within the report period (10.2, 12.1, 12.6, 15.3 a) and 15.3 b). These are generally survey's which are completed at the end of the year. Staff do not see any early indications of issues or risks with these KPI's. These are in the IPR as not measured and excluded from the results count.

## Issues

- 25 The more not achieved KPIs there are for Council, the increased risk that levels of service, legislative requirements and community expectations are not being met.
- 26 The reason that a KPI is not achieved could indicate that:
- demand or priorities have changed since the target was set
  - there is a potential need for more resources or information to improve performance
  - a process improvement may be needed or an improvement plan needs to be put in place
  - there are issues with ageing infrastructure.

## Annual Report Audit materiality

- 27 In the audit plan for year ending 30 June 2021, Audit NZ identified a number of performance measures they consider to be material. This materiality of individual performance measures is based "on what we expect would influence readers' overall understanding, decision making, or assessment of the Council's performance. Audit NZ consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, Audit NZ normally express this materiality as a percentage of the reported result." This was the first time this approach was taken and Council expects this will continue in the future.

## Factors to consider

### Legal and statutory requirements

- 28 There are no legal or statutory requirements to consider, however the final interim performance report in June 2022 has information to be included in the non-financial performance measures in the Annual Report.

### Community views

- 29 Community views on Council's KPI's were sought as part of the 2021-2031 Long Term Plan (LTP) consultation process.

### Costs and funding

- 30 Council uses an online software strategic reporting system, CAMMs. There is also a cost of staff time to input into the results and develop the report. All costs are met within allocated budgets, and there is no additional cost for producing this report.

### Policy Implications

- 31 There are no policy implications identified for this report.

## Analysis

### Options considered

- 32 Option 1 – receive the interim performance report.
- 33 Option 2 – do not receive the interim performance report.

## Analysis of options

### Option 1 – receive the interim performance report

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>the committee has a clear understanding of the status of performance measures</li><li>the committee and staff can identify any issues as early as possible and take corrective actions as required</li><li>gives transparency to the community about the performance results of Council</li></ul>	<ul style="list-style-type: none"><li>no known disadvantages</li></ul>

Option 2 – do not receive the interim performance report

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• no known advantages</li></ul>	<ul style="list-style-type: none"><li>• non-financial performance information (service level performance to KPIs) is not monitored and assessed as per the terms of reference of the committee</li><li>• quality and completeness of internal reporting data is not reviewed as per the terms of reference of the committee</li><li>• potential risks to Council are not identified and remedied as early as possible</li></ul>

Assessment of significance

- 34 This report is not considered significant under Council's Significance and Engagement Policy.

Recommended option

- 35 Staff recommend that the finance and assurance committee consider option 1 and receives the interim performance report.

Next steps

- 36 The next interim performance report will be presented to the finance and assurance committee in August 2022.
- 37 Where staff have identified a risk to Council, the relevant activity and group managers will ensure that improvements are put in place where possible and the KPI is monitored sufficiently.

Attachments

- A Interim Performance Report - Period two - 1 July 2021 to 28 February 2022 [↓](#)



# Southland District Council

## Performance Report

Printed: 17-Mar-2022

Applied Filters




Date Select: From 01 Jul 2021 to 28 Feb 2022



## Community Leadership

01 Jul 2021 – 28 Feb 2022


Group Manager Comments: None








Key Performance Indicator	Unit	Target	YTD	Indicator
<b>KPI 1.1: Proportion of agenda items held in open meetings</b>	%	85.00	94.00	 GREEN
There were 1251 open items from the 1329 items in total for the year.				
<b>KPI 1.2: Percentage of the community partnership fund and district initiatives fund requested meets the budgeted amount</b>	%	100.00	146.32	 GREEN
The purpose of this KPI is to measure the need for funding assistance in the community. The KPI measures the amount of funding requested versus the amount of funding available. By monitoring this KPI staff will be able to measure the need for funding in our community's. The total funds requested by the community for the nine board community partnership funds and the district initiatives fund to 28 February 2022 was \$204,128.77 against a pro-rata budget of \$139,509 or 146.32% subscription rate. For the period November - February only one board held a funding round for the community partnership fund. The percentage shown (146.32.28%) as the KPI actual reflects the combined subscription rates for the community partnership fund and the district initiatives fund for July 2021 - February 2022. Of note, four boards have funding rounds closing at the end of March and so too does the District Initiatives fund.				
<b>KPI 1.3: Percentage of Community Board meetings and workshops where the community is in attendance to address the Board</b>	%	50.00	59.52	 GREEN
Covid-19 has had a significant impact on meeting attendance over the last period. Almost half of the scheduled formal meetings for February 2022 were either cancelled or postponed. Several boards held workshops but, due to the current "red" traffic light settings this has seriously impacted on the community's ability to attend meetings.				

## Community Resources

01 Jul 2021 – 28 Feb 2022

Group Manager Comments: None

Key Performance Indicator	Unit	Target	YTD	Indicator
<b>KPI 2.1: Community facilities requests for service are completed within specified timeframes</b>	%	80.00	93.33	 GREEN

There were 30 requests received for the month and 28 of these completed on time. There were 159 requests received over the period from 1 November 2021 to 28 February 2022 of which 135 were completed within the agreed time frame. This averages to 84.9% for the four month period.				
<b>KPI 3.1: Cemetery interment costs are not funded by rates</b>	\$	0.00	0.00	 GREEN
As at February 2022 there was \$23,459 excess income over costs so there is no costs funded by rates.				
<b>KPI 3.2: To meet family expectations that the burial plots are prepared by the time required</b>	%	100.00	98.00	 AMBER
As at the end of February there was 50 interments in total year to date. One burial was not showing as notified on time as reported in October 2021 and one was shown as no date recorded due to a timing issue of the interment data not being loaded into the system at month end, albeit the plot notification for this was prepared on time.				
<b>KPI 4.1: Community housing occupancy rate</b>	%	80.00	86.96	 GREEN
Occupancy rate over target YTD albeit only slightly due to three primary reasons. Covid-19 issues have resulted in reduced interactions between staff and prospective tenants which has slowed the time to fill flats which has not been helped by some preferred tenants changing their mind at the last minute requiring the process to start again. Significant staff workload has also slowed the ability to fill flats in a timely manner.				
<b>KPI 4.2: Percentage of people who meet priority criteria</b>	%	80.00	90.00	 GREEN
90% of the tenanted flats are by priority persons over 60.				
<b>KPI 5.1: Number of council library facilities that meet all level of service criteria</b>	#	1.00	0.00	 RED
While no current library yet meets our minimum level of service criteria we are quickly wrapping up the refurbishment of the Winton library. When Winton reopens in April (estimate) it will become the first library to meet the criteria.				
<b>KPI 6.1: Open spaces requests for services are completed within specified timeframes</b>	%	80.00	100.00	 GREEN
There were 30 requests received for the month and 30 were completed on time. There were 242 requests received over the period from 1 November 2021 to 28 February 2022 of which 228 were completed within the agreed time frame. This averages to 94% for the four month period.				
<b>KPI 7.1: Number of unplanned point of consumer supply interruptions to Stewart Island electricity supply</b>	#	6.00	9.00	 RED
There were eight unplanned interruptions for the period one and one for period two which was one station outage during December 2021.				





<b>KPI 8.1: The amount of waste diverted from landfill (tonnes) as a percentage of total waste</b>	%	40.00	37.00	 GREEN
Residents are recycling more and there have been very few instances of contaminated recycling bins. Even under traffic light red alert level, recycling has been steady.				
<b>KPI 8.2: The maximum amount of waste per property disposed of to landfill (kilograms)</b>	#	650.00	367.5	 GREEN
Rubbish disposal and recycling is operating to the level we expect, recycling is being recycled and not going to landfill during this period.				

## Environmental Services

01 Jul 2021 – 28 Feb 2022

Group Manager Comments: None

Key Performance Indicator	Unit	Target	YTD	Indicator
<b>KPI 9.1: Percentage of non-notified resource consents processed within statutory timeframes</b>	%	100.00	73.00	 RED
This reporting period 73% of consent applications were processed within timeframes. Consent complexity, staff vacancies, delayed internal inputs and external consultant delays all contributed towards consent applications going over time. The vacancy for a Consent's Planner has been filled in February but there is still a vacancy for Team Leader - Consents to be filled and resource consents demand has increased compared to last year.				
<b>KPI 9.2: Percentage of building consent applications processed within statutory timeframes</b>	%	100.00	96.60	 AMBER
Compliance to timeframe dropped to 92% in February 2022 as a result of increased volumes of work received and Covid-19 related work disruptions. A notification was sent to IANZ advising of this Covid-19 related impact to compliance in January 2022.				
<b>KPI 9.3: Percentage of code compliance certificate applications processed within statutory timeframes</b>	%	100.00	98.65	 AMBER
Council achieved 98% compliance to timeframe in February 2022, despite many Covid-19 challenges which are being experienced. This outcome has increased the cumulative average.				
<b>KPI 9.4: Number of serious injuries to the public from dog attacks</b>	#	0.00	0.00	 GREEN
There have been no reports of serious dog attacks to the public this period				







KPI 9.5: Percentage of non-working dogs subject to the responsible owner category	%	85.00	90.26	 GREEN
The target is exceeded				
KPI 9.6: Number of incidents of foodborne illness believed to be caused by food sold at a Council-verified business	#	0.00	0.00	 GREEN
There have been no incidents of foodborne illness caused by food sold at a Council-verified business.				
KPI 9.7: On site Building Warrant of Fitness audits completed in the community	%	13.36	14.03	 GREEN
This KPI is 'on track' to be completed, however it is noted that progress for achieving this KPI has slowed down due to Covid-19 related challenges of safely accessing buildings for on-site audits.				
KPI 10.1: Number of Southland communities covered by a Community Response Plans that have been reviewed with that community in the last 3 years	#	8.00	26.00	 GREEN
Emergency Management Southland staff are reviewing and updating community plan information as required.				
KPI 10.2 Percentage of surveyed households that have an emergency plan (written or verbal)	%	60.00	0.00	NOT MEASURED
This survey will be conducted in June 2022. The previous result was 88%.				



## Stormwater

01 Jul 2021 – 28 Feb 2022

Group Manager Comments: None

Key Performance Indicator	Unit	Target	YTD	Indicator
KPI 11.1 (a): System adequacy - Overflows resulting from the stormwater system that result in the flooding of a habitable floor - The number of "flooding events" that occur within the district	#	5.00	0.00	 GREEN


There were no overflow events from the storm water system that affected habitable floors in the reporting period.				
KPI 11.1 (b): System adequacy - Overflows resulting from the stormwater system that result in the flooding of a habitable floor - For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the council stormwater system)	#	1.00	0.00	 GREEN
There were no overflow events from the storm water system that affected habitable floors in the reporting period.				
KPI 11.2 (a): Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: abatement notices	#	0.00	0.00	 GREEN
There were no Abatement notices issued from 1st November till 28th February.				
KPI 11.2 (b): Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: infringement notices	#	0.00	0.00	 GREEN
There were no Infringement notices issued from 1st November till 28th February.				
KPI 11.2 (c): Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: enforcement orders	#	0.00	0.00	 GREEN
There were no Enforcement notices issued from 1st November till 28th February.				
KPI 11.2 (d): Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: successful prosecutions, received in relation to those resource consents	#	0.00	0.00	 GREEN
There were no successful prosecutions from 1st November till 28th February.				
KPI 11.3: Response to stormwater issues - The median response time between the time of notification and the time when service	Hours	2.00	0.00	 GREEN






personnel reach the site when "habitable floors" are affected by flooding resulting from faults in the stormwater system				
There was no overflow events from the storm water system that affected habitable floors in the reporting period.				
KPI 11.4: Customer satisfaction - The number of complaints received about the performance of the Council's stormwater system, expressed per 1000 properties connected to the stormwater system	#	15.00	1.43	 GREEN
Of the 38 RFS coded as storm water network problems in the Year to Date, investigation has indicated that a significant number may have been miscoded at the initial point of contact, current estimates indicate there were up to 13 genuine storm water network infrastructure related Requests for Service. An RFS system review led by Customer Services is due be undertaken in the near future which should improve RFS coding in the future.				
KPI 11.5: Percentage of monitoring results that show compliance with resource consent conditions	%	100.00	100.00	 GREEN
All samples compliant.				


## Transport

01 Jul 2021 – 28 Feb 2022

Group Manager Comments: None

Key Performance Indicator	Unit	Target	YTD	Indicator
KPI 12.1: Condition of the sealed road network - The average quality of ride on sealed local road network measured by smooth travel exposure	%	97.00	0.00	NOT MEASURED
Data is collected biennially and is not next collected until February 2023. The survey result from February 2021 was 99% as reported in the 2020/21 end of year report. Overall network condition remains stable.				
KPI 12.2: Percentage of gravel road tests where road roughness meets acceptable standards	%	85.00	89.20	 GREEN
The 2021/22 RoadRoid survey was completed during November/December last year and a achieved a score of 89.2% which exceeds the target of 85%. This score is consistent which results of previous year audits and is a great result overall.				





<b>KPI 12.3: Maintenance of a sealed local road network - The percentage of sealed local road network that is resurfaced</b>	%	6.50	4.93	
The 2021/2022 resealing season runs from October to end of March. Work productivity fluctuates due to weather condition. Intervention type and Bitumen cost increases are one of the highest risk for not achieving the programme while remaining within budget. Season to date - 671,115m2 have been resurfaced which is approximately 4.9% of the sealed network. Based on current budgets versus cost it is projected that 6.2% of the network will be sealed.				
<b>KPI 12.4: Response to service requests - The percentage of customer service requests relating to roads and footpaths to which the Council responds within the required timeframes</b>	%	90.00	90.91	
The YTD percentage of requests responded to within acceptable timeframes is sitting at 90.91%. This is a great result and continues to be a focus area of improvement.				
<b>KPI 12.5: Road Safety - The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number</b>	#	0.00	15.00	
As at 1st March; there are fifteen fatal or serious injury crashes recorded in the CAS database. This is trending higher than the same period last year. Alcohol continues to trend high as a suspected contributing factor to these crashes.				
<b>KPI 12.6: Footpath condition - The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (e.g. annual plan, activity management plan, asset management plan, or long term plan)</b>	%	70.00	0.00	NOT MEASURED
Footpath survey for 2021/22 is yet to be undertaken. This will occur around April 2022 and therefore the result will be reported on in the end of year report. Based on current information there is no concerns that this target will not be met.				
<b>KPI 12.7: Around the Mountains cycle trail has Great ride status</b>	?	1.00	1.00	
Around the Mountains Cycle Trail continues to be recognised as one of 22 Great Rides in New Zealand.				
<b>KPI 12.8: CAA compliance requirements for Part 139 certification is maintained</b>	?	1.00	1.00	
CAA has re-issued a Part 139 Aerodrome Operator Certificate to Southland District Council who are authorised to operate the aerodrome known as Te Anau/Manapouri. The certificate has an expiry date of 28 February 2027 which is a duration of 5 years.				

<b>KPI 13.1 - Water facilities requests for services are completed within specified timeframes</b>	%	80.00	100.00	 GREEN
Two requests received for the month and 2 completed on time. There were 6 requests received over the period from 1 November 2021 to 28 February 2022 of which 6 were completed within the agreed time frame. This averages to 100% for the four month period.				






## Wastewater

01 Jul 2021 – 28 Feb 2022

Group Manager Comments: None

Key Performance Indicator	Unit	Target	YTD	Indicator
<b>KPI 14.1: System and adequacy - The number of dry weather wastewater (sewerage) overflows from the territorial authority's wastewater (sewerage) system, expressed per 1000 wastewater (sewerage) connections to that wastewater (sewerage) system.</b>	#	1.00	1.00	 GREEN
Three overflow service requests for the report period, one (205763) is determined to be dry weather overflows.				
<b>KPI 14.2 (a): Response to wastewater (sewerage) system faults - Attendance time: from the time of notification to the time when service personnel reach the site</b>	Hours	1.00	0.09	 GREEN
Total service requests for the reporting period is 3: December - 1, January - 1, February - 1.				
<b>KPI 14.2 (b): Response to wastewater (sewerage) system faults - Resolution time: from the time of notification to the time that service personal confirm resolution of the blockage or other fault</b>	Hours	6.00	0.59	 GREEN
Total service requests for the reporting period is 3: December - 1; January - 1; February - 1.				
<b>KPI 14.3 Customer satisfaction - The total number of wastewater (sewerage) system complaints about: wastewater (sewerage) a) odour, b) system faults, c) system blockages, d) the way Council response to any of these issues</b>	#	8.00	2.80	 GREEN
There was a total of 27 services requests for the report year: November - 3; December - 2; January - 2; February - 0. Odour calls = 3; Blockage calls = 4.				










KPI 14.4 (a): Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: Abatement notices	#	0.00	0.00	 GREEN
There were no Abatement notices issued from 1st November till 28th February.				
KPI 14.4 (b): Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: Infringement notices	#	0.00	0.00	 GREEN
There were no Infringement notices issued from 1st November till 28th February.				
KPI 14.4 (c): Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: Enforcement orders	#	0.00	0.00	 GREEN
There were no Enforcement notices issued from 1st November till 28th February.				
KPI 14.4 (d): Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: Convictions received in relation to the resource consents	#	0.00	0.00	 GREEN
There were no successful prosecutions from 1st November till 28th February.				
KPI 14.5: Percentage of monitoring results that show compliance with resource consent conditions	%	100.00	93.0	 RED
For the year to date there were 242 out of 259 that were compliant. 147 out of 158 tests were compliant for the report period. Of the 11 that were non-compliant, one (Ammonia Nitrogen) was in Balfour, three (Faecals, Biological Oxygen Demand and Total Suspended Solids) were in Monowai which is essentially a septic tank. One (Faecal Coliforms) was in Nightcaps. Two were in Oban (Nitrate and Dissolved Oxygen Saturation). Three were in Ohai, a larger UV unit is to be installed this year that will reduce this non-compliance. One (Dissolved Reactive Phosphorus) was in Te Anau, now operating at Kepler.				

## Water Supply

01 Jul 2021 – 28 Feb 2022

Group Manager Comments: None

Key Performance Indicator	Unit	Target	YTD	Indicator
<b>KPI 15.1 (a): Fault response times - attendance for urgent call-outs: from the time Council receives notification to the time that service personnel reach the site</b>	Hours	1.00	0.20	 GREEN
Response is within the target hours.				
<b>KPI 15.1 (b): Fault response times - resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption</b>	Hours	6.00	6.57	 AMBER
The resolution time is 34 minutes over the target hours.				
<b>KPI 15.1 (c): Fault response times - attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site</b>	Hours	4.00	0.67	 GREEN
Response is within the target hours.				
<b>KPI 15.1 (d): Fault response times - resolution of non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption</b>	Hours	24.00	21.11	 GREEN
Resolution is within the target hours.				
<b>KPI 15.2 - Customer satisfaction - The total number of complaints received by Council about any of the following: a) drinking water clarity, b) drinking water taste, c) drinking water odour, d) drinking water pressure or flow, e) continuity of supply, f) the way Council responds to any of these issues expressed per 1000 connections to Council's net</b>	#	10.00	12.29	 RED
The year-to-date result is 12.29 per 1000 connections. Water quality is 16, low pressure is 23 and no water supply is 23.				
<b>KPI 15.3 (a): Drinking water safety - The extent to which the Council drinking water supplies complies with: drinking water standards (bacteria compliance criteria)</b>	%	100.00	100.00	NOT MEASURED
The current interim result for Bacteria is 100% compliant.				

<b>KPI 15.3 (b): Drinking water safety - The extent to which the Council drinking water supplies complies with: drinking water standards (protozoal compliance criteria)</b>	%	100.00	0.00	NOT MEASURED
Water and Waste will report the annual results in August 2022. No concerns at present.				
<b>KPI 15.4: Maintenance of the reticulated network - The percentage of water lost from the Council's networked reticulation system</b>	%	25.00	18.30	 GREEN
Water loss has reduced. When Lumsden Balfour and Eastern Bush are included loss reduces to 17.4% due to increased length of reticulation with reduced connections per kilometre of main.				
<b>KPI 15.5: Demand management - The average consumption of drinking water per day, per resident within the territorial authority district</b>	L	850.00	843.00	 GREEN
Water use per "person" per day including Lumsden Balfour and Eastern Bush is 1,049 litres / day due to stock levels and current drought levels.				



## Financial Report for the period ended 31 January 2022

Record No: R/22/3/6743  
Author: Brie Lepper, Graduate accountant  
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

### Summary

1. The purpose of this report is to provide the Finance and Assurance Committee with an overview of the financial results for the seven months to 31 January 2022 by the seven activity groups of Council, as well as the financial position, and the statement of cash flows as at 31 January 2022.
2. This report summarises Council's financial results for the seven months to 31 January 2022.

### Recommendation

That the Finance and Assurance Committee:

- a) receives **the report titled "Financial Report for the period ended 31 January 2022"** dated 22 March 2022.

### Attachments

A Financial Report - January 2022 [↓](#)



## Financial report

January 2022

Southland District Council  
Te Rohe Pōtae o Murihiku

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15 Forth Street  
Invercargill 9840

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## Executive summary

This report summarises Council's financial results for the seven month period to 31 January 2022.

The report summary consolidates the business units within each of Council's groups of activities and includes:

- year to date (YTD) actuals, which are the actual costs incurred
- year to date (YTD) projection, which is based on the full year projection (currently year one of the Long Term Plan (LTP)) with adjustments for phasing of budgets, carry forwards and approved unbudgeted expenditure reports
- year to date (YTD) budget, which is based on the full year LTP budget for year one with adjustments for phasing of budgets
- full year (FY) budget, which is the LTP year one budget figures
- full year (FY) projection, which is the LTP year one budget figures plus carry forwards and approved unbudgeted expenditure reports.

The activities reported include the seven activities in the LTP, along with corporate services. Corporate services (previously part of District Leadership) includes all the customer and corporate support (like people and capability, communications, strategy and policy, finance, information management) and forestry. These costs are spread across all the activities but they have also been separated out for the purposes of this report.

Phasing of budgets occurred in August, and will occur at forecasting and when one-off costs have actually been incurred. This should reduce the number of variance explanations due to timing.

Where phasing of budgets has not occurred, one twelfth of the annual budgeted cost is used to calculate the monthly budget.

Carry forwards approved by Council in September 2021 have been included in the projection column. A single round of forecasting will occur in March 2022.

Southland District Council summary reports use a materiality threshold to measure, monitor and report on the financial performance and position of Council. In determining materiality, variances more or less than 10% of the original budget and greater than \$10,000 are considered material and explained in the report.

Report contents:

- A. Council summary (income expenditure, capital expenditure and associated commentary)
- B. Council summary by Activity Group
- C. Statement of comprehensive income
- D. Statement of financial position and movement commentary
- E. Statement of cash flows.



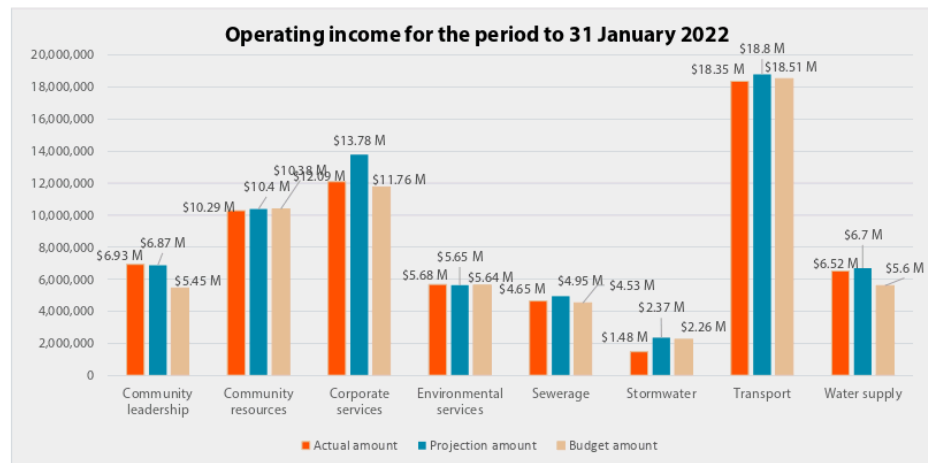
### Abbreviation explanation

Abbreviation	Description
AP	Annual Plan
CAPEX	Capital expenditure
FYB	Full year budget
GDC	Gore District Council
GIS	Geographic information system
GMSE	GeoMedia smart client
GST	Goods and Services tax
ICC	Invercargill City Council
LED	Light emitting diode
LGFA	Local Government Funding Agency
LT	Leadership team
LTP	Long Term Plan
ME	Month end
NZTA	Waka Kotahi NZ Transport Agency
NZDWS	New Zealand Drinking Water Standards
SDC	Southland District Council
SIESA	Stewart Island Electrical Supply Authority
YE	Year end
YTD	Year to date
YTD Variance	Comparison of actual results compared to YTD budget
\$M	Millions of dollars

## Council summary

### Income

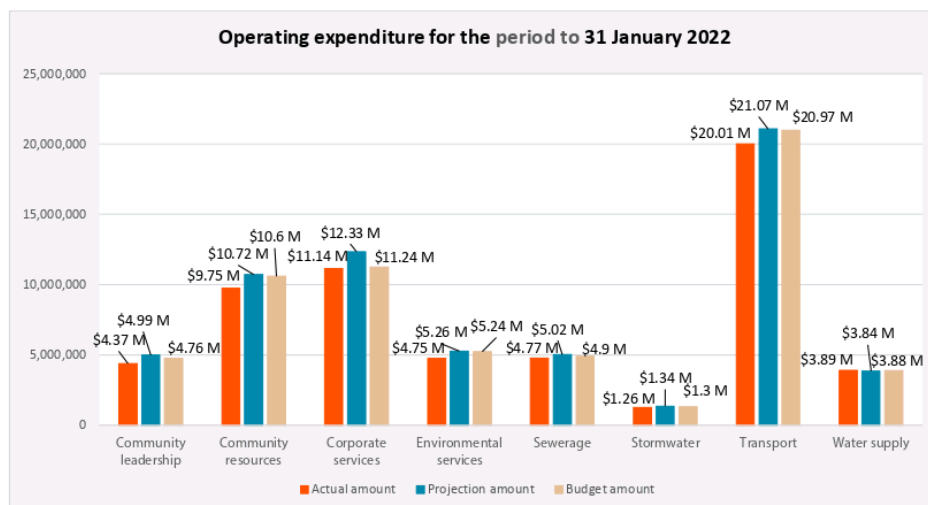
Operating income for the seven month period to 31 January 2022 is \$3.5 million (5%) below projection for the period to date (\$66.0 million actual vs \$69.5 million projection). The key reasons for the variances in each activity area are discussed below.



- corporate services** income is \$1,686,905 (12%) lower than projection largely due to investment income being \$1,213,547 lower than budget. Council is in the process of changing its approach to investment and borrowing that is expected to achieve an increase in investment income; however, this new approach has not yet commenced, thus actual investment income is lower than budgeted. This reduction in income will be partially offset by a reduction in borrowing costs and the associated unbudgeted interest income on internal loans. Council staff and its advisors are now working to recommend to Council potential fund managers.
- stormwater** income is \$890,254 (38%) lower than projection. Although we have received the stimulus grant monies we are not recognising it as income until the costs are incurred, see the below capital expenditure discussion for further details. The recognition of this income was phased at the start of the financial year to match the expected timing of stimulus project costs. The projects are still on track to be completed by June 2022 and the income will continue to be released as the work is completed.

## Expenditure

Operating expenditure for the seven month period to 31 January 2022 is \$4.7 million (7%) below projection for the period to date (\$59.9 million actual vs \$64.6 million projection). The key reasons for the variances in each activity area are discussed below.



- **community leadership** operating expenditure is \$624,797 (13%) less than projected, predominantly due to staff vacancies. Additionally, Councillor's travel and mileage costs, conference costs and catering are lower than projection due to less travel and face to face meetings as a result of Covid-19 restrictions.
- **community resources** operating expenditure is \$970,348 (9%) lower than projection. The main variances include:
  - streetscapes costs are \$288,070 (31%) under projection. This is a combination of reduced costs for gardening, mowing and street litter bins. This is primarily due to timing of when the invoices have come from the contractors. Additionally, three towns have no gardening contact in place and their gardening is completed by the work scheme team and the relevant costs are coded to work scheme instead of gardening. Gardening and mowing costs have been checked against the contract prices and if anomalies exist, these have been adjusted through the annual plan and February forecasting processes. Street litter bins costs have been compared to last year and there has been less rubbish collection costs to date due to less people being about.
  - hall costs are \$154,315 (36%) lower than projection. Of the total underspend, \$67,370 relates to council owned halls, with the remainder non-Council owned halls. The underspend is due to minimal reactive maintenance, electricity and operating costs. The fly and spider control, spouting cleaning and annual wash downs are scheduled in the last quarter of the financial year. Staff are working with the non-council hall committees to ensure the grants are uplifted quarterly.
  - parks and reserves costs are \$113,141 (11%) less than projected. There are a number of maintenance projects that have yet to be completed contributing to the under spend. The current buoyant market impacting Council's ability to engage contractors to undertake smaller maintenance projects.

Financial report – January 2022

- other property costs are \$113,115 (49%) under projection primarily due to unspent Luxmore subdivision costs. Fiordland Community Board will soon seek expressions of interest on the sale of land and the related costs are expected as this process continues.
- office and building expenditure are \$120,398 (6%) lower than projection. The majority of which, relates to an underspend of \$103,228 for internal services as a result of Covid-19 restrictions, lack of contractors and shortage of materials. This issue is being closely monitored.
- library services are \$69,047 (9%) under budget due to Covid-19 impacting the delivery of programs and minimal travel due to training and conferences being cancelled, however expenditure is expected to be in line with budget at year end due to anticipated costs in April/May.
- **corporate services** operating expenditure is \$1,191,740 (10%) below projection. The main variances include:
  - investment operating costs which are \$822,016 lower than projected. As detailed in the income section of this report, the new borrowing and investment strategy is still in progress, resulting in a lower level of external borrowings, directly impacting external interest costs.
  - information management operating costs are \$140,500 under projection and primarily reflects the phasing of software license renewals, reduction in printing costs and timing of consultancy services.
- **environmental services** operating expenditure is \$507,296 (10%) below projection. The main variance relates to resource management costs which are \$392,470 (17%) less than anticipated. Staff costs are (\$272,000) lower due to vacancies. Recruitment processes have been delayed due to the legislative changes around ecology/biodiversity not being passed, as well as Covid-19 and immigration challenges. The remaining variance is related to the share of environment and community leadership costs being lower than expected (\$133,000) as a result of staffing and structure changes.
- **sewerage** operating expenditure is \$246,770 (5%) less than projected. There has been an increase in the condition assessment work undertaken (part of the stimulus package) which is a timing difference. Planned maintenance is \$116,000 underspent due to the timing of the sludge removal project in Te Anau. This project has not been phased, and with some expenses starting to come through in December, this underspend is a timing difference. Routine maintenance is also \$144,000 lower than budget as there has been costs savings as a result of the Te Anau Wastewater (TAWW) project not yet going live. Both these have been offset by an increase in unplanned maintenance work of \$195,000. The maintenance costs have been reviewed as part of the forecasting process and necessary adjustments have been made.
- **transport** operating expenditure is \$1,054,635 (5%) below projection. The main variances include:
  - Roading – district wide is \$519,000 under budget. \$71,000 relates to footpath maintenance as the program is still in development subsequent to the changes from Waka Kotahi. There are several other activities which are either slightly ahead or slightly behind projected budget, the main being unsealed pavement maintenance (\$56,000 below) and sealed pavement maintenance (\$276,000 below) due to the timing of the work program.
  - roading administration costs are \$233,00 under projection. Recovery of wage costs are higher than anticipated, resulting in a cost reduction of \$214,000. This recovery is expected to continue and has been adjusted through the forecasting process.
  - special purpose roading costs are \$100,000 (100%) lower than projection. This is not unexpected as the actual cost in any year depends on the needs. This relates to the nature and timing of work

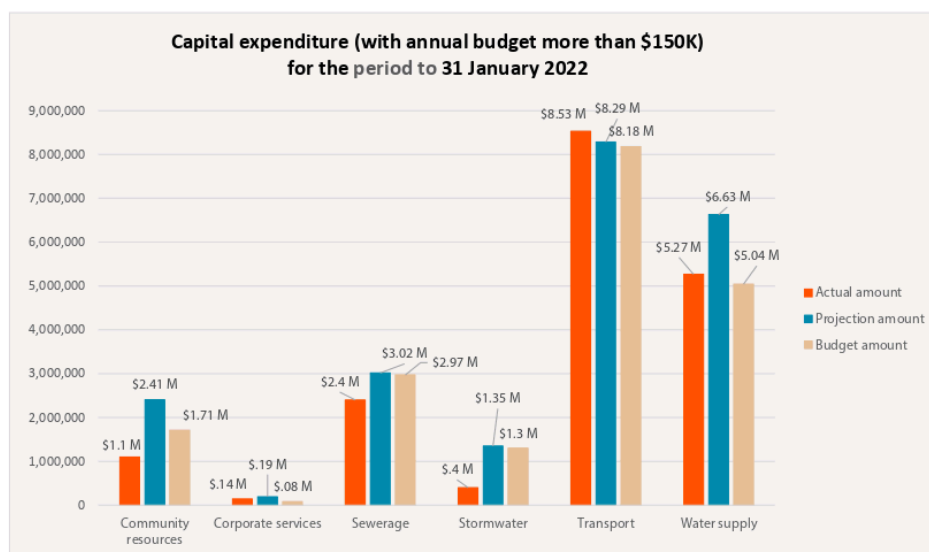
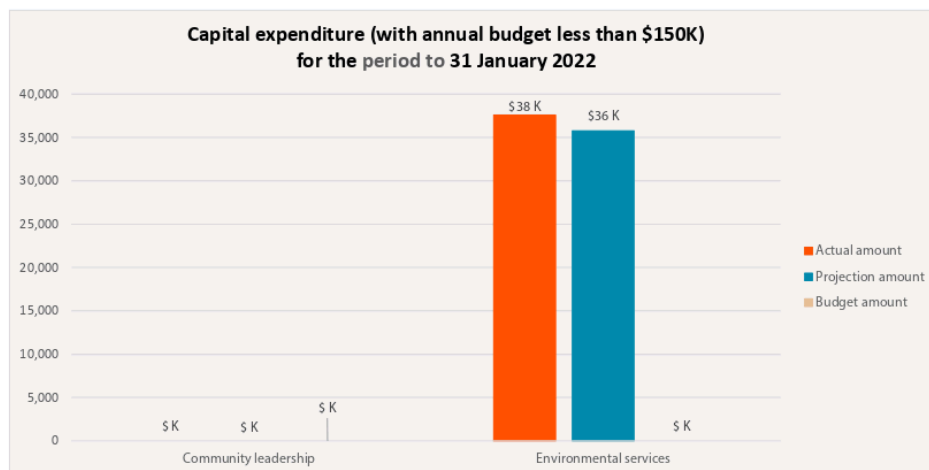
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and invoicing from Waka Kotahi (Milford alliance). Any costs incurred are recovered in full from Waka Kotahi.

### Capital expenditure (CAPEX)

Capital expenditure for the seven month period to 31 January is \$4.0 million (18%) lower than projection (\$17.9 million actual vs \$21.9 million projection). The key reasons for the variances in each activity area are discussed below.



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- **community resources** capital costs are \$1,310,990 (54%) lower than projection. The main variances include:
  - toilets are \$860,573 (91%) lower than projection. Two tenders have been received for the delivery of the package of works that was put out to the market. These have been evaluated and the contract awarded. These projects are due to start in March, however this may be impacted with the change in the Covid-19 status. The refurbishment projects at the Waikawa and Edendale toilets have started and are both well on the way to completion. The Curio Bay toilet refurbishment has started and the Colac Bay toilet has now been installed.
  - offices and buildings are \$256,288 (29%) under projection. This variance primarily relates to the Te Anau library upgrade project, which has not yet started. Staff have received quotes for this project and will be engaging contractors within the next month. Work is not scheduled to start until the Radio-frequency identification (RFID) library project has finished. This is scheduled for April 2022.
- **sewerage** capital costs are \$616,306 (20%) below projection. The delivery of the Te Anau wastewater project (TAWW) is \$720,000 ahead of the phased budget, however the Caswell Road project in Te Anau is \$826,000 behind the phased budget. These variances are all considered to be timing differences. Due to the project entering the final defect period of the TAWW plant, the balance of the project costs have been phased to June. On completion of defect period, the surplus budget will be known. The Caswell Road project is a stimulus project and the deadline for delivery is June 2022, this project is on track to meet the deadline. The Stewart Island stimulus project is \$260,000 behind the phased budget, this project is due to start in March 2022.
- **stormwater** capital costs are \$948,185 (70%) less than projection. The capital programme currently being delivered is related to the stimulus work, with projects incurring costs slightly behind the phased budget. The commencement date for the Woodlands project has been deferred to line up with April school holidays to minimise disruption and is now expected to be completed before the end of June. The Edendale/Wyndham project is behind the phased budget. This work has now commenced. All of the stimulus projects are on track to be completed by the extended cut-off (30 June 2022).
- **water supply** capital costs are \$1,359,577 (21%) under projection, largely as a result of the phasing of projects. The stimulus projects of AC pipe renewal and New Zealand Drinking Water Standards compliance have had delays while the Lakefront Drive water main renewal costs are less than expected for the period and the Caswell Road watermain project is only just commencing. The AC pipe renewal and Lakefront drive projects are expected to be completed in February, and all remaining projects are on track to be completed by the end of June 2022.

Financial report – January 2022

## Council summary by Activity Group

Southland District Council financial summary  
for the period to 31 January 2022

Operating income									
Activity	YTD					FYB			
	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	6,931,226	6,867,237	5,450,607	63,990	1%	10,974,351	9,557,721	(1,416,630)	(13%)
Community resources	10,289,685	10,396,623	10,379,213	(106,938)	(1%)	19,656,496	18,192,965	(1,463,531)	(7%)
Corporate services	12,091,625	13,778,530	11,760,682	(1,686,905)	(12%)	21,510,194	19,474,114	(2,036,080)	(9%)
Environmental services	5,678,713	5,646,471	5,640,377	32,243	1%	9,387,248	9,335,696	(51,552)	(1%)
Sewerage	4,647,937	4,946,748	4,533,213	(300,812)	(6%)	8,288,820	7,210,702	(1,078,118)	(13%)
Stormwater	1,479,928	2,370,183	2,263,506	(89,254)	(3%)	3,388,631	3,254,744	(133,887)	(4%)
Transport	18,345,856	18,796,575	18,509,308	(450,719)	(2%)	35,281,636	34,129,768	(1,151,868)	(3%)
Water supply	6,524,481	6,699,114	5,603,706	(174,633)	(3%)	9,192,741	8,045,929	(1,146,812)	(12%)
<b>Total</b>	<b>\$65,989,451</b>	<b>\$69,503,480</b>	<b>\$64,140,612</b>	<b>(3,514,029)</b>	<b>(5%)</b>	<b>\$117,680,117</b>	<b>\$109,201,639</b>	<b>(8,478,478)</b>	<b>(7%)</b>
Operating expenditure									
Activity	YTD					FYB			
	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	4,369,317	4,994,114	4,759,423	(624,797)	(13%)	11,159,054	9,373,552	(1,785,502)	(16%)
Community resources	9,750,915	10,721,263	10,603,826	(970,348)	(9%)	19,942,977	19,551,548	(391,429)	(2%)
Corporate services	11,137,661	12,329,401	11,241,849	(1,191,740)	(10%)	20,536,296	19,234,329	(1,301,967)	(6%)
Environmental services	4,749,996	5,257,292	5,237,884	(507,296)	(10%)	10,149,270	10,087,029	(62,241)	(1%)
Sewerage	4,769,024	5,015,794	4,896,306	(246,770)	(5%)	8,067,918	7,927,450	(140,468)	(2%)
Stormwater	1,260,148	1,341,228	1,302,250	(81,080)	(6%)	2,176,366	2,119,684	(56,682)	(3%)
Transport	20,012,039	21,066,674	20,966,206	(1,054,635)	(5%)	36,057,539	35,533,789	(523,750)	(1%)
Water supply	3,887,794	3,844,859	3,875,730	42,935	(1%)	6,458,798	6,489,669	30,871	0%
<b>Total</b>	<b>\$59,936,894</b>	<b>\$64,570,624</b>	<b>\$62,883,473</b>	<b>(4,633,730)</b>	<b>(7%)</b>	<b>\$114,548,218</b>	<b>\$110,317,050</b>	<b>(4,231,168)</b>	<b>(4%)</b>
<b>Net surplus/deficit</b>	<b>\$6,052,558</b>	<b>\$4,932,856</b>	<b>\$1,257,138</b>	<b>1,119,702</b>	<b>(12%)</b>	<b>\$3,131,899</b>	<b>(\$1,115,411)</b>	<b>(4,247,310)</b>	<b>(4%)</b>
Capital expenditure									
Activity	YTD					FYB			
	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	-	-	-	0	-	79,000	79,000	0	0%
Community resources	1,096,941	2,407,931	1,708,178	(1,310,990)	(54%)	8,565,987	6,335,714	(2,230,273)	(26%)
Corporate services	144,344	191,702	82,402	(47,357)	0%	1,457,745	1,079,210	(378,535)	0%
Environmental services	37,587	35,770	-	1,817	0%	248,046	108,500	(139,546)	(56%)
Sewerage	2,398,912	3,015,218	2,969,877	(616,306)	(20%)	6,570,091	6,140,314	(429,777)	(7%)
Stormwater	398,874	1,347,059	1,299,726	(948,185)	(70%)	2,285,607	2,208,402	(77,205)	(3%)
Transport	8,531,723	8,286,276	8,183,452	245,447	3%	21,759,771	20,711,721	(1,048,050)	(5%)
Water supply	5,270,563	6,630,140	5,042,026	(1,359,577)	(21%)	10,761,076	8,937,875	(1,823,201)	(17%)
<b>Total</b>	<b>\$17,878,945</b>	<b>\$21,914,096</b>	<b>\$19,285,662</b>	<b>(4,033,132)</b>	<b>(18%)</b>	<b>\$51,727,323</b>	<b>\$45,600,736</b>	<b>(6,126,587)</b>	<b>(12%)</b>

<b>ACTIVITY GROUPS AND ACTIVITIES</b>				
This table details what is included in the various LTP activities used for this report				
<b>Activity Group</b>	<b>Community leadership</b>	<b>Community resources</b>	<b>Environmental services</b>	<b>Transport</b>
<b>Activity</b>	<p><b>Community assistance</b> (includes Community Partnership Fund which supports local initiatives and projects, along with grants and donations)</p> <p><b>Community futures</b> (includes district development services which includes community leadership, regional development funding and Stewart Island Visitor Levy)</p> <p><b>Representation and advocacy</b> (includes governance, elected members, elections and chief executive)</p>	<p><b>Community facilities</b> (includes public toilets, community centres/halls, office/library/amenity buildings and dump stations)</p> <p><b>Community services</b> (includes cemeteries, community housing and library services)</p> <p><b>Open spaces</b> (including parks, reserves, playgrounds and streetscapes)</p> <p><b>Waste services</b></p> <p><b>Stewart Island Electrical Supply Authority (SIESA)</b></p>	<p><b>Animal control</b></p> <p><b>Building solutions</b></p> <p><b>Emergency management</b></p> <p><b>Environmental health</b></p>	<p><b>Airport</b></p> <p><b>Cycle trails</b></p> <p><b>Footpaths</b></p> <p><b>Roading</b></p> <p><b>Water facilities</b> (includes boat ramps, Riverton Harbour and Stewart Island Jetties)</p>
<p><b>Corporate services</b> (shared across all activities) Includes customer and corporate support (such as people and capability, communications, strategy and policy, finance, information management) and forestry.</p>				



Financial report – January 2022

## Statement of comprehensive income

Statement of comprehensive revenue and expenses for the period to 31 January 2022					
	YTD			FYB	
	Actual amount	Projection amount	Budget amount	Projection amount	Budget amount
<b>Revenue</b>					
Rates revenue	31,287,629	31,436,285	31,436,285	54,179,025	54,179,024
Other revenue	8,492,046	8,316,076	6,140,418	11,453,017	9,214,042
Interest and dividends	40,740	1,178,099	1,178,099	2,019,599	2,019,599
NZ Transport Agency funding	7,687,991	8,128,593	8,005,364	15,532,141	15,327,781
Grants and subsidies	7,932,087	9,160,971	6,133,158	14,564,865	8,668,794
Other gains/losses	78,350	36,168	0	760,412	647,085
Vested assets	0				
Development and financial contributions	30,000	0	0	36,189	10,445
	<b>55,548,844</b>	<b>58,256,192</b>	<b>52,893,324</b>	<b>98,545,248</b>	<b>90,066,770</b>
<b>Expenditure</b>					
Employee benefit expense	8,771,187	9,640,424	9,624,272	16,937,216	16,907,216
Depreciation and amortisation	15,829,091	15,872,485	15,872,485	27,209,974	27,209,974
Finance costs	154,096	737,951	737,951	1,265,059	1,265,059
Other Council expenditure	24,741,912	27,072,476	25,401,477	50,001,100	45,799,932
	<b>49,496,286</b>	<b>53,323,336</b>	<b>51,636,185</b>	<b>95,413,349</b>	<b>91,182,181</b>
<b>Total comprehensive income</b>	<b>6,052,558</b>	<b>4,932,856</b>	<b>1,257,138</b>	<b>3,131,899</b>	<b>(1,115,411)</b>

## Note:

The revenue and expenditure in the comprehensive income statement does not reconcile to the total income and total expenditure reported in the Council summary by Activity Group on page 10 due to the elimination of the internal transactions. However, the net surplus/deficit (as per the Council summary by Activity Group) matches the total comprehensive income (as per the statement of comprehensive income).

The presentation of the statement of comprehensive income aligns with Council's Annual Report. The Annual Report is based on approved accounting standards. These standards require us to eliminate internal transactions. Council is also required to report by activities. A number of Council functions relate to a number of activities, eg finance. To share these costs, an internal transaction is generated between the finance business unit and the activity business units. Within the Annual Report, Council also prepares activity funding impact statements. These statements are prepared under the Financial Reporting and Prudence Regulations 2014. This regulation requires that internal charges and overheads recovered be disclosed separately. The Council summary by Activity Group is a summary of what these activity funding impact statements will disclose for income and expenditure at year end.

## Statement of financial position

Council's financial position as at 31 January 2022 is detailed below. The statement of financial position below only includes Southland District Council and SIESA financial results and therefore the comparative period (30 June 2021) differs from the Annual Report, which includes Council's share of Wastenet operations.

Please note, the statement of financial position as at 30 June 2021 was adopted on 17 December 2021 as part of the 2020/2021 Annual Report.

Southland District Council Statement of financial position as at 31 January 2022		
	Actual 31-Jan-22	Actual 30-Jun-21
<b>Equity</b>		
Retained earnings	727,637,356	721,584,798
Asset revaluation reserves	856,312,665	856,312,665
Other reserves	40,963,080	40,963,080
Share revaluation	4,771,233	4,771,233
	<u>1,629,684,336</u>	<u>1,623,631,777</u>
<b>Represented by:</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,818,212	1,674,768
Trade and other receivables	10,521,549	10,683,506
Inventories	126,353	126,353
Other financial assets	7,169,864	2,522,901
Property, plant and equipment	-	-
	<u>23,635,978</u>	<u>15,007,527</u>
<b>Non-current assets</b>		
Property, plant and equipment	1,616,200,071	1,613,474,356
Intangible assets	4,505,455	4,835,073
Forestry assets	13,270,000	13,270,000
Internal loans	52,455,124	52,455,124
Work in progress	106,722	452,965
Investment in associates	1,418,176	1,418,176
Other financial assets	421,191	1,579
	<u>1,688,376,739</u>	<u>1,685,907,272</u>
<b>Total assets</b>	<u>1,712,012,716</u>	<u>1,700,914,799</u>
<b>Current liabilities</b>		
Trade and other payables	9,282,076	15,534,466
Contract retentions and deposits	564,706	538,012
Employee benefit liabilities	1,584,953	2,098,531
Development and financial contributions	1,605,327	1,620,697
Borrowings	-	5,000,000
Provisions	3,023	3,023
	<u>13,040,086</u>	<u>24,794,728</u>
<b>Non-current liabilities</b>		
Employment benefit liabilities	23,163	23,163
Provisions	10,008	10,008
Internal loans - liability	52,455,124	52,455,124
Borrowings	16,800,000	-
	<u>69,288,294</u>	<u>52,488,294</u>
<b>Total liabilities</b>	<u>82,328,380</u>	<u>77,283,022</u>
<b>Net assets</b>	<u>1,629,684,336</u>	<u>1,623,631,777</u>

## Statement of cash flows

Statement of cashflows for the period to 31 January 2022	
	2021/2022
	YTD Actual
<b>Cash flows from operating activities</b>	
Receipts from rates revenue	28,367,162
Receipts from other revenue (including NZTA)	25,736,471
Cash receipts from interest and dividends	40,740
Payment to suppliers	(30,821,480)
Payment to employees	(9,284,765)
Interest paid	(154,096)
GST general ledger (net)	1,326,583
<b>Net cash inflow (outflow) from operating activities</b>	<b>15,210,615</b>
<b>Cash flows from investing activities</b>	
Receipts from sale of PPE	78,350
(Increase)/decrease other financial assets	(5,066,576)
Purchase of property, plant and equipment	(18,208,562)
Purchase of forestry assets	-
Purchase of intangible assets	329,618
<b>Net cash inflow (outflow) from investing activities</b>	<b>(22,867,171)</b>
<b>Cash Flows from financing activities</b>	
Increase in term loans	36,800,000
Repayment of term loans	(25,000,000)
Increase/(decrease) finance leases	-
<b>Net cash inflow (outflow) from financing activities</b>	<b>11,800,000</b>
Net increase/(decrease) in cash and cash equivalents	4,143,444
Cash and cash equivalents at the beginning of the year	1,674,768
<b>Cash and cash equivalents at the end of January</b>	<b>5,818,212</b>

**Cash and cash equivalents**

- At 31 January 2022, Council had \$2,140 cash on hand.
- Funds on call at 31 January 2022:

Funds on call				
	Amount	Bank	Account	Interest rate
SDC	\$ 5,009,671	BNZ	Funds on call	0.05%
	\$ 0	Westpac	Funds on call	0.05%
	\$ 10,000	BNZ	Operating bank acc	0.05%
	\$ 526,829	BNZ	Restricted funds acc	0.05%
SIESA	\$ 269,573	BNZ	Funds on call	0.05%
<b>Total</b>	<b>\$ 5,816,073</b>			

Reconciliation to statement of financial position	Amount
Cash and cash equivalents	
<i>Current assets</i>	
SDC Cash on hand (Note 1)	\$ 2,140
Funds on call (Note 2)	\$ 5,816,073
<b>Total cash and cash equivalents per the statement of financial</b>	<b>\$ 5,818,212</b>

**Other financial assets**

- At 31 January 2022, Council had \$5.0 million invested in one term deposits as follows:

SDC Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
ANZ	\$ 5,000,000	0.80%	17-Jan-22	17-Feb-22
<b>Total</b>	<b>\$ 5,000,000</b>			

- At 31 January 2022, SIESA had \$1.72 million invested in six term deposits as follows:

Financial report – January 2022

SIESA investments - term deposits				
Bank	Amount	Interest rate	Date invested	Maturity date
BNZ	\$ 300,000	1.00%	7-Apr-21	7-Apr-22
BNZ	\$ 350,000	1.35%	24-Aug-21	24-May-22
BNZ	\$ 370,000	1.47%	7-Oct-21	1-Jun-22
BNZ	\$ 250,000	1.62%	2-Nov-21	2-Aug-22
BNZ	\$ 250,000	1.69%	3-Dec-21	5-Sep-22
BNZ	\$ 200,000	1.72%	6-Dec-21	6-Oct-22
<b>Total</b>	<b>\$ 1,720,000</b>			

5. At 31 January 2022, Council had \$420,000 of LGFA borrows note in two bonds as follows:

LGFA Bonds				
	Amount	Interest Rate	Establishment date	Maturity Date
LGFA	\$ 210,000	3.14%	15-Dec-21	15-Apr-36
LGFA	\$ 210,000	3.10%	15-Dec-21	15-May-35
<b>Total</b>	<b>\$ 420,000</b>			

Reconciliation to statement of financial position	Amount
<b>Other financial assets</b>	
<i>Current assets</i>	
SDC Investments (Note 3)	\$ 5,000,000
SIESA Investments (Note 4)	\$ 1,720,000
Loans - community	\$ 28,579
Civic Assurance shares	\$ 12,986
Milford Sound Tourism shares	\$ 408,299
<b>Total current</b>	<b>\$ 7,169,864</b>
<i>Non - Current assets</i>	
LGFA bonds (Note 5)	\$ 420,000
Loan advances - Development contributions	\$ 1,191
	<b>\$ 421,191</b>
<b>Total other financial assets per the statement of financial position</b>	<b>\$ 7,591,055</b>

#### External Borrowings

SDC Borrowings				
Lender	Amount	Interest Rate	Date Drawdown	Maturity Date
LGFA	\$ 8,400,000	3.49%	15-Dec-21	15-Apr-36
LGFA	\$ 8,400,000	3.45%	15-Dec-21	15-May-35
<b>Total</b>	<b>\$ 16,800,000</b>			

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Financial report – January 2022

Reconciliation to statement of financial position	Amount
<b>Borrowings</b>	
<i>Current assets</i>	
Borrowings	\$ 0
<i>Non-current assets</i>	
Borrowings	\$ 16,800,000
<b>Total borrowings per the statement of financial position</b>	<b>\$ 16,800,000</b>

**Compliance with Council policies**

Council's Investment and Liability Management Policy states that Council can invest no more than \$10 million with one bank. Investments and funds on call at 31 January 2022, comply with the SDC Investment and Liability Management Policy (\$7,538,213).

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## Impact on rates of approved unbudgeted expenditure

Record No: R/22/3/7769  
Author: Lesley Smith, Management accountant  
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

### Summary

1. The purpose of this report is to provide the Council with an overview of the impact on rates of unbudgeted expenditure reports approved up to but not including the current meeting.
2. The below table details the unbudgeted expenditure reports approved by Council with an impact on rates for 2022/23. The movement in the rates impact is from year 2 of the Long Term Plan (LTP). These changes have been incorporated into forecasting and the 2022/23 Annual Plan, other changes made through the annual plan process and forecasting have not been included.

Report title	Description	Amount of unbudgeted expenditure	Impact on rates 2022/23	% increase over 2021/22 total rates
<i>LTP Year 2</i>			<i>\$56,681,653</i>	<i>8.31%</i>
Dr Woods Memorial playground	Additional scope of work to be funded by a loan	\$21,254	\$1,780	0%
Riversdale playground	Additional scope of work to be funded by a loan	\$41,030	\$3,193	0.01%
Manapouri Village Green Playground	Moving part of the Manapouri Village Green playground project from 2022/23 to 2021/22 to be funded by a loan	\$20,000	\$1,675	0%
Dust suppression	SDC adding funds to dust suppression to be funded by roading rate	\$52,640	\$52,640	0.10%

Report title	Description	Amount of unbudgeted expenditure	Impact on rates 2022/23	% increase over 2021/22 total rates
Stormwater reserve balances	As part of the process of moving stormwater reserves to local general reserves some loan balances were repaid and there was a need to drawdown loans in the current year to fund projects previously funded by reserve. The net difference is \$19,230 less loan balance at 30.06.2022 to be repaid by future rates	-\$19,230	-\$981.81	0%
Building Solutions Team	Change to budget for 2022/23 to comply with statutory requirements 20% funded by rates	\$375,000	\$75,000	0.14%
<b>Total</b>			<b>\$58,814,959</b>	<b>8.56%</b>

3. Unbudgeted expenditure reports presented to Council for approval will continue to detail the impact the unbudgeted expenditure will have on the following year's rates, along with the cumulative impact of all of approved unbudgeted expenditure reports to date.
4. It is intended to present this report to each Finance and Assurance Committee meeting.

## Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled "Impact on rates of approved unbudgeted expenditure "** dated 22 March 2022.

## Attachments

There are no attachments for this report.



## Forecasted Financial Position for the year ending 30 June 2022

Record No: R/22/2/3951  
Author: Sheree Marrah, Financial accountant  
Approved by: Anne Robson, Chief financial officer

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 To inform the committee of the expected year-end financial result compared to year one of the published 2021-2031 Long Term Plan (LTP) and seek the committee's recommendation to Council to approve the resulting forecasted position.
- 2 To seek the committee's recommendation to Council to approve a number of unbudgeted expenditure requests, and the deletion and deferral of a number of projects.

### Executive Summary

- 3 Forecasting the financial position for the year ended 30 June 2022, is intended to provide information about what has changed since the budget was approved, why it has occurred and what the result is expected to be at the end of the year. Forecasting is based on the best knowledge that the relevant staff have at a point in time and events can overtake this.
- 4 In considering the final position, staff consider what they planned to do in year one of the 2021-2031 LTP, the projects carried forward from 2020/2021 that were approved by Council on 15 September 2021, unbudgeted expenditure requests approved by Council or committees for the year to date, and the expected year end position as a result of operational decisions and information.
- 5 Forecasting enables the organisation to understand the anticipated year end position at all levels. It also assists with decisions and priorities for spending across Council.
- 6 The budgeted expenditure included in the 2021-2031 LTP for the 2021/2022 year was adopted in June 2021. Since this date, a number of events have occurred that will change the year end position. Forecasting allows a formal process to communicate to the leadership team (LT), Finance and Assurance committee and Council any known or expected changes.
- 7 The majority of the significant forecast changes relate to capital projects. Capital expenditure has decreased through this forecasting process by \$6.0 million predominantly due to projects which are proposed to be deferred to a later year or deleted from the work programme (this includes budget savings on completed projects). This offsets against projects carried forward from 2020/2021 and project related unbudgeted expenditure approved to date. Key proposed capital project deferrals from forecasting include two water projects, the financial management information system, the airport runway rehabilitation, the Golden Bay wharf construction and the removal of anticipated contingencies for the Te Anau wastewater project that are no longer necessary. Additionally, these reductions in the capital budgets are offset by five projects proposed to be brought forward from later years (totalling \$0.4 million). Overall, the ongoing impact of Covid-19 on both labour and supply resources is a contributing factor to the delivery of projects.

- 8 The net increase in operational expenditure through this forecasting process is \$0.7 million, this relates to increased legal and consultant costs associated with the nature and volume of resource consent applications, increased urgent reactive water and wastewater maintenance, minor toilet maintenance, recruitment and Covid-19 related protective equipment costs, correcting omissions in the LTP (streetlight budgets) alongside updating the budgets to reflect actual costs and new contracts (mowing, litter bins and gardening).
- 9 Revenue is also forecast to increase by \$1.8 million as a result of additional grant funding for the Te Anau wastewater project, and increased forestry harvesting and resource consent income.
- 10 For further detail on the net impact of forecasting on each business unit by income, expenditure and capital, refer to attachment H.
- 11 The effect of the forecast changes on the Statement of Comprehensive Revenue and Expenditure and Statement of Financial Position are shown in attachments A and B. Staff note that infrastructure and forestry revaluations have not been considered in the forecasting process.
- 12 As part of the resolutions the committee is asked to recommend to Council a number of unbudgeted expenditure requests that have not been considered by Council previously (refer attachments C and D). Additionally, there are a number of projects that have been identified as needing to be deferred to future years. A detailed list of these projects can be found in attachment E. There is also a list of projects that are to be deleted, or where a project is completed under budget, the remaining budget is to be deleted, these are contained in attachment F. Projects that need to be brought forward from future years are included in attachment G.
- 13 This report is also included for adoption in the Council meeting on 29 March 2022. Staff will update Council on the discussions and recommendations made by this Committee.

## Finance and Assurance Committee

28 March 2022

### Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Forecasted Financial Position for the year ending 30 June 2022” dated 22 March 2022.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Recommends to Council that it approve the changes as detailed in attachment H.
- e) Notes the forecasted **changes to Council's year**-end financial performance and position as detailed in attachment A and B of the officers report.
- f) Recommends Council approve the following unbudgeted expenditure and associated funding source:

Business Unit	Expense	Amount	Funding Source
People and Capability	Operational costs	\$80,640	Reserves
Chief Executive	Legal Costs	\$25,000	Reserves
Around the Mountains Cycle Trail	Maintenance - General	\$10,000	Offset by changes in projects being funded
Property Administration	Software Licence Fees	\$28,000	Reserves
Community Housing Winton	Furniture & Fittings - Renewal	\$16,738	Reserves
Roading - Administration	Consultants	\$40,000	Reserves
Dipton Forest	Consultants, Silviculture - Pruning	(\$147,747)	Reserves
Gowan Hills Forest	Consultants, Silviculture - Pruning	\$31,032	Reserves
Ohai Forest	Silviculture – Pruning, Harvesting Costs etc	(\$3,443)	Reserves
Waikaia Forest	Harvesting Costs, Land Preparation etc	\$162,719	Reserves

Hall - Dipton	Electricity, Maintenance - Electrical	\$163	Reserves
Recreation Reserve - EdenWyn	Electricity, Maintenance - Electrical	\$215	Reserves
Beautification - Lumsden	Mowing	\$11,255	Reserves
Information - Centre	Electricity, Maintenance - Electrical	\$994	Reserves
Village Green	Electricity, Maintenance - Electrical	\$454	Reserves
Cathedral Drive	Electricity, Maintenance - Electrical	\$977	Reserves
Hall - Manapouri	Electricity, Maintenance - Electrical	\$417	Reserves
Rec Reserve - Oreti	Mowing	\$3,889	Reserves
Rec Reserve - Ardlussa	Mowing	\$4,800	Reserves
Beautification - Mossburn	Mowing	\$1,380	Reserves
War Memorial Park	Electricity, Maintenance – Electrical & Mowing	\$1,418	Reserves
Rec Reserve - Waihopai- Toetoe	Mowing	\$2,201	Reserves
Refuse Collection - Ohai	Street Litter Bins	\$3,000	Reserves
Refuse Collection - Orepuki	Street Litter Bins	\$7,268	Reserves
Toilets - Orepuki Hall	Maintenance - General	\$15,000	Reserves
Beautification - Riversdale	Electricity, Maintenance - Electrical	\$41	Reserves
Beautification - Riverton	Electricity, Maintenance – Electrical & Gardening	\$7,408	Reserves
Recreation Reserve - Riverton	Electricity, Maintenance - Electrical	\$1,044	Reserves
Beautification - Stewart Island	Electricity, Maintenance - Electrical	\$1,640	Reserves

## Finance and Assurance Committee

28 March 2022

Beautification - Te Anau	Electricity, Maintenance - Electrical	\$9,678	Reserves
Information Kiosk	Electricity, Maintenance - Electrical	\$872	Reserves
Water Supply Ramparts	Water - Renewal	\$25,000	Loan
Manapouri Airport	Other Equip - Acq LOS	\$1,500	Reserves
Edendale Scenic Reserve	Maintenance - General	\$10,000	Budget transferred from internal work scheme code
Refuse Collection - Thornbury	Street Litter Bins	\$2,286	Reserves
Curio Bay Reserve	Maintenance - Project	\$10,000	Loan
Tuatapere Parks & Reserves	Maintenance - General	\$4,000	Reserves
Water Supply Tuatapere	Water - Acquisition LOS	\$27,047	Loan
Toilets - Clifden	Maintenance - General	\$15,000	Reserves
Beautification - Waikaia	Mowing	\$6,660	Reserves
Rec Reserve - Tuatapere Te Waewae	Mowing	\$4,378	Reserves
Beautification - Otautau	Electricity, Maintenance – Electrical & Gardening	\$7,387	Reserves
Cemetery - Wairio	Mowing	\$10,243	Reserves
Beautification-Drummond	Mowing	\$1,980	Reserves
Recreation Reserve - Wairio	Mowing	\$5,379	Reserves
Beautification - Wallacetown	Electricity, Maintenance - Electrical	\$233	Reserves
Toilets - Winton main Street	Maintenance - General	\$30,000	Reserves
Beautification - Winton	Electricity, Maintenance – Electrical & Mowing	\$23,618	Reserves
SIESA - Waste Recovery	Road Freight	\$23,000	Reserves
Hall - Oreti	Maintenance- General	\$18,879	Reserves

- g) Recommends Council approve the following unbudgeted expenditure above \$50,000 and associated funding source:

Business Unit	Expense	Amount	Funding Source
District Water	Maint - Unplanned	\$200,000	Loan
District Sewerage	Maint - Unplanned	\$50,000	Loan
District Sewerage	Other Plant - Renewal	\$61,000	Loan
Resource Consent Processing	Consultants	\$101,000	Reserve
Sewerage Scheme Ohai	Sewerage - Acquisition LOS	\$150,000	Loan
Water Supply Riverton	Water - Acquisition LOS	\$120,000	Loan

- h) Recommends to Council to approve the deferral of the following projects to the 2022/2023 financial year:

Business Unit	Project	Amount	Funding Source
Information Management	Core System replacement	(\$846,541)	Loan
Around the Mountains Cycle Trail	Continuous improvement programme & cattlestop	(\$159,353)	Loan
Buildings - Invercargill Office	Invercargill office refurbishment	(\$120,000)	Loan
Community Housing Collective	Community housing business case	(\$25,000)	Reserves
District Reserves - Management	Open spaces strategy capital development	(\$125,000)	Loan
Water Supply Manapouri	Water treatment plant upgrade	(\$800,000)	Loan
Rec Reserve - Waihopai-Toetoe^	Curio Bay reserve management plan	(\$50,000)	Loan
Sewerage Scheme Riversdale	Wastewater treatment plant upgrade	(\$300,000)	Loan
Toilets - Riverton Princess St	Taramea Bay toilet replacement	(\$252,770)	Loan
Street Works - Stewart Island	Dundee St footpath extension	(\$70,000)	Grant and Loan
Stewart Island Jetties^	Golden Bay wharf renewal investigation	(\$468,215)	Grant and Loan
Manapouri Airport	Runway Surface rehabilitation	(\$743,000)	Loan and Reserves
Water Supply - Eastern Bush	Water supply upgrade	(\$1,500,000)	Loan
Winton Parks & Reserves	Centennial Park tree and hedge removal	(\$9,999)	Reserves

## Finance and Assurance Committee

28 March 2022

<i>Beautification - Stewart Is*</i>	<i>New walking track Horseshoe Bay Road part 2</i>	<i>(\$53,740)</i>	Grants
<i>* Project already deferred as part of the 2022/2023 Annual Plan development</i>			
<i>^ Project already partially deferred as part of the 2022/2023 Annual Plan development</i>			

- i) Recommends to Council that it approves the deletion of the following 2021/2022 projects:

Business Unit	Project	Amount
Around the Mountains Cycle Trail	Continuous improvement programme	(\$17,325)
Street Works - Balfour	Balfour footpaths	(\$12,500)
Sewerage Scheme Te Anau	Wastewater upgrade Te Anau	(\$122,981)
Sewerage Scheme Te Anau	Wastewater upgrade Te Anau - Demand Portion	(\$77,019)
Hall - Fortrose	Fortrose Hall External and roof repaint	(\$33,835)
SIESA - Operations	Wind Power Pre-development	(\$80,000)

- j) Recommends to Council to approve the bringing forward of the following project budgets from future financial years:

Business Unit	Project	Amount	Funding Source
Toilets - Athol	Athol Toilet Renewal	\$50,000	Loan
Transfer Stations - Te Anau	Te Anau Transfer Station Weighbridge	\$154,500	Grant and loan
Toilets - Cosy Nook, Monkey Island	Cosy Nook Toilet Replacement	\$108,426	Reserves
Toilets - Cosy Nook, Monkey Island	Monkey Island - shelter area development	\$51,500	Loan
Boat Ramps - Te Anau	Te Anau Downs Boat Ramp Refurbishment	\$61,800	Loan

### Background

- 14 Forecasting enables transparency and informs Council of the anticipated year-end financial result. Forecasting was first undertaken in November 2015 and since then forecasting has been undertaken twice a year, at the end of October and the end of January or February, depending on meeting dates. However, due to time constraints and other significant work being undertaken across the organisation, the first round of forecasting was not held in October 2021. This was consistent with 2020/2021. Therefore, what would normally have been the second round of forecasting for the financial year, became the only opportunity to make changes to the budgets for the 2021/2022 financial year other than through separate approved unbudgeted expenditure

reports. These unbudgeted expenditure reports have been tracked and updated in the financial projections to date.

- 15 Budget managers were requested to undertake forecasts for their business units where the expected overall outcome would vary from the budget for year one of the 2021-2031 Long Term Plan (LTP) by specified tolerance levels. These net levels are set at:
- \$1,000 for Council owned halls
  - \$1,000 to \$10,000 for townships depending on their operational expenditure in the current year
  - \$10,000 for all district business units. The maximum limit of \$10,000 was set in line with the delegation held by the chief executive.
- 16 Changes due to forecasting have been included in the attachments as follows.
- Attachment A - shows the net effect of the changes to the statement of comprehensive revenue and expenditure for the year ended 30 June 2022
  - Attachment B - shows the effect of changes to the statement of financial position for the year ending 30 June 2022
  - Attachment C - provides details of changes to expenditure for both local activities (any value) and district activities (\$10,000-\$49,999)
  - Attachment D - provides details of significant changes to expenditure above \$50,000
  - Attachment E - provides details of the specific projects being deferred to future years.
  - Attachment F - provides details of the specific projects being deleted.
  - Attachment G - provides details of the specific projects being brought forward from future years.
  - Attachment H - provides details of net changes to revenue, operating expenditure and capital expenditure for each business unit with commentary from the budget manager
- 17 The Chief Executive has delegated authority to approve unbudgeted expenditure under \$10,000 associated with the district and therefore these forecast changes are excluded from the resolutions included in this report. For this round of forecasting, these items total \$34,502 and are detailed in attachment I.
- 18 Where forecasting changes are a reclassification between accounts in the same business unit, these have been excluded from these attachments as the net effect is nil.
- 19 Forecasting adjustments also include negative adjustments, where Council will save money or increase revenue (\$1.9 million). These have been captured in the statement of comprehensive revenue and expenditure or financial position but not separately outlined in an attachment. Key negative adjustments in this round of forecasting include savings on toilet projects as a result of revised procurement processes (\$242,000), reduction in library project budgets (\$634,000), removal of footpath works as a result of reduced Waka Kotahi funding (\$212,000), increased fee revenue (\$277,000), increased grant revenue (\$250,000) and reduced operating costs (\$88,000).



- 20 Staff have endeavoured to ensure that Community boards are aware of changes to local budgets including movements in local projects.
- 21 Staff note that infrastructure and forestry revaluations have not been re-considered in forecasting.

**Significant forecasting changes**

**Revenue**

- 22 Revenue has increased through this forecasting process by \$1.8 million.
- 23 This is principally due to \$1.5 million additional Tourism Infrastructure fund grant for the Te Anau wastewater project; additional forestry revenue of \$590,000 over and above what was anticipated as a result of the Waikaia windthrow event; and \$190,000 increase in resource consent processing revenue as a result of additional hearing commission costs and legal fees to be recovered, as well as an increase in the volume of work (both notified and non-notified consents).
- 24 The above increases are offset by the decrease of \$400,000 Stewart Island Visitor levy funding for the Golden Bay Wharf project which a portion of the cost has been deferred to 2022/2023.

**Operating Costs**

- 25 Operating expenditure has increased by \$0.7 million.
- 26 Major forecasted changes relate to increased consultants and legal fees in resource consent planning (\$287,000) associated with the volume and complexity of consents, vacancies and enforcement processes currently underway, in addition to an increase in hearing costs, which will be partially funded by increased recoveries as noted above; additional sewerage and water maintenance costs due to a number of urgent reactive repairs across the district (\$250,000); final costs associated with the three waters collaboration (\$90,000) which are to be fully funded by the contributing Councils; increased building control employment costs (\$182,000) for two new roles funded from reduced consultants budget (\$221,000); net increase in forestry costs across all locations of \$43,000 relating to the windthrow event and a change in silviculture approach to remove pruning; and an increase in the operational costs for People and Capability due to a budgeting error, as well as increased use of recruitment companies and additional Covid-19 protective equipment and testing (\$81,000).
- 27 The above increases in operating expenditure are offset by an increase in internal time recovered from Waka Kotahi for roading staff, of \$159,000 based on actual recoveries achieved in the first six months of the year.
- 28 There have also been a number of minor increases across multiple business units, which in aggregate are a significant increase in budget (as outlined in attachment C). These are:
- 29 Street lighting costs (electricity and maintenance) were historically included in the street works business units, however in the 2021-2031 LTP the responsibility for these costs were moved into the relevant local and district business units. Unfortunately, the local and district budgets were not updated in the LTP to include these extra costs, and thus various forecast adjustments are required. The total local forecast adjustments for street lighting total \$28,420.

- 30 A number of section 17A reviews have occurred over the past few years which have resulted in many new contracts being established for various local services such as mowing, gardening, litter bin collection etc. Council staff have reviewed budgets against actual costs and new contracts and forecasted variances in mowing (\$66,502), litter bin collection (\$12,554) and gardening (\$13,800).
- 31 There have been additional costs identified for public conveniences in relation to maintenance, with significant cost anticipated for replacing heavy duty hinges on toilet doors and the open/close mechanism on the automatic doors as well as the repair to the Orepuki disposal field. These total \$60,000 and are to be funded by savings in toilet cleaning costs and reserves.

### **Forecast project changes**

- 32 Capital expenditure has decreased through this forecasting process by \$6.0 million, predominantly due to projects which are proposed to be deferred to a later year or deleted from the work programme (this includes budget savings on completed projects). Additionally, these reductions in the capital budgets are offset by projects proposed to be brought forward from later years.
- 33 Attachment D includes unbudgeted expenditure approvals for significant increases in two projects. Ohai sewerage scheme UV unit quote is significantly more expensive than budgeted for with installation and commissioning (\$150,000). Riverton water supply materials and construction costs have increased considerably due to current market conditions since the initial budget was set (\$120,000). Further commentary on these two changes are included in the Significant unbudgeted expenditure above \$50,000 section below.
- 34 Attachment E outlines 15 projects totalling \$5.5 million to be moved to 2022/2023 year. Many of these projects are partial deferrals as a result of delays with planning, approvals or construction/implementation. The key projects proposed to be deferred are:
- Eastern Bush water supply \$1.5 million - delays as a result of ongoing investigations required.
  - financial management information system (FMIS) \$847,000 - implementation has been delayed until 1 April 2023; thus most costs for this project are expected in 2022/2023 year.
  - Manapouri water supply \$800,000 - project design is to be completed this year, with construction falling into 2022/2023.
  - Manapouri airport runway surface rehabilitation \$743,000 - testing is still ongoing, with physical works proposed to commence in 2022/2023.
  - Golden Bay wharf \$468,000 – construction proposed to be delayed till 2022/2023 while the community board consider the Ulva Island wharf project. A second engineers review of Golden Bay wharf has recently been undertaken which indicates the life of the wharf is greater than initially reported. Council are awaiting formal confirmation but anticipate the life expectancy will be beyond the 24 months originally indicated.
  - Riversdale sewerage scheme treatment upgrade \$300,000 – the construction window for the project was missed due to delays with the land acquisition and personnel changes, therefore the remaining budget will be added to the project budget in 2022/2023 (this is a multi-year project).

- Princess St toilets (Riverton) \$253,000 – works won't start until May 2022, as such 70% of the cost has been moved to 2022/2023.

- 35 Attachment F outlines 6 projects totalling \$300,000 to be deleted from 2021/2022 year, some of which are savings on completed projects. \$200,000 of this relates to Te Anau wastewater contingencies that have not been required and \$80,000 for the SIESA wind power project which is no longer proceeding.

Attachment G outlines 5 projects totalling \$0.4 million to be brought forward from 2022/2023 and beyond, into 2021/2022. Te Anau transfer station weighbridge project (\$155,000) has been brought forward due to external funding availability. Three toilet projects have also been brought forward to achieve efficiencies from grouping with associated projects, and the remaining project (Te Anau Downs boat ramp refurbishment) was re-prioritised by the community board.

### Forecasted financial results

- 36 The LTP anticipated a deficit of \$1.1 million for the year ended 30 June 2022. As a result of carry forwards, approved unbudgeted expenditure and forecasting changes outlined in this report, the overall total forecast net surplus for the year is projected to be \$4.4 million (an increase of \$5.5 million). Refer to attachment A for detail of the forecasted statement of comprehensive income and expense.
- 37 The net asset position at 30 June 2022 was anticipated to be \$1.68 billion in the LTP. The forecast net assets position after forecasting and other adjustments (carry forwards and unbudgeted expenditure), is projected to be \$1.68 billion (an increase of \$2.2 million). Refer to attachment B for detail of the forecasted statement of financial position.

### Benchmarks

- 38 As part of the 2021-2031 LTP, Council budgeted to achieve 146% of its benchmark of capital expenditure to exceed depreciation, on the four network infrastructure services (transport, stormwater, sewerage and water supply) in 2021/2022. The benchmark set by legislation is 100%. Currently, the benchmark is 122% for the actual results at 28 February 2022.
- 39 After the changes proposed during forecasting, this benchmark is expected to increase to 159%. The increase in the forecasted benchmark is mainly as a result of projects carried forward from 2020/2021 offset by projects deferred to 2022/2023. It is also worth noting that in order to arrive at the calculation, the depreciation number has not been changed from what was budgeted in the LTP. The revaluations of these assets at year-end will have an impact on the depreciation, and accordingly this benchmark.

### Issues

- 40 Forecasting is part of the ongoing process to enable Council to understand its year end result. This includes early identification of projects that will not be completed by the end of the current financial year. Forecasting also provides an opportunity to approve anticipated unbudgeted expenditure during the year. This should reduce the number of individual requests needing to be considered by Council. Additionally, any further changes at year end will be included as part of the carry forward report to Council.

### **Impact of forecasting on the works programme**

- 41 A breakdown of the movement of projects (both capital and operational) as a result of carry forwards and forecasting for the 2021/2022 year is as follows, before roading projects:

FINANCIAL ACTIVITY	AMOUNT
Projects as per year one (2021/2022) of the 2021-2031 Long Term Plan	\$28,969,084
Projects carried forward from 2020/2021	\$3,466,449
Projects approved via unbudgeted expenditure reports	\$2,368,533
Total Projects budget for 2021/2022	\$34,804,066
February forecasting movement	(\$5,962,802)
Expected project costs for 2021/2022	\$28,841,264

- 42 The roading capital programme for the year is as follows:

FINANCIAL ACTIVITY	AMOUNT
Road capital programme as per year one (2021/2022) of the 2021-2031 Long Term Plan (including carry forwards)	\$17,354,410
Expenditure approved via unbudgeted expenditure reports	\$-
February forecasting movement	(\$95,429)
Expected roading capital programme for 2021/2022	\$17,258,981

- 43 The overall works programme for the year was budgeted to be \$46.3 million for 2021/2022 in the LTP, which staff had provided Council with confirmation during the LTP development process that this level of works could be delivered.
- 44 However, after recognising carry forwards and unbudgeted expenditure the works programme has increased to \$52.2 million, which puts significant pressure on delivery of the programme, this is also exacerbated by the current Covid-19 pandemic and the impact it is having on labour and supply chains. Forecasting has therefore resulted in \$6.0 million of works being deferred or deleted due to capacity, resource constraints, savings and efficiencies from grouping similar projects to be undertaken together. As a result, the forecasted work programme for 2021/2022 decreases to \$46.1 million, not too dissimilar from what was originally planned for year one of the LTP.
- 45 It is important to note that the LTP work programme includes a number of projects which are planned to occur over multiple years, and the allocation across the years is indicative only and dependent on the components of the projects ie design, consent and physical construction. This is also a contributing factor to delays, deferrals and carry forwards of project budgets.

- 46 The ongoing impact of carrying forward and adding unbudgeted projects makes the delivery of the work programme difficult and limits the ability of the Council to successfully achieve its projects. This is a historic and continuing issue which management and governors need to continue to focus on improving going forward.
- 47 Management believe the 2021/2022 work programme is on track to be delivered as forecasted, however there is still a risk of further market resource shortages and supply delays which could further affect the final programme.
- 48 In regards to projects identified as needing to be deferred to 2022/2023, some of these projects have already been included in the 2022/2023 Annual Plan. Council staff have included the remainder of these and the associated impact into the development of the 2022/2023 Annual Plan.

### **Significant unbudgeted expenditure above \$50,000**

- 49 Attachment D outlines six items totalling \$0.7 million which are unbudgeted expenditure items greater than \$50,000. Given the value of these items, these matters would typically be brought to Council individually as a separate unbudgeted expenditure report for approval. However, in considering the nature of these requests, they all have arisen as a result of normal business activity or increased project costs and thus management consider that it is more efficient that these be considered and approved as part of this report.
- 50 All except for one item relate to capital and maintenance expenditure for water and sewerage.
- 51 Across both water supply and waste water the current network is ageing and increased costs are being incurred to maintain an effective network that meets regulatory requirements. A forecasted increase in unplanned maintenance is needed for water \$200,000 and sewerage \$50,000, due to the number of urgent reactive repairs undertaken through-out the district, over and above the current budget. As neither activity have any reserves available, the costs are proposed to be funded by way of a three-year loan (given the significant impact on rates if it was to be recovered in one year). This proposed change is anticipated to have 0.16% impact on rates from 2022/2023, should the monies be required.
- 52 Due to current market conditions the costs of the UV unit and materials for construction of the Riverton water supply UV building have increased significantly since the budgets were set (\$120,000) and Ohai wastewater UV treatment plant upgrade (\$150,000). The increase in budgets are required to complete the projects and continue to meet regulatory standards. The increase in the budgets would be added to the loan funding for these projects which are financed over 30 years, resulting in an anticipated increase in rates of 0.03% from 2022/2023.
- 53 There has been no budget allowed for minor capital works and in this instance, sewerage pump replacements have been undertaken at a cost of \$61,000. They are unable to be included as part of maintenance costs and require a capital budget. These pumps have a useful life of 20 years and would be loan funded over this time span, which is anticipated to have 0.01% effect on rates from 2022/2023.
- 54 The total rates impact in 2022/2023 for the above water and wastewater changes would be 0.2%, however this will be offset by loan repayments not required as a result of the planned projects not being undertaken in 2021/2022. The net impact on 2022/2023 rates of these loan changes is approximately \$1,200 decrease. The draft 2022/2023 Annual Plan has been developed on the

assumption that these water and waste water projects will be approved and funded via loans as noted.

- 55 The remaining significant unbudgeted expenditure item is a request to increase the consultants' budget in the resource consent processing activity. Both the volume and complexity of consent applications has been increasing. Additionally, this activity has had difficulty recruiting appropriately skilled personnel this year and therefore have needed to call on external consultants to assist with standard resource consent processing. Further, Council have received a significant and complex consent application where Council is the land owner; an external consultant is required to complete this consent process to ensure independence. The majority of the increase in costs have been funded by an increase in the consenting revenue with the shortfall of \$101,000 proposed to be funded from district operations reserve.
- 56 The district operations reserve is forecasted to have a balance of \$0.8 million all the proposed forecasting changes in this report, including the above mentioned \$101,000.

#### **Impact of forecasting on rates**

- 57 As the rates have been set for 2021/2022 in July 2021, there is no impact of forecasting on the current year rates, however noting that where over-collection has occurred, this will increase reserves.
- 58 Some forecasted changes will however, impact future rates. One of the main contributors being where there has been a movement in loans drawn down in 2021/2022 (from a reduction in total cost of a deferral to a later year). The net decrease in loans from February forecasting is \$6.7 million. The resultant impact is a reduction in loan repayments in 2022/2023 rates of approximately \$327,000; however, Council's assumption is that we only rate for interest on the average loans drawn down in the year, therefore the rate impact is only 50% of this. This has been adjusted for in the development of the 2022/2023 Annual Plan.
- 59 The other main contributors are where operational expenditure has increased as a result of changes in contracts and unplanned maintenance which will flow into future years. Finance staff have worked with activity managers to update the relevant budgets for these in the development of the 2022/2023 Annual Plan.
- 60 There is still a risk that the actual result achieved at 30 June 2022 differs from what has been forecasted and therefore this could give rise to over or under rating depending on the circumstances.

#### **Inclusion of forecasting changes in the 2022/2023 Annual Plan**

- 61 The 2022/2023 Annual Plan is currently being developed in preparation for an overview of significant matters to be included in April's First Edition. Council will be considering the proposed rates increase and the associated content of First Edition at its meeting on 29 March 2022.
- 62 In order to achieve the most accurate financial results, including the rates increase, Council staff have incorporated the various relevant amendments from this forecasting round into the 2022/2023 Annual Plan being considered and discussed by Council. The most significant of which is the changes in loans which will impact the rates increase (as discussed above).

## Finance and Assurance Committee

28 March 2022

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This poses a risk that if changes are made to the forecasting by F & A or Council, there may not be sufficient time to amend the Annual Plan information before it is published in First Edition, thus potentially giving rise to financial results including a rates increase being circulated to the public which may change prior to adoption of the Annual Plan. If it does occur it will need to be identified and disclosed appropriately.

### Factors to Consider

#### Legal and Statutory Requirements

- 63 There are no legal or statutory requirements in regards to forecasting Council's end of year position.

#### Community Views

- 64 The original Long-Term Plan budget for 2021/2022 was fully consulted on. Changes proposed to capital and operational expenditure for townships have been or will be reported to the relevant community board.

#### Costs and Funding

- 65 The forecasting that has been completed shows that the net surplus after these forecasting charges are approved will be \$4.4 million which is \$5.5 million more than the \$1.1 million deficit planned for year one of the 2021-2031 LTP (attachment A).
- 66 Overall capital expenditure is expected to decrease by \$6.0 million in this forecasting round as outlined in attachment B and discussed in this report.
- 67 The funding source for all forecasted changes are identified as part of this process and are predominantly, reserves, loans, external revenues sources (fees, charges, grants etc) and savings in current budgets. The impact on rates is addressed in the issues section of this report.

#### Policy Implications

- 68 Council staff must ensure that all expenditure is carried out within approved delegations. The current financial delegations only allow the chief executive to approve unbudgeted purchases of plant, capital items and goods or services expenditure up to \$10,000. Everything else must be approved by Council.

## Analysis of Options

- 69 The options are to approve or not to approve, in full or part, the forecasted adjustments to the expenditure for year one of the 2021-2031 LTP.

Option 1 – Recommend to Council to approve all forecast changes recommended including any adjustments approved at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>the committee and Council are informed of anticipated changes from year one of the 2021-2031 LTP</li> <li>Council has had the opportunity to prioritise expenditure to be incurred in the current financial year</li> <li>Council staff are able to procure as required to provide services to the community in the most appropriate manner</li> </ul>	<ul style="list-style-type: none"> <li>deferral of projects which are going to be completed later and/or costing more than previously indicated</li> </ul>

Option 2 – Do not recommend to Council the approval, in part or in full, of the forecast changes recommended

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Council has more time to consider anticipated changes from year one of the 2021-2031 LTP</li> <li>Council has the opportunity to prioritise expenditure to be incurred in the current financial year</li> </ul>	<ul style="list-style-type: none"> <li>processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure</li> <li>Impact of the flow on effect of changes may not be incorporated into the 2022/2023 Annual Plan in time for circulation of the summary information in the upcoming First Edition.</li> </ul>

## Assessment of Significance

- 70 The assessment of significance needs to be carried out in accordance with Council's Significance and Engagement Policy. The Significance and Engagement Policy requires consideration of the impact on social, economic or cultural wellbeing of the region and consequences for people who are likely to be particularly affected or interested. The content of this report is not deemed significant.

## Recommended Option

- 71 Option 1 - Recommend to Council to approve all forecast changes recommended including any adjustments approved at the meeting



### Next Steps

- 72 If approved, present to Council in a report the unbudgeted expenditure approval for the 2021/2022 financial year at its meeting on 29 March 2022.

### Attachments

- A Forecast Statement of Comprehensive Revenue and Expenditure [↓](#)
- B Forecast Statement of Financial Position [↓](#)
- C Unbudgeted expenditure that requires Council resolution (under \$50,000) [↓](#)
- D Significant unbudgeted expenditure (over \$50,000) that requires Council resolution [↓](#)
- E Projects planned to be deferred to 2022/2023 [↓](#)
- F Projects planned to be deleted from the 2021/2022 [↓](#)
- G Projects Brought Forward from Future Years [↓](#)
- H Forecast adjustments to revenue, operating expenditure and capital expenditure summarised by business unit [↓](#)
- I Unbudgeted expenditure under \$10,000 that requires CE approval [↓](#)

## ATTACHMENT A

### SOUTHLAND DISTRICT COUNCIL FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE 30 JUNE 2022

	Long Term Plan 2021/2022 (\$000)	Amounts Carried Forward from 2020/2021 (\$000)	Approved Unbudgeted Expenditure (\$000)	February 2021/2022 Forecast adjustments (\$000)	Forecast Result for 2021/2022 (\$000)
<b>Revenue</b>					
Rates	54,179		0	0	54,179
Other revenue	9,214		2,239	985	12,438
Interest and Dividends	2,020		0	0	2,020
NZTA	15,328	39	165	(43)	15,490
Grants and Subsidies	8,669	2,668	3,228	897	15,462
Other Gains/(Losses)	647	113	0	0	760
Vested Assets				0	0
Development and Financial Contributions	10	26	0	0	36
	<b>90,067</b>	<b>2,846</b>	<b>5,632</b>	<b>1,840</b>	<b>100,385</b>
<b>Expenditure</b>					
Employee Benefit Expenses	16,907	30	0	182	17,119
Depreciation and Amortisation	27,210			0	27,210
Finance Costs	1,265			0	1,265
Other Council Expenditure	45,800	1,365	2,687	515	50,368
	<b>91,182</b>	<b>1,395</b>	<b>2,687</b>	<b>697</b>	<b>95,962</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(1,115)</b>	<b>1,451</b>	<b>2,945</b>	<b>1,143</b>	<b>4,423</b>
Share of Associate Surplus/(Deficit)	-	-	-	-	-
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>	<b>(1,115)</b>	<b>1,451</b>	<b>2,945</b>	<b>1,143</b>	<b>4,423</b>
Income Tax Benefit	-	-			-
<b>SURPLUS/(DEFICIT) AFTER TAX</b>	<b>(1,115)</b>	<b>1,451</b>	<b>2,945</b>	<b>1,143</b>	<b>4,423</b>
Gain/(Loss) on Property, Plant and Equipment Revaluations	53,208	-	-	-	53,208
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>52,093</b>	<b>1,451</b>	<b>2,945</b>	<b>1,143</b>	<b>57,631</b>

**Note:**

- 1) The Long Term Plan for 2021/2022 is the consolidated result of Council and SIESA for year one of the 2021-2031 Long Term Plan.
- 2) No adjustment has been made to the budgeted amount in the 10 Year Plan for depreciation, revaluation of infrastructure assets and re-valuation of forestry assets in the forecasting process.
- 3) Further details of the revenue or expenditure is provided in Attachment A for the February 2022 round of Forecasting.

**ATTACHMENT B**

**SOUTHLAND DISTRICT COUNCIL  
FORECAST STATEMENT OF FINANCIAL POSITION  
30 JUNE 2022**

	February 2021/2022 Forecast adjustments (\$000)	Forecast Result for 2021/2022 (\$000)	Long Term Plan 2021/2022 (\$000)
<b>Equity</b>			
Retained Earnings	1,143	730,708	720,986
Asset Revaluation Reserves		909,521	922,181
Fair Value Reserves		4,771	3,577
Other Reserves	(270)	38,743	34,844
<b>TOTAL EQUITY</b>	<b>873</b>	<b>1,683,743</b>	<b>1,681,588</b>
<b>Current Assets</b>			
Cash and Cash Equivalents		(199)	221
Trade and Other Receivables		14,336	10,378
Inventories		115	105
Other Financial Assets		941	448
	<b>0</b>	<b>15,193</b>	<b>11,152</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	(5,181)	1,691,790	1,704,340
Intangible Assets	(847)	5,019	3,900
Forestry Assets		13,790	13,320
Investments in Associates		1,418	945
Other Financial Assets		39,003	37,533
	<b>(6,027)</b>	<b>1,751,020</b>	<b>1,760,038</b>
<b>TOTAL ASSETS</b>	<b>(6,027)</b>	<b>1,766,212</b>	<b>1,771,190</b>
<b>Current Liabilities</b>			
Trade and Other Payables		14,882	7,957
Contract Retentions and Deposits		912	719
Employee Benefit Liabilities		2,172	2,122
Development and Financial Contributions		1,623	1,730
Provision for Decommissioning		(0)	10
Borrowings		6,000	6,000
	<b>0</b>	<b>25,588</b>	<b>18,538</b>
<b>Non-Current Liabilities</b>			
Employee Benefit Liabilities		23	-
Provision for Decommissioning		10	-
Borrowings	(6,900)	56,847	71,064
	<b>(6,900)</b>	<b>56,881</b>	<b>71,064</b>
<b>TOTAL LIABILITIES</b>	<b>(6,900)</b>	<b>82,469</b>	<b>89,602</b>
<b>NET ASSETS</b>	<b>873</b>	<b>1,683,743</b>	<b>1,681,588</b>



**ATTACHMENT C - Unbudgeted expenditure that requires Council resolution (<\$49,999)**

Business Unit Name	Account Name	Comment	2021/2022 February Forecasting variance	Funding
People and Capability	Training	Increase in training budget based on actual spend and expectations for the remainder of the year.	\$28,598	Reserves
People and Capability	Recruitment	Increase due to the use of recruitment companies more than previously needed.	\$22,042	Reserves
People and Capability	OSH Expenses	Additional budget required for COVID 19 protective equipment and testing.	\$30,000	Reserves
Chief Executive	Legal Costs	Additional legal budget required for Golden Bay Coastal review.	\$25,000	Reserves
Around the Mountains Cycle Trail	Maintenance - General	Additional maintenance costs as a result of engineers assessments	\$10,000	Offset by changes in projects being funded
Property Administration	Software Licence Fees	New tenancy module purchase	\$28,000	Reserves
Community Housing Winton (Perm	Furniture & Fittings - Renewal	Purchases of heat pumps at Queen St flats forecasted for	\$16,738	Reserves
Roading - Administration	Consultants	To enable information to be gathered on return from regional fuel tax collected. As discussed by Services and Assets subcommittee	\$40,000	Reserves
Dipton Forest	Consultants	Replant, Maintenance, Access Road, Inventory, Tending	(\$22,066)	Reserves
Dipton Forest	Silviculture - Pruning	Change as advised by Stu	(\$125,681)	Reserves
Gowan Hills Forest	Consultants	Replant, Maintenance, Access Road, Inventory, Tending	\$4,392	Reserves
Gowan Hills Forest	Silviculture - Pruning	Increase in silviculture costs	\$26,640	Reserves
Ohai Forest	Consultants	Replant, Maintenance, Access Road, Inventory, Tending	(\$12,165)	Reserves
Ohai Forest	Forest Grower Commodity Levy	Windthrow event as noted to Council	\$365	Reserves
Ohai Forest	Maintenance - General	\$15 hectare plus road maintenance	\$3,500	Reserves
Ohai Forest	Land Preparation	Cost following felling	\$1,700	Reserves
Ohai Forest	Purchase of Seedlings	Cost following felling	\$1,200	Reserves
Ohai Forest	Tree Planting	Cost following felling	\$1,200	Reserves
Ohai Forest	Silviculture - Pruning	Silviculture not required at this level	(\$75,480)	Reserves
Ohai Forest	Harvest Commission	Windthrow event as noted to Council	\$4,573	Reserves
Ohai Forest	Harvesting costs	Windthrow event as noted to Council	\$71,664	Reserves
Waikaia Forest	Consultants	Required budget required	(\$3,458)	Reserves
Waikaia Forest	Forest Grower Commodity Levy	Revised cost on sale proceeds	\$9,006	Reserves
Waikaia Forest	Maintenance - General	\$10 per hectare	(\$11,784)	Reserves
Waikaia Forest	Land Preparation	Increased land Preparation required	\$25,643	Reserves
Waikaia Forest	Purchase of Seedlings	Increased cost required	\$1,888	Reserves
Waikaia Forest	Tree Planting	minor increase required	\$509	Reserves
Waikaia Forest	Silviculture - Release Spraying	Minor adjustment required	(\$446)	Reserves
Waikaia Forest	Access Roding	Revised cost	(\$9,722)	Reserves
Waikaia Forest	Harvest Commission	Revised cost	\$16,345	Reserves
Waikaia Forest	Harvesting costs	Revised cost	\$134,738	Reserves
Hall - Dipton	Electricity	Street lighting budgets used to be covered under the Street works BU's	\$107	Reserves
Hall - Dipton	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's	\$56	Reserves
Recreation Reserve - EdenWyn	Electricity	Street lighting budgets used to be covered under the Street works BU's	\$141	Reserves
Recreation Reserve - EdenWyn	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's	\$74	Reserves
Beautification - Lumsden	Mowing	Mowing contract reviewed - plus new scope	\$11,255	Reserves
Information - Centre	Electricity	Street lighting budgets used to be covered under the Street works BU's	\$652	Reserves
Information - Centre	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's	\$342	Reserves
Village Green	Electricity	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$298	Reserves
Village Green	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$156	Reserves
Cathedral Drive	Electricity	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$641	Reserves
Cathedral Drive	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$336	Reserves
Hall - Manapouri	Electricity	Street lighting \$37, increase \$60 pm Jan-Jul	\$397	Reserves
Hall - Manapouri	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$20	Reserves
Rec Reserve - Oreti	Mowing	Budget shortfall forecasted for	\$3,889	Reserves
Rec Reserve - Ardlussa	Mowing	Contract reviewed against budget	\$4,800	Reserves
Beautification - Mossburn	Mowing	Contract reviewed against budget	\$1,380	Reserves
War Memorial Park	Electricity	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$84	Reserves
War Memorial Park	Mowing	Contract reviewed against budget	\$1,290	Reserves

\$42,561 Forestry

\$28,420 Streetlighting

\$66,502 Mowing

\$12,554 Litter bins

\$13,800 Gardening

\$60,000 Toilet maintenance

War Memorial Park	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's not included in LTP	\$44	Reserves
Rec Reserve - Waihopai-Toetoe	Mowing	Mowing contracts reviewed against budget	\$2,201	Reserves
Refuse Collection - Ohai	Street Litter Bins	Street litter bin budgets reviewed against actual spend	\$3,000	Reserves
Refuse Collection - Orepuki	Street Litter Bins	Street litter bin budgets reviewed against actual spend	\$7,268	Reserves
Toilets - Orepuki Hall	Maintenance - General	Disposal field has collapsed	\$15,000	Reserves
Beautification - Riversdale	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$27	Reserves
Beautification - Riversdale	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$14	Reserves
Beautification - Riverton	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$399	Reserves
Beautification - Riverton	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$209	Reserves
Beautification - Riverton	Maintenance - Gardening	New contract signed in Feb 21, revised budget forecasted for to match contract costs	\$6,800	Reserves
Recreation Reserve - Riverton	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$685	Reserves
Recreation Reserve - Riverton	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$359	Reserves
Beautification - Stewart Is	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$490	Reserves
Beautification - Stewart Is	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$1,150	Reserves
Beautification - Te Anau	Electricity	streetlighting used to street works + Fiordland Hall	\$6,349	Reserves
Beautification - Te Anau	Maintenance - Electrical	street lighting was street works +Fiordland Hall	\$3,329	Reserves
Information Kiosk	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$572	Reserves
Information Kiosk	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$300	Reserves
Water Supply Ramparts	Water - Renewal	Resource consent renewal process not fully completed with further costs to be incurred	\$25,000	Loan
Manapouri Airport	Other Equip - Acq LOS	Quotes received for the bike trailer earlier this financial year indicate additional funds needed for the purchase	\$1,500	Reserves
Edendale Scenic Reserve	Maintenance - General	External contractor doing work rather than work scheme	\$10,000	Budget transferred from internal work scheme code
Refuse Collection - Thornbury	Street Litter Bins	Street litter bin budgets reviewed against actual spend	\$2,286	Reserves
Curio Bay Reserve (SDC Costs)	Maintenance - Project	Increase due to additional maintenance requirements.	\$10,000	Loan
Tuatapere Parks & Reserves	Maintenance - General	Tuatapere Reserve CCTV cameras -per S Moran's report tocommunity board dated 13/12/21	\$4,000	Reserves
Water Supply Tuatapere	Water - Acquisition LOS	Cost over run due to increase in prices	\$27,047	Internal Capital Water
Toilets - Clifden	Maintenance - General	Additional budget required to replace hinges with stronger ones on 3 doors funded by reduced cleaning costs in other Toilet BU's	\$15,000	Reserves
Beautification - Waikaia	Mowing	Agreement signed with supplier 10th Nov, budgets increased accordingly	\$6,660	Reserves
Rec Reserve - Tuatapere Te Wae Wa	Mowing	Mowing contracts reviewed against budget	\$4,378	Reserves
Beautification - Otautau	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$254	Reserves
Beautification - Otautau	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$133	Reserves
Beautification - Otautau	Maintenance - Gardening	New contract signed - additional budget forecasted for	\$7,000	Reserves
Cemetery - Wairio	Mowing	Mowing contracts reviewed against budget	\$10,243	Reserves
Beautification-Drummond	Mowing	Mowing contracts reviewed against budget	\$1,980	Reserves
Recreation Reserve - Wairio	Mowing	Mowing contracts reviewed against budget	\$5,379	Reserves
Beautification - Wallacetown	Electricity	Street lighting budgets used to be covered under the Street works BU's (Non council owned Wallacetown Hall)	\$153	Reserves

Beautification - Wallacetown	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's for Wallacetown Hall (non council owned)	\$80	Reserves
Toilets - Winton main Street	Maintenance - General	2 x door hinges need replacing & pipe valves	\$30,000	Reserves
Beautification - Winton	Electricity	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$6,935	Reserves
Beautification - Winton	Mowing	Mowing contracts reviewed against budget	\$13,046	Reserves
Beautification - Winton	Maintenance - Electrical	Street lighting budgets used to be covered under the Street works BU's, not budgeted in LTP	\$3,636	Reserves
SIESA - Waste Recovery	Road Freight	Increased budget to align with actual spend	\$23,000	Reserves
Hall - Oreti	Maintenance-General	Heat pumps and fencing repair as per CB report by M Day 21 Feb 22	\$18,879	Reserves
<b>TOTAL</b>			<b>\$543,640</b>	





**ATTACHMENT D - Significant unbudgeted expenditure (over \$50,000) that requires Council resolution**

Business Unit Name	Project no	Account Name	Further Comments	Funded from	Total 2021/2022 Budget	2021/2022 February Forecasted variance
District Water	N/A	Maint - Unplanned	Unplanned maintenance ahead of budget for the year due to a number of urgent repairs over the district	Loan	\$65,000	\$200,000
District Sewerage	N/A	Maint - Unplanned	Maintenance costs higher than budget due to a number of reactive repairs over the district not budgeted for	Loan	\$50,000	\$50,000
District Sewerage	N/A	Other Plant - Renewal	Minor capex budget for pump replacements	Loan	\$0	\$61,000
Resource Consent Processing	N/A	Consultants	Due to volume and complexity of workload, vacancies and enforcement processes currently underway.	Reserve	\$70,000	\$101,000
Sewerage Scheme Ohai	P-10464	Sewerage - Acquisition LOS	Wastewater treatment plant consent renewal - UV unit quote is significantly more expensive than budgeted for along with increased costs for installation and commissioning	Internal capital sewerage (Loan)	\$158,572	\$150,000
Water Supply Riverton	P-10268	Water - Acquisition LOS	Addition UV Disinfection - Materials, construction costs including electrical and steel fabrication have increased considerably due to current market conditions	Internal capital water (Loan)	\$392,276	\$120,000
<b>TOTAL</b>					<b>\$735,848</b>	<b>\$682,000</b>

**ATTACHMENT E - Projects planned to be deferred to 2022/2023**

Business Unit Name	Project no	Project Name	Further Comments	Financial Year	Funded from	Total 2021/2022 Budget	2021/2022 February Forecasting variance
Information Management	IT5/P-10039	Core System replacement	Implementation of FMIS has been delayed to 1 April 2022; with most costs for this module expected in 2022/2023.	2021/2022	Loan	\$1,171,541	(\$846,541)
Around the Mountains Cycle Tra	P-10746 & P-10962	Continuous improvement programme & Parawa cattlestop	Project for gaining easements over land deferring \$159,353 to 2022/2023 as work is still ongoing with the timing dependant on the landowners legal representatives and has been slower than anticipated.	2018/2019 & 2020/2021	Loan	\$220,978	(\$159,353)
Buildings - Invercargill Office	P-10954	Invercargill office refurbishment	Construction is planned to occur May, June and July 2022. \$120K to be moved into the 2022/2023 Annual Plan.	2021/2022	Loan	\$250,000	(\$120,000)
Community Housing Collective C	P-10959	Community housing business case	Still awaiting report to Council on final decision for work to go ahead or not.	2021/2022	Reserves	\$50,000	(\$25,000)
District Reserves - Management	P-10972	Open spaces strategy capital development	Project was only formally signed off by Council in January 2022. Full budget isn't going to be spent this FY, will be completed in 2022/2023.	2021/2022	Loan	\$250,000	(\$125,000)
Water Supply Manapouri	P-10263	Water treatment plant upgrade	Undertaking sampling and analysis to confirm suitability of treatment option, design to be completed this year with construction falling into the 2022/23 financial year	2021/2022	Internal capital water (Loan)	\$1,206,954	(\$800,000)
<i>Rec Reserve - Waihopai-Toetoe^</i>	<i>P-10868</i>	<i>Curio Bay reserve management plan</i>	<i>Move project from 2021/2022 to 2022/2023 as part of AP. This Project is part of the wider open spaces policy and strategy review, which needs to be completed before the management plans can be reviewed.</i>	<i>2021/2022</i>	<i>Loan</i>	<i>\$80,000</i>	<i>(\$50,000)</i>
Sewerage Scheme Riversdale	P-10468	Wastewater treatment plant upgrade	Momentum was lost due personnel changes and subsequent delays with the land acquisition resulting in the construction window being missed, the budget variance will be added to next year for this multi-year project.	2021/2022	Internal capital sewerage (Loan)	\$928,518	(\$300,000)
Toilets - Riverton Princess St	P-10390	Riverton Taramea Bay toilet replacement	Work planned to start in May, 30% spend in 2021/2022 and 70% 2022/2023.	2021/2022	Loan	\$378,243	(\$252,770)
Street Works - Stewart Island	N/A	Dundee St footpath extension	Extension of footpath on Dundee St to Golden Bay Road removed as Community Board have resolved to apply to the Stewart Island/Rakiura visitor levy for funding in the 2022 funding round	2020/2021	Grant and Loan	\$177,505	(\$70,000)
<i>Stewart Island Jetties^</i>	<i>P-10670</i>	<i>Golden Bay wharf renewal investigation</i>	<i>Preconstruction costs expected for 2021/2022 year. Remaining budget is still required as the intention was to start construction in the 2022/2023 financial year. This may need to be reviewed as the community board want the Ulva Island wharf completed before the Golden Bay wharf project starts. Move the grant income to 2022/2023, fund 2021/2022 costs by loan.</i>	<i>2020/2021</i>	<i>Grant and Loan</i>	<i>\$1,153,118</i>	<i>(\$468,215)</i>

Manapouri Airport	P-10665	Runway Surface rehabilitation	Testing still ongoing, physical works aren't expected to occur in 2021/2022 financial year. Move project to 2022/2023.	2021/2022	Loan and Reserves	\$828,000	(\$743,000)
Water Supply - Eastern Bush	P-10007	Water supply upgrade	Water source investigations were not successful need to continue further investigations causing project delays the forecast adjustment, move to 2022/2023	2021/2022	Internal capital water (Loan)	\$2,056,473	(\$1,500,000)
Winton Parks & Reserves	P-10888	Centennial Park tree and hedge removal	This project needs to moved (\$10K) from 2021/2022 and an additional \$25K added for the cost of installing 200m fence to match existing fences, funded from Winton General Reserve	2021/2022	Reserves	\$30,000	(\$9,999)
Beautification - Stewart Is*	P-10316	New walking track Horseshoe Bay Road part 2	Move to 2022/2023 and increase budget to \$153,740.	2021/2022	Grants	\$53,740	(\$53,740)
<b>TOTAL</b>						<b>\$ 8,835,070</b>	<b>(\$5,523,618)</b>

\* Project already deferred as part of the 22/23 Annual Plan development

**ATTACHMENT F - Projects planned to be deleted from the 2021/2022**

Business Unit Name	Project no	Project Name	Further Comments	Financial Year	Funded from	Total 2021/2022 Budget	2021/2022 February Forecasting variance
Around the Mountains Cycle Tra	P-10678	Continuous improvement programme	Work is being combined with P-10962 (work on the Parawa cattlestop).	2021/2022	Grant	\$20,000	(\$17,325)
Street Works - Balfour	N/A	Balfour footpaths	Ardlussa community board has requested that this work be deleted	2021/2022	Loan	\$12,500	(\$12,500)
Sewerage Scheme Te Anau	P-10155	Wastewater upgrade Te Anau	Construction is mainly complete and not all contingency has been required	2021/2022	Internal capital sewerage (Loan)	\$2,416,080	(\$122,981)
Sewerage Scheme Te Anau	P-10155	Wastewater upgrade Te Anau - Demand Portion	Construction is mainly complete and not all contingency has been required	2021/2022	Internal capital sewerage (Loan)	\$904,969	(\$77,019)
Hall - Fortrose	P-10296	Fortrose Hall External and roof repaint	Remove project P-10296 (\$31,335) and Maintenance budget (\$2,500) as hall is being sold.	2020/2021	Loan and reserves	\$33,835	(\$33,835)
SIESA - Operations	P-10593	Wind Power Pre-development	SIESA windpower project is no longer going ahead following the investigation that took place. Stu wanted it moved to Other Plant - Acq LOS (not just deleted)	2021/2022	Reserves	\$80,000	(\$80,000)
<b>TOTAL</b>						<b>\$3,467,384</b>	<b>(\$343,660)</b>

**ATTACHMENT G - Projects Brought Forward from Future Years**

Business Unit Name	Project no	Project Name	Further Comments	Financial Year	Funded from	2021/2022 February Forecasting variance
Toilets - Athol	P-10661	Athol Toilet Renewal	Part of Project moved from 23/24 to this year for design and resource consent. Remainder of project budget to be moved from 2023/2024 to 2022/2023 (as part of the development of the 2022/2023 Annual Plan)	2023/2024	Loan	\$50,000
Transfer Stations - Te Anau	P-10425	Te Anau Transfer Station Weighbridge	Bring forward project from 2022/2023 as receiving a grant towards the cost in the current financial year	2022/2023	Grant and loan	\$154,500
Toilets - Cosy Nook, Monkey I	P-10617	Cosy Nook Toilet Replacement	Project moved from 2024/2025	2024/2025	Reserves	\$108,426
Toilets - Cosy Nook, Monkey I	P-10841	Monkey Island - shelter area development	2022/2023 Project P-10842 stage 2, is to be brought forward to enable be completed with the current years works.	2022/2023	Loan	\$51,500
Boat Ramps - Te Anau	P-10880	Te Anau Downs Boat Ramp Refurbishment	P-10880 moved from 2022/2023 to 2021/2022 as decided by Fiordland community board at its meeting on 17/11/21	2022/2023	Loan	\$61,800
<b>TOTAL</b>						<b>\$426,226</b>

<b>ATTACHMENT H - Forecast adjustments to revenue, operating expenditure and capital expenditure summarised by business unit</b>				
<b>Business Unit Name</b>	<b>2021/2022 February Forecast Adjustment</b>	<b>Forecast Balance at 30 June 2022</b>	<b>Increase or (Decrease)</b>	<b>Comment</b>
<b>Income</b>				
Three waters collaboration	\$89,914	\$89,914	Increase	Three waters collaboration costs recovered from the other Councils
Building Regulation	\$70,000	\$70,000	Increase	Accreditation fees introduced 2021/22 post LTP
Environmental Health	(\$28,560)	\$0	Decrease	Remove DOC contribution as they are not participating this year due to their budget constraints
Resource Consent Processing	\$190,000	\$467,831	Increase	Additional hearing commission costs and legal fees recovered, Increase revenue due to increase volume of work (both notified and non-notified consents)
Waste Minimisation	\$66,000	\$154,000	Increase	Increase the levy income based on the average of payments received
Ohai Forest	\$121,946	\$121,946	Increase	Unbudgeted expenditure report to Council talked about Windthrow at Waikaia not Ohai
Waikaia Forest	\$467,302	\$4,096,026	Increase	Unbudgeted expenditure report regarding Windthrow event confirmed at Council on 27/10/21, moving sales, harvest commission and associated harvesting costs from 22/23 to 21/22
Beautification - Wallacetown	\$410	\$410	Increase	Used to be in a business unit that was removed as part of the LTP process and wasn't moved as part of the LTP
SIESA - Staff House	\$7,800	\$13,000	Increase	Budget being aligned with actuals
<b>Subtotal Other Revenue</b>	<b>\$984,812</b>		<b>Increase</b>	
Roading - Special Purpose	(\$42,590)	\$137,410	Decrease	To adjust the budget to match the amount finally approved by NZTA
<b>Subtotal NZTA</b>	<b>(\$42,590)</b>		<b>Decrease</b>	
District Sewerage	\$1,500,000	\$2,888,065	Increase	Additional funding of Te Anau wastewater from tourism infrastructure fund, agreed in October 2021
Transfer Stations - Te Anau	\$100,000	\$100,000	Increase	Grant income towards cost of weighbridge
Creative Communities N.Z.	\$8,628	\$35,358	Increase	Additional funding - Delta 'top up' per letter 7 December 2021
Toilets - Pearl Harbour	(\$100,000)	\$200,000	Decrease	P-10630 To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing.
Toilets - Frasers Beach	(\$300,000)	\$300,000	Decrease	P-10628 & P-10629 To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing.
Boat Ramps - Manapouri	\$250,000	\$250,000	Increase	P-10882 To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing.
Beautification - Manapouri	\$100,000	\$100,000	Increase	P-10884 To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing.
Frasers Beach	(\$100,000)	\$100,000	Decrease	Ota sealing at Frasers Beach, To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing.
Street Works - Stewart Island	(\$107,505)	\$1,686	Decrease	Removal of funding for P-10016 & P-10317.
Beautification - Stewart Is	(\$53,740)	\$7,941	Decrease	As part of AP, P-10316 moved to 22/23 and increased to \$153,740, funded from SIVL
Stewart Island Jetties	(\$400,000)	\$668,215	Decrease	Tourism Infrastructure funding for P-10854. Golden Bay Project is not occurring this FY, Grant from SIVL was not applied for due to this.
<b>Subtotal Grant and Subsidies</b>	<b>\$897,383</b>		<b>Increase</b>	
<b>Total Revenue adjustment</b>	<b>\$1,839,605</b>		<b>Increase</b>	
<b>Expenditure</b>				
<b>Employee Benefit Expense</b>				
Democracy and community	\$31,181	\$213,251	Increase	Move ordinary time between business units
Engineering Administration	\$70,530	\$439,500	Increase	Move ordinary time between business units
Environmental Services	(\$101,711)	\$111,540	(Decrease)	Move ordinary time between business units
Building Regulation	\$182,225	\$2,321,378	Increase	Additional positions to be funded from existing consultants budget as agreed with GM 10/09/2021
<b>Total employee benefit expense</b>	<b>\$182,225</b>		<b>Increase</b>	
<b>Operational Expenditure</b>				
Democracy and community	\$76,000	\$76,000	Increase	Consultants, ordinary time, mileage and training budgets moved from other business units to reflect changes of where staff are situated
Customer Service	(\$5,250)	\$5,758	(Decrease)	Expected reduction of photocopying costs, reflecting the change in overall organisation costs
Financial Services	(\$2,250)	\$6,072	(Decrease)	Expected reduction of photocopying costs, reflecting the change in overall organisation costs
People and Capability	\$80,640	\$234,000	Increase	Increase in training budget based on actual spend and expectations for the remainder of the year. Increase in recruitment due to the use of recruitment companies more than previously needed. Increase in OSH budget due to additional budget being required for COVID 19 protective equipment and testing.
Knowledge Management	\$44,691	\$90,160	Increase	After the completion of the LTP a new agreement was reached over the internal split of LIM income; this forecast reflects the additional cost to knowledge amangement of transferring the income internally. Based on budgeted income levels.
Governance	(\$7,500)	\$15,824	(Decrease)	Expected reduction of photocopying costs, reflecting the change in overall organisation costs
Chief Executive	\$25,000	\$68,937	Increase	Additional legal budget required for Golden Bay Coastal review.
Around the Mountains Cycle Trail	\$10,000	\$114,000	Increase	Additional maintenance required as a result of Engineers' check carried out.
Three waters collaboration	\$89,914	\$89,914	Increase	Final costs of three waters collaboration project which have been recovered from the contributing councils. SDC return of funds following final costs of project

Business Unit Name	2021/2022 February Forecast Adjustment	Forecast Balance at 30 June 2022	Increase or (Decrease)	Comment
Property Administration	\$28,000	\$28,000	Increase	New tenancy module purchase
Focal Point Wheelchair Lift	\$1,531	\$1,531	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Toilets - Weirs Beach	(\$2,105)	\$9,895	(Decrease)	Savings forecasted to fund increased maintenance in other Toilet BU's
District Water	\$200,000	\$265,000	Increase	Unplanned maintenance ahead of budget for the year due to a number of urgent repairs across the district
District Sewerage	\$50,000	\$100,000	Increase	Maintenance costs higher than budget due to a number of reactive repairs over the district not budgeted for
Environmental Services	(\$31,000)	50	(Decrease)	Transfer of costs to reflect reallocation of staff costs
Building Regulation	(\$220,865)	\$39,135	(Decrease)	After the completion of the LTP a new agreement was reached over the internal split of LIM income; this forecast reflects the additional income to building regulation of transferring the income internally. Movement of consultants budget per memo to Matt Russell 10/9/2021.
Environmental Health	(\$30,971)	\$10,560	(Decrease)	After the completion of the LTP a new agreement was reached over the internal split of LIM income; this forecast reflects the additional income to environmental health of transferring the income internally. Reduce Freedom Camping cost as no DOC contribution.
Resource Consent Processing	\$287,360	\$397,360	Increase	After the completion of the LTP a new agreement was reached over the internal split of LIM income; this forecast reflects the additional income to resource consent processing of transferring the income internally. Change includes a decrease in staff training budget not utilised in first 6 months, an increase in legal fees and consultants, due to volume and complexity of workload, vacancies and enforcement processes currently underway. Increase in hearing costs offset which has been offset by general recoveries income.
Buildings - Invercargill Office	\$26,450	\$450,174	Increase	Variation in cleaning contract forecasted
Buildings - Te Anau Library	(\$4,500)	\$16,500	(Decrease)	Moving between Te Anau office and here a variation to cleaning
Buildings - Te Anau Office	\$4,500	\$12,500	Increase	Moving budget between Te Anau office and Te Anau library as a result of variation in cleaning contract
Buildings - Winton Office	\$8,297	\$10,997	Increase	Variation in cleaning contract forecasted
Community Housing Collective C	(\$25,000)	\$25,000	(Decrease)	Half of funds for P-10959 (business case) as still awaiting report to Council on final decision for work to go ahead or not.
Community Housing Ohai (Perman)	\$153	\$153	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Community Housing Tuatapere (P)	\$241	\$241	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Community Housing Winton (Perm)	\$872	\$872	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Community Housing Wyndham (Per)	\$241	\$241	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Wheelie Bins	\$66,000	\$691,000	Increase	Increase budget as June 2020 invoice included in July 2021 increasing the cost to date
Roading - Administration	(\$158,598)	(\$860,000)	(Decrease)	Allowing funds to enable information to be gathered on return from regional fuel tax collected. As discussed by Services and Assets subcommittee. Offset by estimated increase in internal time recovered from Waka Kotahi based on recoveries in first six months of the year.
Roading - Special Purpose	(\$40,673)	\$129,327	(Decrease)	To adjust the budget to match the amount finally approved by NZTA
Dipton Forest	(\$147,747)	\$12,978	(Decrease)	Replant, Maintenance, Access Road, Inventory, Tending. Increase in silviculture costs.
Gowan Hills Forest	\$31,032	\$191,781	Increase	Replant, Maintenance, Access Road, Inventory, Tending. Increase in silviculture costs.
Ohai Forest	(\$3,443)	\$125,694	(Decrease)	Replant, Maintenance, Access Road, Inventory, Tending. Windthrow event as noted to Council. \$15 hectare plus road maintenance. Cost following felling. Silviculture not required at this level.
Waikaia Forest	\$162,719	\$2,102,099	Increase	Agreed at Council 27/10/21 report by Matt due to Windthrow event, move Sales, Harvest Commission and Harvesting costs from 22/23 to 21/22. Required consultants budget required. Revised cost on sale proceeds. \$10 per hectare. Increased land Preparation required. Increased seedling cost required. Minor tree planting increase, minor adjustment to release spraying, revised cost for access roading.
Creative Communities N.Z.	\$8,628	\$35,358	Increase	Additional funding - Delta top up to be distributed
Rec Reserve - Ardlussa	\$4,800	\$56,596	Increase	Council 27/10/21 Grant to Waikaia trails trust \$20K funded from Balfour general, Riversdale general, Waikaia general and Mararoa Waimea Ward reserves
Toilets - Athol	(\$6,105)	\$7,895	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Beautification - Athol	(\$2,300)	\$20,615	(Decrease)	Review of actual mowing costs against contract including missing areas
Toilets - Colac Bay Playground	(\$2,105)	\$6,773	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Toilet - Colac Bay - East End	\$10,000	\$10,000	Increase	Additional budget required to replace hinges with stronger ones on two doors, funded by reduction in cleaning costs in other toilet BU's
Toilets - Dipton	(\$2,105)	\$9,895	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Hall - Dipton	\$163	\$1,834	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Recreation Reserve - EdenWyn	\$215	\$8,257	Increase	Edendale walking track (P-10928) project decrease based on already completed works and remaining quotes. Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Toilets - Edendale Seaward Rd	(\$26,256)	\$23,744	(Decrease)	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP. Project P-10623 to be complete based on quotes. Budget savings due to change in the procurement process in undertaking a programme of works.
Toilets - Garston	(\$2,105)	\$53,395	(Decrease)	Savings forecasted to fund increased maintenance in other Toilet BU's
Beautification - Garston	(\$1,930)	\$5,100	(Decrease)	Mowing contract reviewed - then adjusted with new scope
Toilets - Lumsden	(\$2,105)	\$24,895	(Decrease)	Savings forecasted to fund increased maintenance in other Toilet BU's
Cemetery - Lumsden	(\$5,400)	\$2,500	(Decrease)	New mowing contract only \$2,500 pa
Beautification - Lumsden	\$11,255	\$35,800	Increase	Mowing contract reviewed - plus new scope
Recreation Reserve - Lumsden	(\$1,375)	\$4,070	(Decrease)	Mowing contract reviewed against actuals
Information - Centre	\$994	\$994	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP

Business Unit Name	2021/2022 February Forecast Adjustment	Forecast Balance at 30 June 2022	Increase or (Decrease)	Comment
Toilets - Pearl Harbour	(\$1,046)	\$16,954	(Decrease)	Street lighting budgets used to be covered under the Streetworks BU's. Move \$2,500 to BU 24715 cleaning and \$10,500 to general maintenance
Toilets - Frasers Beach	\$4,395	\$11,395	Increase	Additional cleaning to be covered from other toilet BU's cleaning
Boat Ramps - Manapouri	\$50,000	\$100,000	Increase	P-10882 To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing
Beautification - Manapouri	(\$12,000)	\$0	(Decrease)	Move mowing budgets to Parks and Reserves business unit
Frasers Beach	(\$1,711)	\$0	(Decrease)	Move mowing budgets to Parks and Reserves business unit
Village Green	(\$972)	\$454	(Decrease)	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP. Move mowing budgets to Parks and Reserves business unit.
Cathedral Drive	(\$2,845)	\$977	(Decrease)	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP. Move mowing budgets to Parks and Reserves business unit.
Parks & Reserves Manapouri	\$18,959	\$18,959	Increase	Moving mowing budgets from Beautification, Frasers Beach, Village Green, Cathedral drive
Hall - Manapouri	\$417	\$2,557	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Rec Reserve - Oreti	\$3,889	\$3,889	Increase	Mowing budget shortfall forecasted for
Toilets - Mossburn	(\$2,105)	\$20,895	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Cemetery - Mossburn	(\$3,700)	\$1,000	(Decrease)	New mowing contract only \$1,000 pa
Beautification - Mossburn	\$1,380	\$5,580	Increase	Mowing contract reviewed against budget
War Memorial Park	\$1,418	\$8,218	Increase	Street lighting budgets used to be covered under the Streetworks BU's not included in LTP.
Dr Woods Memorial Park	(\$2,000)	\$7,500	(Decrease)	Moving contract reviewed against budget
Rec Reserve - Waihopai-Toetoe	(\$47,799)	\$43,601	(Decrease)	Moved \$2,000 CF from project P-11029 to project P-10775
Refuse Collection - Ohai	\$3,000	\$3,000	Increase	Carry fwd project P-10868 from 21/22 to 22/23 as part of AP. This Project is part of the wider open spaces policy and strategy review, which needs to be completed before the management plans can be reviewed. Mowing contract reviewed against budget
Toilets - Ohai	\$1,288	\$1,288	Increase	Street litter bin budgets reviewed against actual spend
Refuse Collection - Orepuki	\$7,268	\$10,433	Increase	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP
Toilets - Orepuki Hall	\$15,000	\$15,000	Increase	Street litter bin budgets reviewed against actual spend
Toilets - Riversdale Hall	\$4,000	\$8,000	Increase	Disposal field has collapsed - Jacqui
Beautification - Riversdale	(\$1,499)	\$22,501	(Decrease)	Moving budgets between toilet BU's after reviewing cleaning costs budgeted
Playground - Riversdale	(\$857)	\$7,500	(Decrease)	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP.
Toilets - Riverton Princess St	\$2,895	\$16,996	Increase	Moving contract reviewed against budget
Toilets - Rec ResT Wharf Rocks	(\$2,105)	\$12,895	(Decrease)	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP. Savings forecasted to fund increased Maintenance in other Toilet BU's. Additional budget required for new hand dryers funded by reduced cleaning costs in other Toilet BU's.
Beautification - Riverton	\$7,408	\$38,408	Increase	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP. New gardening contract signed in Feb 21, revised budget forecasted to match contract costs
Recreation Reserve - Riverton	\$1,044	\$1,044	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Toilets - Cozy Nook, Monkey I	(\$2,105)	\$17,118	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Cemetery - Stewart Island	(\$3,091)	\$11,909	(Decrease)	Project completed for less than budgeted.
Beautification - Stewart Is	\$1,640	\$1,640	Increase	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP
Toilets - Te Anau Lions Park	\$8,267	\$143,549	Increase	Street lighting budgets used to be covered under the Streetworks BU's and missed being transferred as part of the LTP. Transfer savings from cleaning to toilet supplies and Ivon Wilson cleaning
Toilets - Te Anau Ivon Wilson	\$2,409	\$9,000	Increase	Increased cleaning costs offset by BU 26815 Te Anau Lions Park savings
Toilets - Boat Hbr, Town Centr	(\$2,570)	\$31,930	(Decrease)	Street lighting budgets previously included in Streetworks and missed being transferred as part of the LTP. Cleaning savings used to fund increased toilet supplies and maintenance
Beautification - Te Anau	(\$13,364)	\$210,275	(Decrease)	Street lighting budgets used to be covered under the Streetworks BU's and missed transferred as part of the LTP. Move mowing budgets to Parks and Reserves business unit. \$40,000 moved from general maintenance to pest control (\$5,000) and tree and hedge maintenance (\$35,000). CCTV project requires further funding, budget to be transferred from maintenance.
Ivon Wilson Park	(\$7,590)	\$0	(Decrease)	Budget moved to Toilets - Te Anau Ivon Wilson BU 26816
Sportsground - Te Anau	(\$17,673)	\$0	(Decrease)	Move mowing budgets to Parks and Reserves business unit
Lakefront	(\$14,236)	\$0	(Decrease)	Move mowing budgets to Parks and Reserves business unit
Parks & Reserves Te Anau	\$34,504	\$100,847	Increase	Move mowing budgets to Parks and Reserves business unit
Information Kiosk	\$872	\$872	Increase	Street lighting budgets used to be covered under the Streetworks BU's and missed being transferred as part of the LTP.
Refuse Collection - Thornbury	\$2,286	\$3,857	Increase	Street litter bin budgets reviewed against actual spend
Toilets - Waikawa	(\$2,105)	\$10,895	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Toilet-Fortrose Foreshore Res	(\$2,105)	\$8,340	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Curio Bay Reserve (SDC Costs)	\$10,000	\$25,000	Increase	Increase due to additional maintenance requirements P-10618, budget savings in other toilet projects will more than cover these extra costs.
Hall - Fortrose	(\$36,335)	\$0	(Decrease)	Remove project P-10296 (\$31,335) and all maintenance budgets as selling the hall
Toilets - Tokanui	(\$2,105)	\$7,895	(Decrease)	Savings forecasted to fund increased Maintenance in other Toilet BU's
Toilets - Tuatapere Main Road	(\$942)	\$11,678	(Decrease)	Street lighting budgets used to be covered under the Streetworks BU's and missed being transferred as part of the LTP. Savings forecasted to fund increased Maintenance in other Toilet BU's
Beautification - Tuatapere	(\$5,000)	\$23,023	(Decrease)	Transfer \$5,000 from general maintenance to P-10821, and \$5,000 to garden maintenance



Business Unit Name	2021/2022 February Forecast Adjustment	Forecast Balance at 30 June 2022	Increase or (Decrease)	Comment
Tuatapere Parks & Reserves	(\$6,000)	\$15,678	(Decrease)	Transferred \$10k to playground project P-10821. Added \$4k for Tuatapere Reserve CCTV cameras - per report to community board.
Toilets - Clifden	\$12,895	\$24,895	Increase	Additional budget required to replace hinges with stronger ones on 3 doors funded by reduced cleaning costs in other Toilet BU's
Refuse Collection - Waikaia	(\$9,000)	\$1,000	(Decrease)	Done via SDC wheelie bin service for last year
Toilets - Waikaia	(\$2,105)	\$22,395	(Decrease)	Savings to fund increased maintenance in other toilets BU
Beautification - Waikaia	\$6,660	\$20,000	Increase	Agreement signed with mowing supplier 10/11/21, budgets increased accordingly
Toilets - Otautau Main Street	(\$33,500)	\$16,500	(Decrease)	Project to be complete based on quotes. Budget savings due to change in the procurement process in undertaking a programme of works.
Beautification - Otautau	\$7,387	\$22,387	Increase	Street lighting budgets used to be covered under the Streetworks BU's and missed being transferred as part of the LTP. New gardening contract signed with an increased cost
Cemetery - Wairio	\$10,243	\$14,803	Increase	Mowing contracts reviewed against budget
Beautification-Drummond	\$1,980	\$5,911	Increase	Mowing contracts reviewed against budget
Recreation Reserve - Wairio	\$5,379	\$5,379	Increase	Mowing contracts reviewed against budget
Cemetery - Wallacetown	(\$7,472)	\$11,328	(Decrease)	move beam project to P-10979 Calicum cemetery
Beautification - Wallacetown	\$233	\$233	Increase	Street lighting budgets used to be covered under the Streetworks BU's and missed being transferred as part of the LTP. (Non council owned Wallacetown Hall)
Toilets - Winton main Street	\$27,895	\$59,230	Increase	Savings in cleaning to fund increased maintenance in other toilets BU. Additional maintenance required for 2 x door hinges need replacing & pipe valves
Beautification - Winton	\$23,618	\$27,958	Increase	Street lighting budgets used to be covered under the Streetworks BU's and missed being transferred as part of the LTP. Mowing contracts reviewed against budget.
Winton Parks & Reserves	(\$9,999)	\$20,001	(Decrease)	P-10888 is being deferred to 22/23, plus an additional \$25K being added for the cost of installing 200m fence to match existing fences, funded from Winton General Reserves (AP change)
Winton Maternity Centre	(\$18,190)	\$0	(Decrease)	Transfer to maintenance budget to capital, reflecting to work to be undertaken
SIESA - Waste Recovery	\$23,000	\$86,000	Increase	Increased road freight budget to align with actual spend
Financial and Reserve Contributions	(\$1,500)	\$33,500	(Decrease)	Edendale walking track project decrease based on already completed works and remaining quotes, requiring a lower internal grant to fund the project
Community Leadership District	(\$45,000)	\$221,000	(Decrease)	Transfer of costs to reflect reallocation of staff controlling business units
Community Housing Ohai	\$80	\$80	Increase	Fixing budget in incorrect code
Work Scheme Programme	\$12,500	(\$277,748)	Increase	To adjust internal income for change in method of work being delivered in other business units
Hall - Oreti	\$18,879	\$21,379	Increase	Heatpumps and fencing repair as per Community Board report 21/2/22
Rec Reserve - Tuatapere Te Wae Wae	\$4,378	\$6,623	Increase	Mowing contracts reviewed against budget
<b>Total operating expenditure</b>	<b>\$514,841</b>		<b>Increase</b>	
<b>Total Expenditure adjustment</b>	<b>\$697,066</b>	<b>\$0</b>	<b>Increase</b>	
<b>Net surplus (deficit)</b>	<b>\$1,142,539</b>		<b>Increase</b>	

Business Unit Name	2021/2022 February Forecast Adjustment	Forecast Balance at 30 June 2022	Increase or (Decrease)	Comment
Capital Expenditure (PPE & Intangibles)	(\$5,027,413)		(Decrease)	
Business Unit Name	2021/2022 February Forecast Adjustment	Forecast Balance at 30 June 2022	Increase or (Decrease)	Comment
Information Management	(\$846,541)	\$325,000	(Decrease)	Implementation of FMIS has been delayed to 1 April 2022; with most costs for this module expected in 22/23. Payroll component of HRIS is expected to be completed in the current year.
District Library	(\$200,000)	\$89,000	(Decrease)	Removal of furniture and fittings for Winton Library upgrade being duplicated in the budget in the Winton office business unit.
Around the Mountains Cycle Trail	(\$176,678)	\$64,300	(Decrease)	Deferral of \$159,353 to 2022/2023 being part of P-10746; gaining easements over land as work is still ongoing with the timing dependant on the landowners legal representatives and has been slower than anticipated.
District Sewerage	\$61,000	\$475,433	Increase	Minor capex budget for pump replacements added in forecasting.
Buildings - Invercargill Office	(\$120,000)	\$130,000	(Decrease)	Construction on the final stage of Invercargill office refurbishment is planned to occur May, June and July 2022. \$120K to be moved into the Annual Plan.
Buildings - Te Anau Library	(\$434,278)	\$100,000	(Decrease)	Project rescoped due to the decision not to combine the library and office. \$100K required for this library work. \$150K is required at the Winton Library and \$80K for the Te Anau office refurbishment.
Buildings - Te Anau Office	\$80,000	\$80,000	Increase	New project - fitout per 25 Jan 22 council report.
Buildings - Winton Office	\$64,918	\$1,316,515	Increase	\$150k unbudgeted requested from Council, Report to council on 25 January 2022. Additionally, the unbudgeted expenditure report that was approved August 2020 approved a total of \$1,314,918 for parts 2-4, over 2020/21 & 2021/22. Through the LTP this budget was made up to \$1.4M, however the budget being utilised by the PM is the original August 2020 budget. We are therefore reducing the overall \$1.4M down to \$1,314,918.
Community Housing Winton (Perm)	\$16,738	\$16,738	Increase	Purchases of heatpumps at Queen st flats forecasted for
Transfer Stations - Te Anau	\$154,500	\$154,500	Increase	Bring forward project from 2022/23 as receiving a grant towards the cost in this financial year
District Reserves - Management	(\$125,000)	\$125,000	(Decrease)	Open spaces strategy project was only formally signed off by Council in January 22. Full budget isn't going to be spend this FY, will be completed in the 22/23 FY.
Roading - District Wide	(\$92,875)	\$140,764	(Decrease)	being to reflect change in footpath renewal work programme for community board approvals, due to change in Waka Kotahi funding.
Roading - Special Purpose	(\$1,917)	\$8,083	(Decrease)	To adjust the budget to match the final amount approved by NZTA
Toilets - Athol	\$50,000	\$50,000	Increase	Part of Project moved from 23/24 to this year (\$50) for design and resource consent and remainder from 23/24 to 22/23 per Annual Plan, funded by Loan
Street Works - Balfour	(\$12,500)	\$0	(Decrease)	Ardlussa community board has requested that this footpath work be deleted due to reduced Waka Kotahi funding.
Toilets - Balfour Plunket Room	(\$69,000)	\$131,000	(Decrease)	Project to be complete based on quotes. Budget savings due to change in the procurement process in undertaking a programme of works.
Toilet - Colac Bay - East End	(\$15,000)	\$60,000	(Decrease)	Project to be complete based on quotes. Budget savings due to change in the procurement process in undertaking a programme of works.
Beautification - Colac Bay	(\$7,768)	\$12,232	(Decrease)	Project completed for less than budget.
Street Works - Manapouri	(\$50,000)	\$0	(Decrease)	Fiordland Community Board requested at 30 November 2021 that the LOS footpath work in 2021/2022 no longer be completed; to be confirmed by resolution at meeting on 20 December 2021.
Toilets - Pearl Harbour	(\$100,000)	\$400,000	(Decrease)	Unbudgeted expenditure approved on 4/8/21 to be funded by Tourism Infrastructure fund. P-10630 To correct the funding streams of the individual projects that make up the programme of works approved for the TIFF package. The combined programme of works budget isn't changing.
Water Supply Manapouri	(\$800,000)	\$406,954	(Decrease)	Move project costs to 2022/23 as part of project swap in unbudgeted expenditure. Undertaking sampling and analysis to confirm suitability of treatment option, design to be completed this year with construction falling into the 2022/23 financial year and \$800,000 being moved as part of forecasting.
Street Works - Mossburn	(\$7,820)	\$0	(Decrease)	Northern community board has requested that this footpath work be combined with 2022/23 work
Dr Woods Memorial Park	\$2,000	\$33,225	Increase	Transferred \$2,000 from general maintenance P-10775
Sewerage Scheme Ohai	\$150,000	\$308,572	Increase	UV unit quote is significantly along with installation and commissioning is more expensive than budgeted for.
Hall - Orepuki	(\$56,746)	\$50,000	(Decrease)	This project has been rescoped at the request of the community board and instead of the roof being replaced the exterior cladding will be replaced. This budget has been decreased based on the quotes that we have received to complete the scope of work.
Street Works - Riversdale	(\$26,000)	\$0	(Decrease)	Ardlussa community board has requested that this footpath work be combined with LOS included for 2025/2026
Playground - Riversdale	\$857	\$51,888	Increase	Maintenance budget being transferred to capital, as work being undertaken as part of a wider programme is capital.
Sewerage Scheme Riversdale	(\$300,000)	\$628,518	(Decrease)	Momentum was lost due personnel changes and subsequent delays with the land acquisition, resulting in the construction window being missed, the budget variance (\$300,000) will be added to next year for this multi-year project as part of forecasting changes.
Toilets - Riverton Princess St	(\$252,770)	\$125,473	(Decrease)	Increase overall budget by \$40K based on designs and plan works required. Start in May, 30% spend this FY and 70% 22/23.
Water Supply Riverton	\$120,000	\$512,276	Increase	Materials, construction costs increased considerably due to current market conditions as did electrical and steel fabrication fit out costs resulting in an increase in budget being required
Toilets - Cosy Nook, Monkey I	\$159,926	\$359,926	Increase	Project PO-10617 moved from 24/25. Project P-10842 stage 2 currently budgeted for 22/23, is to be brought forward to enable be completed with the current years works.
Street Works - Stewart Island	(\$177,505)	\$0	(Decrease)	P-10016 \$52,583 removed as completed in 20/21; P-10317 \$54,922 removed as a duplicate of project included in Stewart Island beautification and extension of footpath on Dundee St to Golden Bay Road removed as Community Board have resolved to apply to the Stewart Island/Rakiura visitor levy for funding in the 2022 funding round meaning work will not be undertaken until 2022/2023

Business Unit Name	2021/2022 February Forecast Adjustment	Forecast Balance at 30 June 2022 (Decrease)	Comment
Beautification - Stewart Is	(\$53,740)	\$0 (Decrease)	P-10316 walking track has been moved to 2022/2023
			Increase approved by Council 4 August 2021 to be funded via Tourism infrastructure fund. Preconstruction costs expected for 21/22 year. Remaining budget is still required as the intention was to start construction in the 2022/2023 financial year. This may need to be reviewed as the community board want the Ulva Island wharf completed before the Golden Bay wharf project starts.
Stewart Island Jetties	(\$468,215)	\$2,438,021 (Decrease)	
Sewerage Scheme Te Anau	(\$200,000)	\$3,121,049 (Decrease)	Construction of the Te Anau wastewater treatment plant is mainly complete and not all of the contingency has been required
Boat Ramps - Te Anau	\$61,800	\$621,800 Increase	Additional funds approved by Council on 4 August 2021, to be funded by TIFF. P-10880 moved from 22/23 to 21/22 as part of AP decided by CB at Fiordland meeting on 17/11/21
Water Supply Ramparts	\$25,000	\$48,046 Increase	Resource consent renewal process not fully completed with further costs to be incurred
			Quotes received for the bike trailer early this financial year indicate additional funds of \$1,500 needed for the purchase. Reduction in the runway reseal (transferred to 2022/2023) with project testing still ongoing, also Milford airports future is still up for question. Physical works isn't expected to occur this financial year. Expected to be \$55K for monitoring and consultants fees. Another \$30K required for crack sealing to keep the runway operational until renewal done.
Manapouri Airport	(\$741,500)	\$88,500 (Decrease)	
Toilets - Waikawa	(\$35,000)	\$65,000 (Decrease)	Project partially complete, and then work estimated to complete. Budget savings due to change in the procurement process in undertaking a programme of works.
Street Works - Tokanui	(\$10,000)	\$0 (Decrease)	Footpath LOS work removed by resolution of Waihopai Toetoe Community Board on 14/12/21
Tuatapere Parks & Reserves	\$15,000	\$72,191 Increase	Tenders for P-10821 (playground equipment renewal) higher than budget; using general maintenance from this business unit and Tuatapere beautification to cover the additional costs
Water Supply Tuatapere	\$27,047	\$83,000 Increase	Cost over run due to increase in prices
			Water source investigations were not successful need to continue further investigations causing project delays the forecast adjustment will be added to the 2022/23 AP budget
Water Supply - Eastern Bush Cemetery - Calcium	\$7,472	\$17,472 Increase	Move Beam project P-10979 from Wallacetown to Calcium cemetery
Toilets - Winton main Street	(\$104,000)	\$146,000 (Decrease)	Project partially complete, and then work estimated to complete. Budget savings due to change in the procurement process in undertaking a programme of works.
Winton Maternity Centre	\$18,190	\$18,190 Increase	Transfer to maintenance budget to capital, reflecting to work to be undertaken
Street Works - Woodlands	(\$11,200)	\$3,000 (Decrease)	Footpath LOS work to be delayed as per Waihopai Toetoe Community Board resolution on 14/12/21
			Unbudgeted expenditure approval of an additional \$126,071 in Jan 2021 making the over all budget \$181,071. Forecasting the additional \$55K this year due to a data entry error in the previous year which resulted in the carry forward value being incorrect. Approved budget of \$181,071 less the 20/21 spend of \$7,610 leaves a 21/22 budget of \$173,461.
Toilets - Wyndham	\$55,000	\$173,461 Increase	
Toilets - Edendale Rec Reserve	(\$19,000)	\$181,000 (Decrease)	Project to be complete based on quotes. Budget savings due to change in the procurement process in undertaking a programme of works.
Beautification - Te Anau	\$20,447	\$26,922 Increase	CCTV project requires further funding, budget to be transferred from maintenance.
SIESA - Operations	(\$86,942)	\$346,000 (Decrease)	Ringaringa Road cable project was completed in the prior FY. SIESA windpower project is no longer going ahead following the investigation that took place.
Hall - Waikawa	(\$15,313)	\$5,000 (Decrease)	Minor works required to pass the asset over to the community, not completing the full exterior reclad project initially planned.
<b>Total adjustments</b>	<b>(\$4,861,874)</b>	<b>(Decrease)</b>	



**ATTACHMENT I - Unbudgeted expenditure under \$10,000 that requires CEO approval**

Business Unit Name	Account Name	Comment	2021/2022 February Forecasted variance	Manager	ELT	Funding
Focal Point Wheelchair Lift	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$1,004	Mark D	Nick	Reserves
Focal Point Wheelchair Lift	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's	\$527	Mark D	Nick	Reserves
Community Housing Ohai (Perman	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$153	Mark D	Nick	Reserves
Community Housing Tuatapere (P	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$158	Mark D	Nick	Reserves
Community Housing Tuatapere (P	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's	\$83	Mark D	Nick	Reserves
Community Housing Winton (Perm	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$572	Mark D	Nick	Reserves
Community Housing Winton (Perm	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's	\$300	Mark D	Nick	Reserves
Community Housing Wyndham (Per	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$158	Mark D	Nick	Reserves
Community Housing Wyndham (Per	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's	\$83	Mark D	Nick	Reserves
Creative Communities N.Z.	Creative Communities	Additional funding - Delta top up to be distributed	\$8,628	Fran	Fran	Grant
Toilets - Edendale Seaward Rd	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$1,144	Mark D	Nick	Reserves
Toilets - Edendale Seaward Rd	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's	\$600	Mark D	Nick	Reserves
Toilets - Pearl Harbour	Electricity	Street lighting budgets used to be covered under the Streetworks BU's	\$954	Mark D	Nick	Reserves
Toilets - Pearl Harbour	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's	\$500	Mark D	Nick	Reserves
Toilets - Ohai	Electricity	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$845	Mark D	Nick	Reserves
Toilets - Ohai	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$443	Mark D	Nick	Reserves
Toilets - Riverton Princess St	Maint - General	Additional budget required for new hand dryers funded by reduced cleaning costs in other Toilet BU's	\$5,000	Mark D	Nick	Reserves
Toilets - Te Anau Lions Park	Electricity	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$7,004	Mark D	Nick	Reserves
Toilets - Te Anau Lions Park	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$3,672	Mark D	Nick	Reserves
Toilets - Boat Hbr, Town Centr	Electricity	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$938	Mark D	Nick	Reserves
Toilets - Boat Hbr, Town Centr	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$492	Mark D	Nick	Reserves
Toilets - Tuatapere Main Road	Electricity	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$763	Mark D	Nick	Reserves
Toilets - Tuatapere Main Road	Maint - Electrical	Street lighting budgets used to be covered under the Streetworks BU's, not budgeted in LTP	\$400	Mark D	Nick	Reserves
Community Housing Ohai	Maintenance Electrical	Fixing budget in incorrect code	\$80	Mark D	Nick	Reserves
<b>TOTAL</b>			<b>\$34,502</b>			



## Finance and Assurance Committee work plan for the year ended 30 June 2023

Record No: R/22/3/10280  
Author: Emma Strong, Project accountant  
Approved by: Anne Robson, Chief financial officer

☒ Decision

☐ Recommendation

☐ Information

### Background

- 1 The purpose of preparing a draft work plan is to get the committee's discussion and agreement as to the agenda items it expects to see during the year to 30 June 2023. This has been done to ensure that the reports staff are preparing are meeting the expectations of the committee and also allowing staff to plan for and ensure that they are delivering the appropriate reports.
- 2 In preparing this draft work plan, previous work plans and meeting content was used as the base document. Additionally, discussions were held with staff as well as referring to the Finance and Assurance Committee terms of reference.
- 3 The adoption of the work plan does not preclude the Committee or staff from including any other additional reports as and when required and it is expected that over the coming year this work plan will be refined further.
- 4 Deloitte were appointed as Council's internal auditor in 2018 for three years. A decision to re-appoint or go out to tender will be brought to the next Finance and Assurance meeting. Post this meeting, discussions with the internal auditor appointed will lead to a new three year work programme being developed.
- 5 The timelines for completing the Annual Report have been based on the statutory requirement of four months post balance date. However, with the current auditor resourcing issues, the Auditor General may seek to get government to change the statutory timelines as they did last year. We can get an update from our Audit NZ director, Dereck Ollsson at the meeting.
- 6 There are no policy reviews indicated for the coming year. Generally the majority of policy changes happen around the Long Term Plan, however depending on resourcing and workloads, staff may look to alter the timing of some of these to be undertaken earlier.

### Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled "Finance and Assurance Committee work plan for the year ended 30 June 2023" dated 22 March 2022.**
- b) agrees the Finance and Assurance Committee Work plan for the year ended 30 June 2023.

### Attachments

- A Finance and Assurance Committee Workplan 22/23 [🔗](#)

### Finance and Assurance Committee Workplan to 30 June 2023

Content	25 Aug 2022	27 Sept 2022	Oct 2022 (TBC)	Dec 2022 (TBC)	Feb 2023 (TBC)	Mar 2023 (TBC)	Jun 2023 (TBC)
2023/24 Annual Plan – Timetable		X					
2023/24 Annual Plan – Accounting policies			X				
2023/24 Annual Plan – Significant Forecasting Assumptions			X				
2023/24 Annual Plan – Recommend draft AP to Council					X		
2023/24 Annual Plan – Recommend adoption by Council							X
Quarterly Risk Report		X		X		X	X
Health & Safety Update		X		X		X	X
Health & Safety Events Report		X		X		X	X
Financial Monthly Report		X		X		X	X
Update on Audit Action Points		X		X		X	X
2021/22 Annual Report – Agree report ready for audit	X						
2021/22 Annual Report – Recommend adoption by Council		X					
2021/22 Annual Report – Final audit management report				X			
2021/22 Debenture Trust Engagement Letter	X						
2021/22 Debenture Trust Limited Independent Assurance Report				X			
2022/23 Annual Report – Audit Arrangements Letter							X
2022/23 Annual Report – Audit Timetable							X
2022/23 Annual Report – Accounting Policies							X
2022/23 Debenture Trust Engagement Letter							X
Comparison of actual to forecast for 21/22		X					
Work Programme for 22/23 incl projects c/f from 21/22		X					
Forecast Financial Position				X		X	
Interim Performance Report		X		X		X	
Financial Transactional Team Update Report to 30 June 2022		X					
Determine Finance & Assurance Meeting Content 23/24						X	
Policy reviews							



Content	25 Aug 2022	27 Sept 2022	Oct 2022 (TBC)	Dec 2022 (TBC)	Feb 2023 (TBC)	Mar 2023 (TBC)	June 2023 (TBC)
Setting of three year Internal Audit Programme			X				
Internal Audit Terms of Reference				X			X
Internal Audit Final Report (Project Management, Asset Management or Information Integrity)	X (Project mgmt.)		X			X	
Insurance - Insurance renewal approval						X	
External Audit - Northern Alliance Audit					X		

R/22/3/10282



## Proposed change to the Internal Audit programme

Record No: R/22/3/10797  
Author: Anne Robson, Chief financial officer  
Approved by: Cameron McIntosh, Chief executive

☒ Decision ☐ Recommendation ☐ Information

### Purpose

- 1 To consider a change to the internal audit programme being a proposal focussed on the prevention of bribery, corruption and fraud and associated training to support this.

### Executive Summary

- 2 The committee appointed Deloitte as Council's Internal Auditor in 2018. As part of the appointment the committee asked Deloitte to work with staff and the committee to form a three year internal audit work programme.
- 3 To date, Council has completed four audits on procure to pay, IT security, contract management and project management. The remaining audits agreed as part of the programme are asset management and information integrity.
- 4 As part of committing to the three year programme both the committee and Councils internal auditor noted there may be times when the programme is altered.
- 5 Staff are recommending a change to the programme. This is due to current staff workloads, the work to be done as a result of the two recent internal audits and the current work being undertaken by staff to understand the financial information needs of Council as part of upgrading its financial system.
- 6 As part of the 2020/21 Annual report audit, Audit NZ identified that Council perform a risk assessment to identify areas where Council is most at risk of bribery and corruption and provide additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound). This is an area of focus of the Auditor General. It is important to note that Council has not identified any instance of either to date, however undertaking this assists staff to identify and understand what to do should it occur, thereby contributing to the maintenance of trust and confidence in Council by the public.
- 7 Discussions with Deloitte, indicated that another of their Council clients recently completed a similar programme and it is from that that they have based the attached proposal for the committees consideration.
- 8 The committee is also being asked to delegate to the Chairman, Finance and Assurance and the Chief Financial Officer to consider and agree the Terms of Reference in relation to the new programme should it be agreed.

## Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Proposed change to the Internal Audit programme”** dated 22 March 2022.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Agree to change the planned internal audit programme to include a review and associated training programme on the prevention of Bribery, Corruption and Fraud.
- e) Delegate to the Chairman, Finance and Assurance and the Chief Financial Officer the authority to consider and agree the Terms of Reference in regards to the review and associated training programme on the prevention of Bribery, Corruption and Fraud within the existing \$15,000 (excl gst) budget.

## Background

- 9 The committee appointed Deloitte as Council’s internal auditor in 2018. As part of the appointment the committee asked Deloitte to work with staff and the committee to form a three year internal audit work programme which was completed and agreed by the committee in September 2019. The agreed programme was for six pieces of work, two to be completed in each year of the engagement.
- 10 This report is seeking approval from the committee to undertake a new internal review further to Audit NZ’s management report. The review is proposed to be focussed on the prevention of bribery, corruption and fraud and the associated training of staff.
- 11 To date, Council has completed four audits on procure to pay, IT security, contract management and project management. The remaining audits agreed as part of the programme were asset management and information integrity. Staff will ask the committee to consider what the final audit will be at a subsequent meeting.
- 12 As part of committing to the programme both the committee and Councils internal auditor noted there may be times when the programme is altered.
- 13 Staff are recommending a change to the programme. This is due to current staff workloads, the work to be done as a result of the two recent internal audits and the current work being undertaken by staff to understand the financial information needs of Council as part of upgrading its financial system.
- 14 As part of the 2020/21 annual report audit, Audit NZ recommended that Council perform a risk assessment to identify areas where Council is most at risk of bribery and corruption and provide additional training and support to staff in key positions that could be susceptible to bribery and

corruption (either inbound or outbound). This area was an emphasis for Audit NZ further to Parliament's Finance and Expenditure Committee expressing an interest in understanding whether the public sector has effective corruption prevention and detection processes in place.

- 15 In order to operate effectively in our communities and to make a difference, we need to have the trust and confidence of the public. To maintain this trust and confidence, we need to be able to show we are trustworthy, that we act in the interests of everyone and never for our personal gain.
- 16 Generally, the public sector in New Zealand is held in high regard and ranks well across a range of international integrity measures. That reputation depends on our ability to build and maintain high trust, strong public management system, and a workplace culture that promotes integrity and ethics as central to our values and work. We all have a part to play.
- 17 Discussions with Deloitte, indicated that another of their Council clients recently completed a similar programme and it is from that that they have based the attached proposal for the committees consideration. The proposal is one of a "mix and match" approach which covers three areas being a bribery and corruption risk assessment, a bribery and corruption awareness training module and a fraud & corruption survey.
- 18 The objectives of the proposed Bribery and Corruption Risk Assessment is to:
  - identify the key bribery and corruption risks within Councils processes
  - assess the design of existing controls that mitigate those risks and
  - to gather control improvement ideas from Council staff.
- 19 The objectives of the Bribery and Corruption Awareness training looks to engage Councils best detection tool, its staff. As such the four learning objectives are
  - gaining a better understanding of how bribery and corruption trends could materialise at Council;
  - communicating what protections are in place today
  - learning what ingredients allow fraud to occur and what 'red flags' can look like; and
  - knowing the various options of how to safely and confidentially escalate integrity-related concerns
- 20 The Fraud & Corruption Awareness Survey follow up is further to the survey undertaken in 2018 at Council. Deloitte saw this new survey as providing Council with a valuable perspective on how employee views have changed over the four years. The survey will gauge changes in
  - the culture and perceptions around fraud and corruption
  - staff awareness of the fraud risks that might exist at Council
  - highlight areas within Council that employees think are at most risk to fraud and
  - identify improvement opportunities for the Council
- 21 With each internal audit undertaken, terms of reference will be prepared by Deloitte. These outline the review to be undertaken, a background to the review, the objective and scope of the review, what is out of scope, the approach to be taken, what the review will entail, the deliverables at the end of the audit, the staffing, timing and budget. It is proposed that should the committee agree the new internal audit that delegated authority be given to the Chairman,

Finance and Assurance and the Chief Financial Officer to agree the terms of reference having regard to the discussion at the meeting.

#### Issues

- 22 As discussed above, Council has two remaining internal audits on its three year programme. That being Information Integrity and Asset Management.
- 23 In considering the next audit, Council staff considered the remaining two to be completed and also the Audit NZ management report and are recommending a new audit be planned on the prevention of bribery, corruption and fraud and any associated training to support this.
- 24 In considering the Information Integrity audit, Council staff could see the benefits of reviewing at a Council and senior staff level the reporting needs both present and future. It is also mindful that currently as part of the financial system upgrade staff are being approached to understand reporting needs. It was felt that given this work is occurring the benefits would not be realised at this time from conducting this audit.
- 25 In considering the Asset Management audit. Council staff noted the benefits especially given the Long Term Plan planning it would be undertaking in the next 12 to 18 months. However, given the recent two audits in this area and the work to be completed from these and the current workloads generally, it is requested other options be considered for this round.
- 26 As noted, the audit of the 2020/21 Annual Report recommended that Council consider performing a risk assessment to identify areas where Council is most at risk of bribery and corruption, and consider providing additional training and support to staff in key positions that could be susceptible to both or either, inbound or outbound. Given this has appeared in one form or another over the last few management reports, staff are recommending undertaking this audit for this round.
- 27 The committee therefore needs to consider if they support the proposed change to the internal audit programme.
- 28 In reviewing the proposal, the committee needs to particularly consider if the objectives meet the expectations of the response the committee wants to make to Audit NZ's recommendation.

#### Factors to Consider

##### Legal and Statutory Requirements

- 29 Schedule 7, Part 1, section 33 of the Local Government Act 2002 notes that Council will have regard to appointing a Chief Executive who will in subsection (e) maintain appropriate standards of integrity and conduct among the employees of the local authority.
- 30 This proposed internal review and related training assists the Chief Executive in fulfilling this role.

##### Community Views

- 31 The community wants to know that Council is undertaking its activities with integrity. These programmes of work help staff understand situations they may lead to that being compromised, and to assist staff to safely and confidently escalate concerns.

#### Costs and Funding

- 32 Council has a budget of \$15,000 plus GST and disbursements for each audit engagement.
- 33 This proposal estimates fees for each work area as follows
- Bribery & Corruption risk assessment - \$2,000 per workshop (up to 3 personnel per workshop and a minimum of 5 workshops)
  - Fraud, Bribery & Corruption Awareness training – \$2,000 per workshop (1.5hours), up to 30 attendees per workshop.
  - Fraud & Corruption awareness survey follow-up – \$9,000
- 34 As noted previously, the committee can choose a mix and match selection. Should the selection exceed the budget Council will need to identify the funding source. In the Project Management audit, the committee chose to delay one piece of work to fund the increased scope. Other options include utilising existing training budget underspends or the district operations reserve.
- 35 Council staff recommend staying within the \$15,000 (excl gst) budget and emphasising the programmes relating to bribery and corruption to fulfil the Audit NZ recommendation.
- 36 Any parts of the proposal not undertaken can be considered as part of any future internal audit programme.

#### Policy Implications

- 37 The committee, as part of its terms of reference are responsible for establishing and undertaking an internal audit programme.

#### Analysis

##### Options Considered

- 38 The three key options are to approve or not the proposed new internal audit and training opportunities covering the prevention of bribery, corruption and fraud, subject to amendments at the meeting or to request that either the information integrity audit or the asset management audit be undertaken as defined within the current three year internal audit programme.

#### Analysis of Options

Option 1 – to approve the proposed new internal audit and training opportunities covering the prevention of bribery, corruption and fraud, subject to amendments at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• enables the internal audit to proceed in a timely manner</li><li>• will result in Council reviewing and upskilling its staff on ways to prevent potential bribery and corruption and understanding the processes should it be identified.</li></ul>	<ul style="list-style-type: none"><li>• if the committee either felt that this was not appropriate or that it would prefer another audit then the opportunity to undertake it now would be missed.</li></ul>

Option 2 – to decline the proposed new internal audit and training opportunities covering the prevention of bribery, corruption and fraud.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>enables any amendments to the work programme requested by the committee to be undertaken.</li></ul>	<ul style="list-style-type: none"><li>Will cause a delay to the internal audit programme, however this is not considered critical.</li></ul>

Option 3 – request either the information integrity audit or the asset management audit be undertaken as defined within the current three year internal audit programme.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>Has previously been agreed as work required in terms of risk areas assessed.</li><li>Both support works within Council, being the Long Term Plan or the creation of the new Financial Management system.</li></ul>	<ul style="list-style-type: none"><li>As a result of recent audits staff have a number of recommendations to undertake. Given these, existing workloads, and the current Covid risk added pressure will be put on staff.</li><li>Currently a review of reporting needs is being undertaken as part of the new financial and human resources systems. Any further review will be doubling up this work.</li></ul>

### Assessment of Significance

- 39 This issue is not considered significant in terms of Council's significance policy.

### Recommended Option

- 40 The recommended option is option 1 – to approve the proposed new internal audit and training opportunities covering the prevention of bribery, corruption and fraud, subject to amendments at the meeting.

### Next Steps

- 41 Advise Deloitte of the outcome of the committee meeting and proceed to undertake the internal audit programme if approved.

### Attachments

- A Deloitte Fraud Prevention Advisory options [🔗](#)



**Deloitte**



**Southland District Council**  
**Deloitte Forensic: Fraud Prevention Advisory**

FOR DISCUSSION PURPOSES | March 2022

## Your objectives

### Understanding your needs



In 2018, Deloitte supported you in conducting a Fraud & Corruption Risk Assessment focusing on Procurement and Finance, a Fraud and Corruption Awareness Survey and a Fraud and Corruption Gap Analysis.

Following this, you have requested some further assistance in protecting yourself against the risk of fraud, bribery and corruption

We have a suite of tried-and-tested **fraud and corruption prevention** services that will help address these needs, which we summarise in this document.

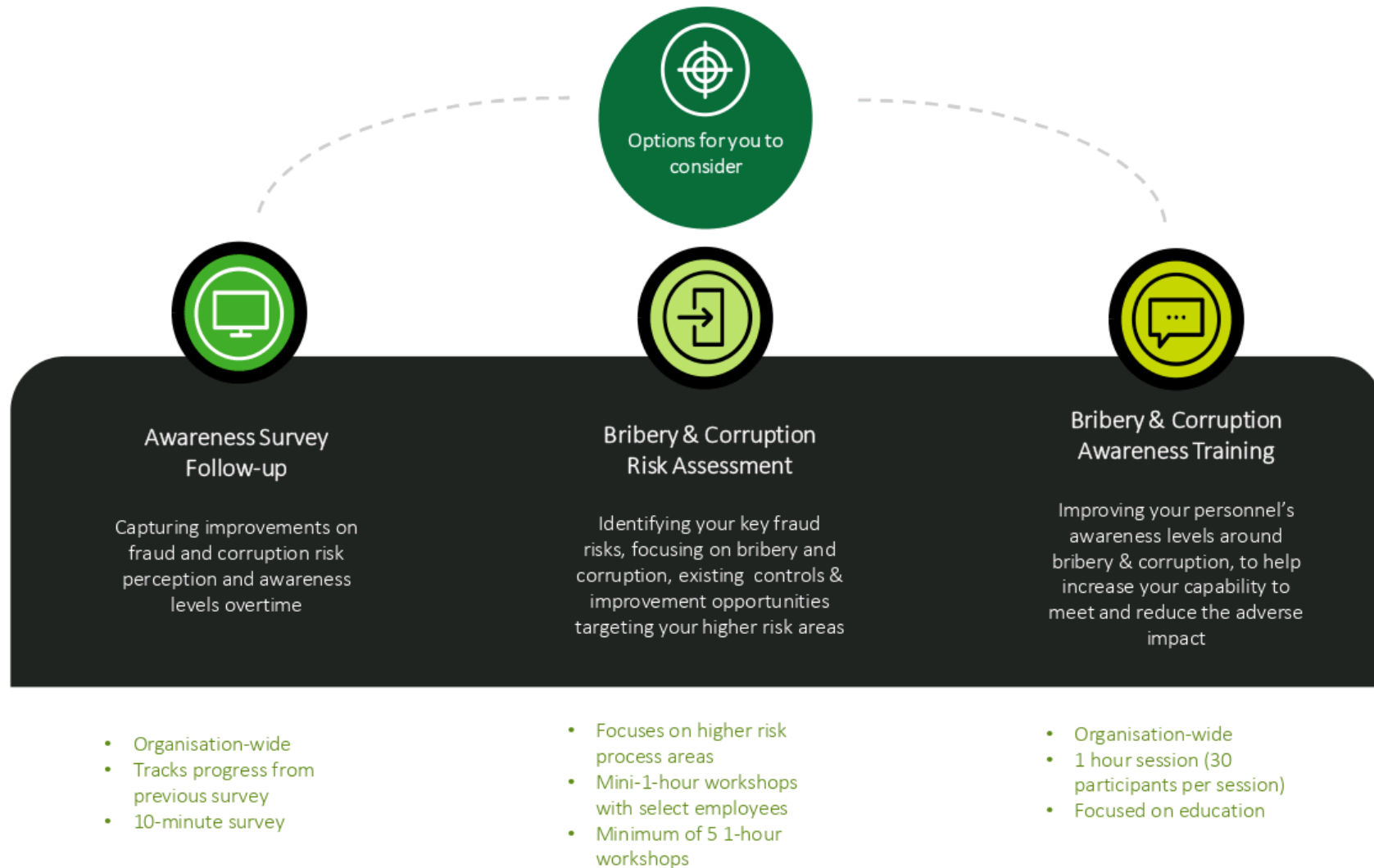
You have asked us to provide details of a Fraud Risk Assessment focusing on **bribery and corruption**, an update to the Fraud and Corruption Awareness Survey and the provision of Fraud, Bribery and Corruption Awareness Training.



We welcome the opportunity to discuss this document in more detail with you and we are confident that we can deliver the right level of support for you.

## Our proposed counter-fraud & corruption services

A proven methodology focused on your key needs



## Fraud & Corruption Awareness Survey Follow-up

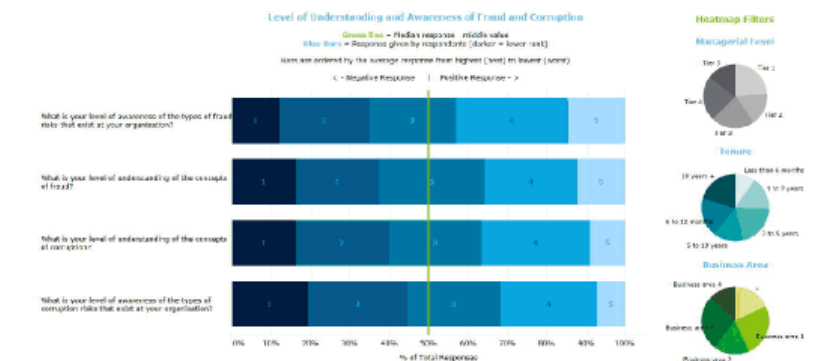
### Measuring improvements to staff awareness levels



You completed a Fraud & Corruption Awareness Survey in 2018. We have included a follow up to this as it will give you a valuable perspective on how the views of employees have changed over the last 4 years. This may be particularly insightful given the continuing impact of COVID. The survey will gauge changes in:

- The culture and perceptions around fraud and corruption;
- Staff **awareness** of the fraud risks that might exist at the Council;
- Highlight areas within the Council that employees think are at most risk to fraud; and
- Identify improvement opportunities for the Council.

Estimated fee: \$9,000







# Bribery & Corruption Risk Assessment

## Identifying on your key fraud and corruption risks

We will have a closer look at your **higher-risk processes** through a series of **one-hour risk assessment workshops** (per focus area). *We will be focusing on bribery and corruption.*

The workshops will be led by two Deloitte Forensic specialists with up to 3 Council personnel per workshop. This will provide you with a deeper understanding of the specific bribery and corruption schemes and risks you face today and a view of how robust the design of your key controls is for the processes in scope.

### Objectives

- To identify your key bribery and corruption risks within its processes;
- To assess the **design** of existing controls that mitigate those risks; and
- To gather control improvement ideas from Council staff.

We will perform the risk assessment through a series of mini-workshops, targeting the sessions to address the bribery and corruption risks / processes that are of material concern to the Council.

We will provide you with a concise report with practical recommendations to address the risks identified, drawing upon our understanding of your industry and experience providing similar work to support others in the sector.

Estimated fee: \$2,000 per workshop (up to 3 Council personnel per workshop and a minimum of 5 workshops). Given the focussed nature of the risk assessment (i.e. on bribery and corruption), 5-7 workshops is likely to be sufficient.



## Fraud, Bribery & Corruption Awareness Training

### Increasing awareness levels across the Council



Bribery and Corruption Awareness Training engages your best detection tool – your people, by achieving four learning objectives:

- Gaining a better understanding of how bribery and corruption trends could materialise at the Council;
- Communicating what protections are in place today;
- Learning what ingredients allow fraud to occur and what 'red flags' can look like; and
- Knowing the various options of how to safely and confidentially escalate integrity-related concerns.

Our training session (in-person, virtual, or e-learning) includes a blend of exercises, being exposed to the experience of other fraud victims (via video clips), and using case studies our team has worked on throughout to assist with learning.

We propose running in-person (1 – 1.5 hrs) awareness training to all your people.

This is a low-cost, high impact way to improve your detection efforts and benefit from a more engaged workforce who know they will be supported by the Council in raising any concerns.

Estimated fee: \$2,000 per each 1.5 hour workshop. Up to 30 attendees per workshop.





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## Fund Manager Appointment Process

Record no: R/22/3/10085  
Author: Anne Robson, Chief financial officer  
Approved by: Cameron McIntosh, Chief executive

☒ Decision ☐ Recommendation ☐ Information

### Purpose

- 1 To consider and recommend to council the six shortlisted managed balanced funds to be sent requests for proposal.
- 2 To consider and recommend to Council the next steps in the appointment of a fund manager.

### Executive summary

- 3 The Investment Policy outlines how Council will manage its investments, including what Council will invest in, and how investment risk will be assessed and managed.
- 4 It notes a low risk approach to its treasury investments used for working capital and restricted reserves. It accepts a moderate risk approach to investing general reserves to maintain capital and provide a return for offsetting rates through the ability to invest in an existing New Zealand managed balanced fund. It also retains the ability of Council to internally borrow against these reserves, if it chooses to do so.
- 5 Typically balanced funds have an equal allocation of income (cash on call, term deposits, Australasian and International bonds) and growth (property, Australasian and international equities, Infrastructure) assets to ensure some investment income and capital growth is achieved
- 6 Further to Councils request to progress its investment approach, staff have approached its investment advisor PwC, to assist Council in appointing a fund manager(s).
- 7 This report is proposing to recommend to Council that it sends requests for proposal to six shortlisted fund managers. In recommending the six funds, PwC used the Lipper fund universe (previously known as Thomson Reuters), to apply a series of search criteria to establish the balanced fund peer group. To this PwC then applied Councils investment objectives and reviewed the fund managers approach to responsible investing and environmental, social and governance (ESG) pledges, as well as considering the returns over the last five to ten years.
- 8 As a result, PwC have shortlisted for Councils consideration
  - Milford Balanced
  - ANZ Investment Funds – Balanced Growth
  - AMP Capital Ethical Leaders Balanced
  - ASB Investment Funds – Balanced
  - Westpac Active Balanced trust
  - QuayStreet Unit Trusts – Balanced
- 9 All the funds are well diversified across multiple asset classes and jurisdictions. During high inflation periods, as per our current macroeconomic environment, investment in property and

infrastructure is likely to be a good hedge against equities. The fund managers are all signatories to UNPRI. All funds exclude tobacco production and military weapons. Milford and QuayStreet invest directly in domestic and international equities and bonds. The other fund managers invest in underlying fund managers based domestically and offshore.

- 10 It is recommended that after the requests for proposal are sent that PwC evaluate the responses in terms of best practice evaluation criteria including people and organisation, governance and controls, investment process, fees and expenses and reporting. Further to this, Council staff then produce a report to the next Finance and Assurance meeting outlining the recommendations of PwC as well as inviting the top four fund managers to speak to the committee in order for a recommendation of the fund manager (s) to be made to Council.
- 11 Under the Investment policy only Council has the delegated authority to appoint a fund manager and agree the amount invested.

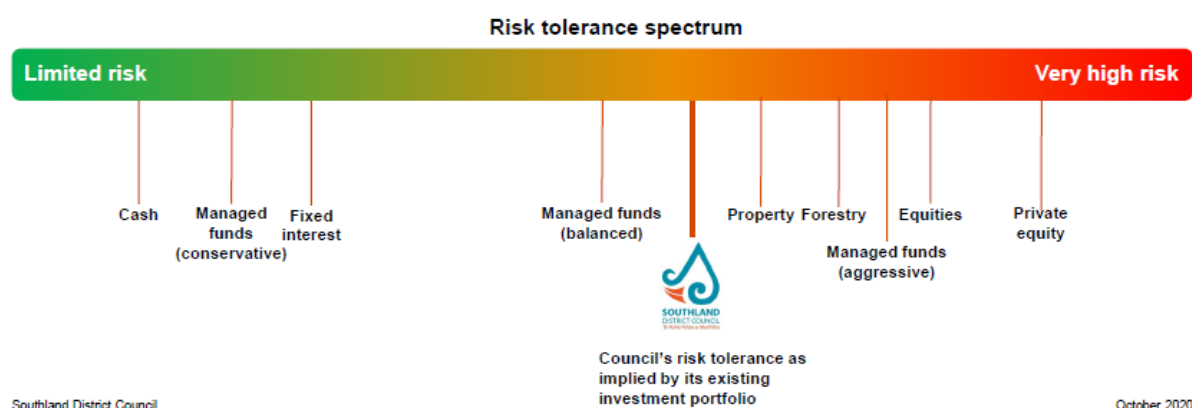
## Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled “Fund Manager Appointment Process” dated 22 March 2022.**
- b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Recommend to Council that PwC send request for proposal letters to the following fund managers
  - Milford Balanced
  - ANZ Investment Funds – Balanced Growth
  - AMP Capital Ethical Leaders Balanced
  - ASB Investment Funds – Balanced
  - Westpac Active Balanced Trust
  - QuayStreet Unit Trusts - Balanced
- e) Agrees and recommends to Council that PwC evaluate the request for proposals received in order to recommend to Council the top four fund managers, in doing so it requests PwC to use best practice weighted evaluation criteria in order to complete this analysis
- f) Recommends to Council that the top four fund managers from the evaluation process be asked to present to the Finance and Assurance committee at its next meeting, leading to a recommendation by the Finance and Assurance committee to Council of its recommended fund manager(s).

## Background

- 12 To put investment risk into perspective, as part of developing the Investment Policy, PWC presented the below table which plotted the different asset classes by their overall risk. Overall risk is based around qualities including capital protection, volatility, liquidity and capital growth. The table below notes Council's current risk tolerance implied by its existing investment portfolio



- 13 Based on the questions and the discussions held, PWC assessed Council's risk tolerance as moderate. From a range of suitable asset classes a balanced managed fund was identified as having the traits most likely aligned with Council's investment objectives and requirements from its reserve investments. PWC have recommended based on the likely size of Council's investment that an existing managed fund be used although it noted that Council could hire its own investment manager. Examples of existing managed balanced funds indicate five year gross returns of around 5% to 7%.
- 14 Council's Investment Policy outlines how it will manage its investments, including what Council will invest in, and how investment risk will be assessed and managed.
- 15 Overall this policy acknowledges and allows for Council to maximise its returns on funds held whilst considering its risk profile. It notes a low risk approach to its treasury investments used for working capital and restricted reserves. It accepts a moderate risk approach to investing general reserves to maintain capital and provide a return for offsetting rates through the ability to invest in an existing New Zealand managed balanced fund. It also retains the ability of Council to internally borrow against these reserves, if it chooses to do so. Typically balanced funds have an equal allocation of income (cash on call, term deposits, Australasian and International bonds) and growth (property, Australasian and international equities, Infrastructure) assets to ensure some investment income and capital growth is achieved
- 16 This report is working towards the appointment of a Council fund manager by recommending to Council the shortlisted fund managers to be sent a request for proposal.
- 17 Further to Council's request, staff approached its investment advisor, to assist Council in appointing a fund manager(s).
- 18 At Council's last meeting, a workshop was held with PwC and Councillors to answer any questions and work through the potential fund managers and the approach to a shortlisting process.
- 19 This report is proposing a request for proposal be sent to six shortlisted fund managers.
- 20 In arriving at the shortlist, Council's Investment advisor undertook the following steps

- Councils investment objectives as noted in the policy section were considered. They were also all screened in regards to their responsible investing and environmental, social and governance (ESG) pledges. An ESG rating measures a company's exposure to long-term environmental, social, and governance risks. These risks involving issues such as energy efficiency, worker safety, and board independence have financial implications. But they are often not highlighted during traditional financial reviews.
- Using the Lipper fund universe (previously known as Thomson Reuters), they applied the following search criteria to establish the balanced fund peer group.
  - Domiciled in New Zealand
  - Active funds
  - Funds with no leverage
  - At least a 5 year track record
  - Lipper Global Classification equal to 'Mixed Assets NZD balanced' (indicatively classified as 60% equities, 40% bonds) or Mixed Asset Others Flexible (funds self classify as Balanced)
  - AUM > \$40 mil NZD
  - The funds were then plotted for returns over a five and ten year basis.

21 As a result, the highest six were shortlisted. They are:

- Milford Balanced
- ANZ Investment Funds – Balanced Growth
- AMP Capital Ethical Leaders Balanced
- ASB Investment Funds – Balanced
- Westpac Active Balanced trust
- QuayStreet Unit Trusts - Balanced

22 All the funds are well diversified across multiple asset classes and jurisdictions. During high inflation periods, as per our current macroeconomic environment, investment in property and infrastructure is likely to be a good hedge against equities.

23 The fund managers are all signatories to UNPRI (a United Nations supported international network of investors working together to implement its six aspirational principles). These are

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

- 24 All funds exclude tobacco production and military weapons. They all seem to have some approach to integrated ESG investing which is widely recognised to increase return and decrease risk.
- 25 Milford and Quaystreet invest directly in domestic and international equities and bonds. The other fund managers invest in underlying fund managers based domestically and offshore. Investing direct, especially offshore, is likely to allow for improved targeted engagement and stewardship around ESG qualities. This could lead to better client outcomes.
- 26 The funds are all liquid with a maximum lock-up period of 10 days.

#### Issues

- 27 Councils Investment Policy, notes the need to select a fund manager if it wishes to invest its reserves in a balanced fund.
- 28 As part of this report, Council needs to consider the steps it wishes to undertake to appoint a fund manager.
- 29 Further to the Council workshop, this report proposes that request for proposals be sent to six potential fund managers as noted above.
- 30 Council then needs to consider the next steps. It is proposed that PwC,
- evaluate the request for proposals received against key weighted criteria. This criteria would examine, governance and controls, people and organisation, investment process, fees and expenses and reporting. PwC have sent the attached request for proposal process PowerPoint which on page three provides more details about the criteria and weightings for the committees consideration.
  - Advise Council staff of the result of the evaluation process so that a report can be prepared for the Finance & Assurance meeting in June 2022. As part of discussing the report it is proposed that the four top candidates be asked to present. The committee would then recommend to Council the preferred candidate or candidates. The committee may also wish at this stage to recommend an amount to invest.
- 31 A report would then be presented to Council recommending and requesting approval of the appointment of a fund manager or managers including any amount proposed by the Finance and Assurance committee.

#### Factors to consider

##### Legal and statutory requirements

- 32 The Local Government Act 2002 requires Council to adopt an Investment Policy. Council adopted this on the 14 April 2021.
- 33 Section 14 of the Local Government Act 2002,
- section 1(g) requires ‘a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets’ and
  - section 1(h) notes that ‘in taking a sustainable development approach, a local authority should take into account, iii) the reasonably foreseeable needs of future generations’

#### Community views

- 34 Included in the proposal to participate in the Local Government Funding Agency, Council noted its desire to externally borrow its current internal loans used to fund capital programmes.
- 35 It outlined that this meant that cash reserves that are currently being used to fund these internal loans would instead be available for investing.
- 36 It further indicated that Council was currently reviewing its Investment and Liability policy and had indicated a desire to broaden the policy to allow for investments in managed funds.
- 37 Overall, the public would generally support prudent and effective management, a balanced investment/risk profile, and to maintain appropriate procedures, controls and reporting.

#### Costs and funding

- 38 Council had reserves totalling \$41 million at the 30 June 2021.

#### Policy implications

- 39 The Investment Policy outlines Councils investment objectives which are:
- provide a framework for the prudent and effective management of investments
  - ensure that investments are managed in accordance with current governing legislation and Council's strategic and commercial objectives
  - manage investments in a sustainable and equitable way, having regard to current and future generations
  - recognise the community ownership of these assets and the need for a balanced investment/risk profile.
  - ensure Council assets are managed prudently and adequately safeguarded
  - safeguard Council's financial market investments by establishing and regularly reviewing investment parameters and ensuring all investment activities are carried out within these parameters
  - maximise interest income on treasury investments, within a prudent level of investment risk. Council recognises that as a responsible public authority any treasury investments that it does hold should be of relatively low risk. It also recognises that lower risk generally means lower returns
  - maintain and increase the real capital value of the external managed funds
  - ensure funds are available to meet Council's needs
  - maintain professional relationships with the Council's bankers, financial market participants, fund managers, trustees and other stakeholders
  - regularly review the performance and creditworthiness of all investments
  - maintain procedures and controls and provide timely and accurate financial and management information.

- 40 The investment policy allows for both treasury investments and externally managed funds. Both of which can be used to invest general reserves, trust funds and special funds.
- 41 Treasury investments, can be held as call and term deposits, bank certificates of deposit, treasury bills, government bonds, Local Government Funding Agency bonds/floating rate notes/commercial paper/borrower notes. The term of which is not to exceed one year
- 42 It notes, the Council maintains treasury investments to:
- invest surplus cash and working capital funds
  - achieve the desired level of returns within acceptable risk parameters
  - invest amounts allocated to general reserves, trust funds and special funds.
- 43 In regards to externally managed funds, Council has a medium to long-term investment horizon as it seeks to manage investments in a sustainable and equitable way, having regard to both current and future generations of ratepayers. It would do so by purchasing in a NZD managed fund or funds.
- 44 The rationale for holding the investment is to
- maintain, protect and increase the real capital value of the principal amount invested. Real capital value is the value that has been adjusted for the effect of inflation
  - diversify the investment of Council's general reserves
  - maintain liquidity and access to cash if needed
  - obtain annual cash income to subsidise rates revenue.
- 45 Where practical, investments will be made considering the ethical practices of the investment entity. Council's intention for the Funds is to avoid direct involvement with industries that have a negative impact on society and the environment. This includes:
- alcohol
  - tobacco
  - military/weapons
  - labour practices.
- 46 To mitigate risk, Council has a preference to invest in externally managed funds that are managed by a suitably qualified fund manager(s) within the below criteria.

Council's risk profile is considered moderate for financial investment purposes and therefore seeks to invest in a 'balanced' managed fund where there is a mix of capital growth and income asset types. Council will buy units in an established externally managed fund but could appoint its own investment manager.

The strategic asset allocation and tactical ranges are provided in the following table:

<b>Allocation</b>	<b>Benchmark %</b>	<b>Ranges %</b>
Total growth assets	50%	40-60%
Total income assets	50%	40-60%

Growth assets include approved asset types; listed domestic and international equities and listed property shares. Income assets include asset types such as; cash, term deposits, domestic and international floating and fixed rate debt securities. Any other asset types must be approved by Council before any investment is made. Investments may be hedged back to NZD.

- 56 Under the Investment Policy, only Council has the delegated authority to approve selection of an external managed fund and the amount placed with the fund(s).

Analysis

Options considered

- 57 Send request for proposal letters to the shortlisted fund managers or not

Analysis of Options

Option 1 – Send request for proposal letters to the shortlisted fund managers

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Council can proceed with the direction it has set as part of the Long Term Plan</li> <li>This process only seeks interest from the shortlisted parties and will allow Council to make the relevant enquiry of the fund managers before making a final selection</li> </ul>	<ul style="list-style-type: none"> <li>None noted</li> </ul>

Option 2 – Do not send request for proposal letters to the shortlisted fund managers

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>If Council requires additional information or at this stage is requiring a different approach it allows for this to occur.</li> </ul>	<ul style="list-style-type: none"> <li>Council has relied on a differential from the interest it plans to earn compared to the interest it has to pay on borrowings. Council will need to reconsider the impact on budgets if bank investments are the only source of funding.</li> </ul>

Assessment of significance

- 58 This is not deemed significant in terms of Councils significance and engagement policy.

Recommended option

- 59 Send request for proposal letters to the shortlisted fund managers



### Next steps

- 60 If Council, agrees with the recommendation to request a proposal from the selected shortlisted fund managers. Council staff will engage with its consultant to send the requests out.
- 61 After requests have been received from the fund managers, they will be asked to present to Council.
- 62 After hearing from the fund managers a report will be prepared for Council to consider and approve a fund manager(s).

### Attachments

- A Southland District Council - RFP Process [↓](#)

# Southland District Council - RFP Process



# Timetable

Distribution of and responses to Investment Management proposals are captured by our digital diligence tool. Answers are flagged and scored following an assessment by our team, and clarification from investment managers sought where required. The top four investment managers which are most suited to the client's needs are presented as a shortlist.\* In person meetings are arranged with the shortlisted managers, after which the client selects its preferred manager(s).

	Event	Date (2022)
1	RFP distribution to bidders	Friday 1 April
2	Clarification questions	Between 1 April and 6 May
3	Proposal due date	Friday 6 May
4	PwC completes review of proposals received	Thursday 26 May
5	Notification of shortlisted bidders	Tuesday 31 May
6	Presentations and meetings with shortlisted managers	Thursday 2 & Friday 3 June
7	Anticipated date of decision as to successful manager(s)	Friday 10 June

\* Full findings are available for review if required.

# Assessment Framework

We evaluate managers against key criteria, each assigned a bespoke weighting according to the investor's circumstances. Our criteria examine: Governance and Controls, People and Organisation, Investment Process, Fees and Expenses and Reporting.

The **Investment Process**, such as asset allocation decisions, is one of the main drivers of portfolio returns and accounts for the majority of a diversified portfolio's volatility over time. However, the strongest indicators of *sustained, repeatable* performance are also captured by the criterion listed under the pillars **People and Organisation** and **Governance and Controls**. Therefore, we assign the majority weighting to these sections of our RFP. In our experience, these top three pillars are interlinked, with shortcomings in any one pillar often manifesting itself in another.

While high **Fees and Expenses** can erode real returns and thus it is important to minimise fees, fees are not the driver of returns. In addition, increased regulation around fee transparency and competition in the investment management industry has reduced fee variation between investment managers. Similarly, **Reporting** does not drive returns, as it is the communication of how the manager invests. In addition, PwC provides an independent monitoring and reporting service, so is able to improve the quality of the investment managers' own reporting.

Criterion	Relative weight	Mgr 1	Mgr 2	Mgr 3	Mgr 4	Mgr 5	Mgr 6	Mgr 7
<b>People and organisation:</b> Ownership structure, investment beliefs, corporate culture, historical track record. Key individuals and investment team remuneration, support and function.	20%							
<b>Governance and controls:</b> Risk management functions at all levels of the organisation; efficiency of tools used to monitor portfolio risk.	20%							
<b>Investment process:</b> Investment philosophy/style, asset allocation, fund selection/security selection, risk management, ESG integration, past investment performance analysis, currency management.	40%							
<b>Fees and expenses:</b> Fees, lock-up periods, gating provisions, against industry standards and prior experience.	10%							
<b>Reporting:</b> Functionality, timeliness and accessibility of information, extent of in-depth analysis available.	10%							
<b>Summary assessment</b>		Exclude	Consider	Proceed	Proceed	Exclude	Exclude	Proceed



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## Waka Kotahi technical investment audit report

Record no: R/22/3/10424

Author: Hartley Hare, Strategic manager transport

Approved by: Matt Russell, Group manager infrastructure and environmental services

☐ Decision

☐ Recommendation

☒ Information

### Summary of the report

- 1 Every three years Waka Kotahi New Zealand Transport Agency undertakes an audit of one aspect of Council's transport operation to gain assurance that Council's land transport programme is being well managed and delivers value for money.
- 2 In March 2021 Waka Kotahi undertook a technical investment audit of Council's operations. A draft report was provided in November 2021 and the final report in March 2022.
- 3 The overall audit rating assessment is effective. Waka Kotahi's findings indicate that the road network is well managed and is in good condition. However, there is a high level of road carriageway flushing due in part to multiple seal layers and some areas of maintenance that could be improved.
- 4 Council staff are aware of these and are taking appropriate action as outlined in Council Transport Activity Management Plan. At the strategic level, Council is responding to key issues in a proactive and sensible manner. The number of annual deaths and serious injuries (DSIs) on Southland District roads is less than the average for peer councils, but is trending gradually upwards.

### Technical investment audit

- 5 Approximately every three years Waka Kotahi New Zealand Transport Agency undertakes an audit of one aspect of Council's transport operation to gain assurance that Council's land transport programme is being well managed and delivers value for money.
- 6 Waka Kotahi also seeks assurance that Council is appropriately managing risk associated with Waka Kotahi investment and makes recommendations for improvements where appropriate.
- 7 In 2020 a procedural audit was undertaken covering financial processes, procurement procedures, contract management and professional services.
- 8 In 2021 a technical audit was undertaken covering network condition and management, activity management planning, data quality and road safety. Work was carried out in March 2021 with a draft report provided for Council feedback in November 2021 and the final report in March 2022. The last technical audit was completed in June 2016, with all agreed actions having been subsequently actioned and signed off by the Waka Kotahi investment advisor for the region.
- 9 The overall rating assessment for March 2021 was effective. The individual assessments by area are shown on page three of the attachment. Network condition and management, activity management planning and data quality are rated as effective with road safety rated some improvement needed.
- 10 Waka Kotahi have made four recommendations from this audit, these are shown on page three and four of the attachment. The table is a summary of the recommendations included throughout the report and should be read in context of the additional detail included elsewhere. There are

also a number of suggestions contained throughout the report that staff will consider as part of the ongoing programme development and implementation.

- 11 For network condition and management there is a recommendation that Council ensures compliance with net present value (NPV) analysis for pre-programed drainage renewals. Council staff note the requirement to undertake an NPV for this activity, but currently the bulk of drainage renewals are reactive replacements where unexpected culvert failures have occurred.
- 12 There were no recommendations relating to activity management planning, with Waka Kotahi reviewing the 2018-2028 activity management plan. It was noted that the 2021-2024 activity plan had been submitted and the transport service team assessment was “this AMP is sufficient for purposes and delivers appropriate detail”.
- 13 For data quality there is a recommendation for Council to improve data accuracy and timeliness by resolving the data issues identified in the Road Efficiency Group’s (REG) data quality report. It has been noted that this is already being actioned and that the latest round of REG reporting shows an improvement.
- 14 For road safety there has been two recommendations made. One is to ensure that road construction safety audits for projects are fully and completely undertaken. This is due to the auditor selecting a number of reports, none of which had all sections completed. Staff have indicated that completion and follow up of the road safety audits will be carried out annually between April and July in the year following completion of work - audits for the 2020/2021 year have been fully completed.
- 15 Due to the percentage of crashes that occurred on bends the second recommendation is to develop and implement a programme to upgrade road delineation. There is currently limited funding available to Council in the currently National Land Transport Programme to undertake this work. We have a small number of projects approved under the road to zero funding stream where this work can be considered, otherwise it will need to be completed as part of the ongoing maintenance processes as budgets allow.

## Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled “Waka Kotahi technical investment audit report” dated 22 March 2022.**

## Attachments

- A Waka Kotahi final investment report [↓](#)





# INVESTMENT AUDIT REPORT

## Technical Audit of Southland District Council

### Monitoring Investment Performance

Report of the investment audit carried out under Section 95(1)(e)(ii) of the Land Transport Management Act 2003.

DAWN SHANNON

4 MARCH 2021

FINAL

[New Zealand Government](#)

Report Number: RADST-2073

Audit: Southland District Council

<b>Approved Organisation (AO):</b>	Southland District Council
<b>Waka Kotahi NZ Transport Agency Investment (2018 – 2021 NLTP):</b>	\$ 44,808,300 (budgeted programme value)
<b>Date of Investment Audit:</b>	1-4 March 2021
<b>Audit Team:</b>	Dawn Shannon - Senior Investment Auditor (Lead) Tim Langley – Roading Manager, South Wairarapa DC Gordon McDonald – Senior Investment Advisor Kyla Anderson – Investment Advisor (Observer)
<b>Report No:</b>	RADST-2073

#### **AUTHORITY SIGNATURES**

Prepared by:

  
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Dawn Shannon, Senior Investment Auditor

Approved by:

  
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Yuliya Gultekin, Practice Manager Audit & Assurance

16/03/2022

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Date

#### **DISCLAIMER**

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

## EXECUTIVE SUMMARY

Southland District's road network is well managed by an engaged and committed team and is in good condition. However, there is a high level of carriageway flushing due in part to multiple seal layers and some areas of maintenance that could be improved. Council staff are aware of these and are taking appropriate action. At the strategic level, Council is responding to key issues in a proactive and sensible manner.

The Road Efficiency Group's 2019/20 data quality report has scored Council with a very good 82/100 but did highlight some areas for improvement in recording data that is timely and accurate.

The number of annual deaths and serious injuries (DSIs) on Southland District roads is less than the average for peer councils but is trending gradually upwards. Road safety audit procedures require attention to ensure that actions in response to recommendations are documented and executed. Rural road delineation, particularly in regard to curve warning, is inconsistently applied and requires a network-wide improvement plan to ensure a safe and consistent driving environment during both day and night.

## AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Network Condition and Management	Effective
3	Activity Management Planning	Effective
4	Data quality	Effective
5	Road Safety	Some Improvement Needed
Overall Rating		Effective

\* Please see Introduction for Rating Assessment Classification Definitions

## RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Southland District Council:		Implementation Date
R2.1	Ensures compliance with Waka Kotahi requirements for net present value (NPV) analysis for drainage renewal projects.	All preprogramed work to have NPV work carried out effective immediately
R4.1	Resolves the data issues identified in the REG Data Quality report to improve data accuracy and timeliness.	Already in effect, with the latest round of REG reporting showing an improvement.

Report Number: RADST-2073

Audit: Southland District Council

We recommend that Southland District Council:		Implementation Date
R5.1	Ensures that Road Safety Audits for renewal and improvement projects are fully and completely undertaken (except where endorsed as exempted) in alignment with project staging.	Effective immediately and to be carried out annually between April and July each year following
R5.2	Develops and implements a programme to upgrade rural road delineation, with a strong focus on curve warning, to ensure a safe and consistent driving environment during both day and night.	1 July 2024 – Current NLTP funding has limited expenditure outside road to zero projects which this would fall under.  As part of ongoing network maintenance delineation will be improved as locations are identified and budgets allow.

## 1.0 INTRODUCTION

### 1.1. Audit Objective

The objective of this audit is to provide assurance that the Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) investment in Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

### 1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
<b>Investment management</b>	Effective systems, processes and management practices used.	Acceptable systems, processes and management practices but opportunities for improvement.	Systems, processes and management practices require improvement.	Inadequate systems, processes and management practices.
<b>Compliance</b>	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
<b>Findings/ deficiencies</b>	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

### 1.3. Council Comments

Prior to this report being approved, Southland District Council was invited to comment on the auditors' findings, recommendations and suggestions. Where appropriate this report has been amended to reflect this dialogue. Any additional auditee comments are attached in the Appendices.

## 2.0 ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

### 1. Previous Audit Issues

The June 2016 Investment Audit Report (technical) found the Southland District Council network to be in very good condition and making good use of technology. The report recommended that Council:

- Works to include the findings from the 2009 audit within current maintenance practices across the network.
- Seeks to extend the average seal life from 12 years to 14 years
- Involves staff from the roading team in the field validation of pavement renewal sites with the aim of deferring marginal sites so as not to incur investigation costs.
- Implements a seal back programme for intersections and bridge approaches to reduce maintenance costs.
- Complies with the requirements set in the Traffic control devices manual part 1: General requirements for traffic signs: Part 8 for curve warning signs
- Revises the A3 report template to include an OPM for data.

The agreed actions have subsequently been undertaken and have been signed off by the Waka Kotahi Investment Advisor for the region.

While good progress was observed on the network in the area of curve warning signage, more can be done. And the need for seal backs at intersections is again raised. Refer to Section 5 *Road Safety*.

Southland District Council's comment	Seal backs are undertaken as part of any pavement rehabilitation project. With the scale of SDC road network versus the size of the rehabilitation programme, this is a long-term programme of works.  Standalone funding for this activity was unsuccessful as part of the 2021-24 NLTP application.
--------------------------------------	---

\* \* \*

### 2. Network Condition and Management

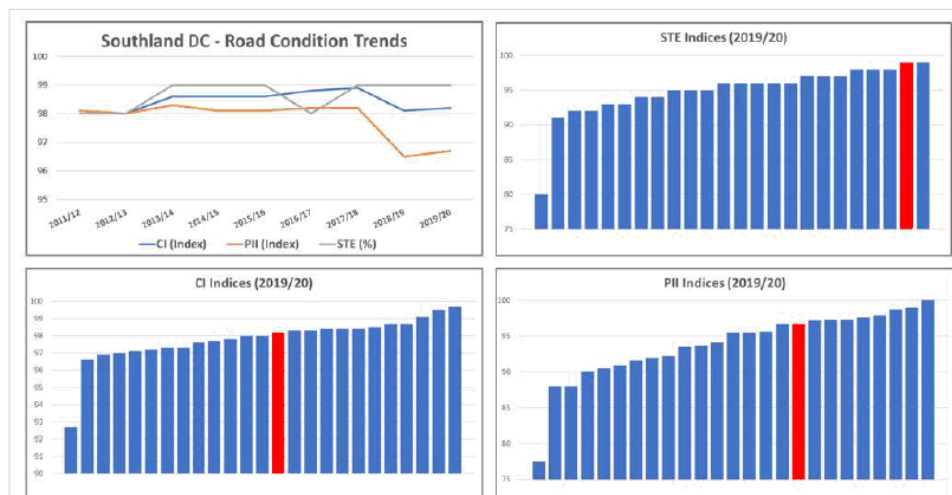
Effective

#### Performance Monitoring

Condition indices for 2019/20 are compared with peer group councils (rural districts) in the graphs below. These indicate a good result for surfacing (Condition Index (CI)) and for pavements (Pavement Integrity Index (PII)) and an excellent result for Smooth Travel Exposure (STE). The trends graph shows that CI and STE are relatively stable but that PII has deteriorated over the last two years.

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The One Network Road Classification (ONRC) Performance Measures Reporting Tool (PMRT) also shows that the peak roughness (85%ile) of Southland District rural roads is lower than the peer group average across all classifications and is holding steady over time. However, this outcome needs to be considered in conjunction with the high level of flushing observed – refer to further comments below.

The cost per km for maintenance, operations and renewals (excluding emergency works) as a three-year average (2018-2020) is \$4,624/km, which is less than the peer group average of \$6,505/km.

#### **Compliance**

Council does not fully comply with the Waka Kotahi Planning & Investment Knowledge Base (Knowledge Base) requirements. Specifically, we noted that:

- Bridge inspections are generally undertaken in accordance with current best practice as documented in the Waka Kotahi *S6 Bridges and other significant highway structures inspection policy*.
- Roughness recorded in RAMM complies with the requirements set in Knowledge Base. Last undertaken in March 2019 (HSD) and biennially prior.
- Condition Rating is not fully complying – see section 4 *Data Quality*.
- Net present value (NPV) analysis is undertaken for pavement rehabilitation projects, in compliance with the Waka Kotahi requirements for Work Category 214 (Sealed Road Pavement Rehabilitation), but not currently for drainage projects as per WC 213 (Drainage renewals)<sup>1</sup>.
- Maintenance costs are not regularly updated in RAMM – see section 4 *Data Quality*.

<sup>1</sup> Refer to <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/202124-nltp/2021-24-nltp-activity-classes-and-work-categories/local-road-and-state-highway-maintenance/2021-24-nltp-wc-213-drainage-renewals/>



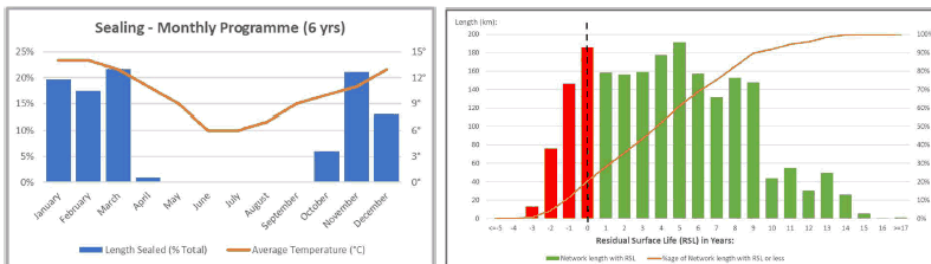
### General Observations

The standard of completed works was observed to be very good. In particular, the pavement rehabilitations (e.g. Balfour Ardlussa Road), surfacing renewals and new bridge construction works (see photos below for examples) that we inspected featured good quality design and finishes. Project management issues which arise are being well managed, such as the slightly skewed bridge on Ashers Road (right-most photo below).



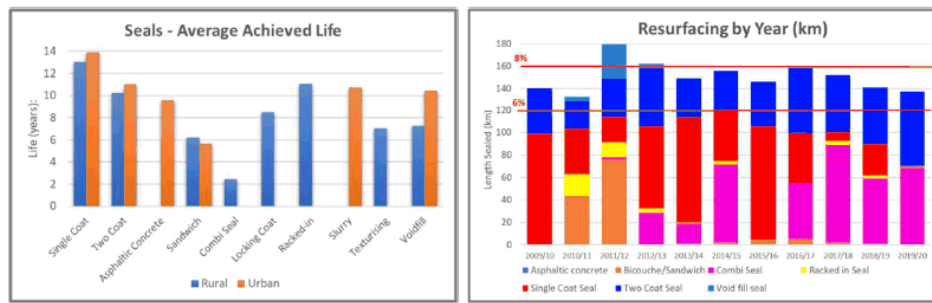
As indicated above, the Southland District network displays as very smooth (high STE) with low peak roughness. Our observations confirm that this is primarily due to a prevalence of flushing. Staff consider that multiple seal layers are a key contributing factor and are working on an optimal approach to address this problem. Where the build-up of seal layers exceeds 40mm and there is an excess of binder, layer instability can occur, resulting in outcomes such as loss of texture, loss of skid resistance, water spray and deformation. Many variables related to this build-up determine whether layer instability may become the mode of failure. Treatments may include watercutting, hot chip and sandwich seals, but generally the most cost-effective treatment will be surfacing removal and replacement (reseal with pre-seal repairs). Guidance on layer instability can be found in chapters 4 and 6 of *Chipsealing in New Zealand*<sup>2</sup>. We would note however that multiple seal layers are common throughout New Zealand and do not consistently result in flushing. We suggest a case by case approach and confirmation of failure modes with testing (e.g. binder stone ratio).

Further to this discussion of surfacing in Southland District, we commend staff on the management of this activity. For example (as graphed below), surfacing is undertaken in appropriate seasons (minimum average monthly temperature is 10°C) and the RAMM database residual surface life data indicates that less than 20% of the existing carriageway surfacing is due or past due for renewal based on the entered expected life value. Staff advise that seal lives are monitored and reset as reseal programmes are developed. Surfaces are only renewed if determined necessary after site validation.



RAMM data also indicates that single coat seals are the overall best performer for achieved life (refer to graph below on left), but their use has reduced significantly over the last three years (refer to graph below on right). For example, single coat seals average a life of 30% longer than two coat seals, including on higher traffic volume roads. An additional concern is that the increasing use of two coat seals may be contributing to the build-up of seal layers discussed above. Each surface type has its benefits and it is for Council to ensure the right surface type is selected to both provide the level of service required (i.e. address the problem) and minimise the whole of life cost. We suggest that Council reviews its seal selection processes to ensure optimal results for the network.





The inspected sample of the District's 2,985 km of unsealed roads (60% of network length) had good ride quality. However, there was a lack of cross fall in some locations and inadequately formed surface water channels. Unsealed roads on the flat with low cross fall (< 4%) are more likely to pothole and this can lead to an unsafe network when drivers swerve to avoid the potholes. Council needs to deliver a cross fall within the range of 4 to 6%, which will mitigate the incidence of potholes on the network and help drivers stay in their lane. On some of the more remote locations we noted a tendency towards aggregate loss leaving a "boney" surface.



Other areas where we noted room for improvement are:

- Texas twist barrier terminals – these are not recommended as they can cause impacting vehicles to vault and roll over. Current best practice is outlined in Appendix A<sup>3</sup> *Permanent Road Safety Hardware* of the NZTA M23: 2009 *Specification for Road Safety Barrier Systems*. Council does replace Texas twist terminals on a risk basis by way of a prioritised deficiency database, but we would like to see the process accelerated (a higher budget allocated, or risk assessments reviewed).
- Hazard markers – these are inconsistently used. Hazard markers (W20-4) provide warning to drivers of the presence of unshielded, non-frangible hazards in the rural verge, generally within 4-6m of the traffic lane. The absence of a marker may falsely imply the absence of the hazard - drivers rely on a consistent message. Utility poles are a commonly signed hazard but while well marked on some Southland District roads (or lengths of roads) they were not marked (or only intermittently marked) elsewhere. Hazard markers were also missing from some guardrail barrier end terminals.
- SCRIM sites – a number of signed SCRIM sites were observed where remedial work was not yet programmed. Signage does not replace the maintenance of skid resistance.
- Loose material on intersections, bends and straights, including migration of gravel from unsealed intersecting roads and property accesses.

<sup>2</sup> Refer to <https://www.nzta.govt.nz/resources/chipsealing-new-zealand-manual/chipsealing-in-new-zealand.html>

<sup>3</sup> Refer to <https://www.nzta.govt.nz/assets/resources/road-safety-barrier-systems/docs/m23-road-safety-barrier-systems-appendix-a.pdf>

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	<ul style="list-style-type: none"> <li>Minor incidences of stripping, scabbing and edge break were noted.</li> </ul>
Recommendations	<p><b>We recommend that Council:</b></p> <p>R2.1 Ensures compliance with Waka Kotahi requirements for net present value (NPV) analysis for drainage renewal projects.</p>
Suggestions	<p><b>We suggest that Council:</b></p> <p>S2.1 Confirms failure mode with testing, where chipseal layer instability is suspected.</p> <p>S2.2 Reviews seal selection processes to ensure provision of maximum level of service to the road user at minimum whole-of-life cost.</p> <p>S2.3 Increases cross fall on flat unsealed roads to within the range of 4 to 6%.</p>
Southland District Council's comment	<p>Council notes the requirement to carry out NPV calculation for this activity however it should be noted that to date the bulk of drainage renewals are treated reactively with unexpected culvert failures and therefore pressure to maintain LOS means replacement (with climate change considerations) is the only option available. However, works are currently underway to remedy this with the aim of a more proactive approach which will allow for NPV analysis where deemed appropriate to do so – Council recommends a more pragmatic approach where the project value exceeds a certain value (due to the likely volume of upcoming replacements) or a “generic NPV” based on size of culvert vs road classification for example.</p>

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### 3. Activity Management Planning

Effective

#### Activity Management Plan

Council has an active 2018-28 Roads and Footpath Activity Management Plan (AMP) that incorporates the programme business case for maintenance operations and renewals programmes of work. The key issues identified are:

- Aging network of sealed roads
- Increasing number of seal layers
- Impact of posted bridges (102) on achieving key objectives
- Increasing amount and weight of heavy traffic
- Width of sealed roads
- Subsidy from Waka Kotahi (note: funding assistance rate (FAR) is 51% in 2018-21 and will increase to 52% in 2021-24).

Other issues highlighted in the AMP included data integrity, customer understanding of level of service, forestry traffic and resourcing for the One Network Framework (ONF).

Our brief review of the current AMP found:

- Discussion on seal extensions did not include an analysis of the consequential renewal and opex costs. Some councils have found that sealed roads cost 2-3 times as much to maintain per year. We suggest undertaking robust benefit cost analysis based on whole of life cost and ensuring

that the forecast increases in maintenance, operation and renewal costs are carried through in all future maintenance budget regimes.

- No mention of guide, tourism or information signs in the management strategies section. These sign types are essential in a district with significant visitor traffic.
- Streetlighting performance is measured by customer satisfaction – lux surveys may provide more quantifiable feedback.
- No business case for low cost, low risk (LCLR) programme.
- Overall, some very good discussion regarding the maintenance of asset groups in local conditions.

Council's Transport Activity Management Plan 2021-2031 has recently been submitted to Waka Kotahi in support of their 2021-24 NLTP bid. This AMP has been positively reviewed by the Transport Services team. Their assessment summary was "This AMP is sufficient for purposes and delivers appropriate detail".

#### **General Observations**

Council manages a local road network of approximately 5,000 kilometres (the second largest in New Zealand, behind Auckland Transport) and covers a land area of 30,000 km<sup>2</sup>. Maintenance and renewal activity is delivered through three alliance-style contracts. Feedback from staff portrays effective relationships with alliance partners, a shared commitment to achieving good outcomes on the network and a positive and supportive working team environment. The audit team was impressed by the effective blend of experience, knowledge, skills and abilities.

The aging bridge stock was identified in the AMP as a key issue for Southland District. Some 160 bridges have been assessed as having less than ten years useful life and, to maximise that life, 77 bridges are posted to restrict loading. Council has developed a bridge renewal/upgrade programme which considers all options including upgrading, replacement, divestment and removal. A key factor in decision making is the availability of acceptable alternative routes. We commend Council on being proactive in this area and note again the good quality of the works already undertaken (refer to Section 2 Network Condition and Management). With regard to the 77 posted bridges, we suggest a different approach to the posting process. Posting by public notice, issued under regulation 11 of the Heavy Motor Vehicle Regulations 1974, is most applicable to temporary restriction situations where the intention is to carry out strengthening works to reinstate the bridge to full loading capacity (usually within the year). Where the restriction is likely to be permanent (or semi-permanent), it is worth considering the alternative process of regulating the weight of vehicles using the bridge through a bylaw made under section 22AB(1)(zh) of the Land Transport Act 1998, pursuant to the process set out in the Local Government Act 2002. While this approach saves the costs of annually obtaining an engineer's certificate for each bridge and the publication of the posting notification, it is strongly recommended that a programme of regular risk-based inspections is continued for these vulnerable structures.

Coastal erosion is another key issue identified in the AMP. We observed a number of examples where Council is repeatedly repairing and reinstating coastal roads impacted by flooding from the sea (inundation) and coastal erosion. In two instances (Colac Foreshore Road and Ringaringa Road (Stewart Island)), roads were partially closed when reinstatement became uneconomic (and access/alternative routes were available). This is a difficult decision to make and we support Council's judicious approach in these two situations. Our changing climate will only increase the



risk of coastal erosion as well as the ongoing cost of reinstatement. Re-routing of these infrastructure

assets would require a permanent alternative to be developed. If this is not planned for in advance, then communities may become isolated or services may be disrupted before an alternative can be put into place. Roading infrastructure would be only one factor in any adaptation plan to address this risk, but in the meantime prudent decision making is necessary regarding the level of investment in roads which may ultimately be retreated or otherwise closed. In low lying areas, retreating may be an option that will allow the reconstruction of a larger beach and dune system, which together should provide greater protection against erosion. Sustainable coastal adaptation is possible and could deliver multiple benefits. However, it requires a long-term commitment and proactive steps, including to inform and facilitate change in social attitudes.

Our inspection tours included some new subdivisions and other developments, where we noted that many features don't align with current best practice (e.g. mountable kerb) or with sustainable maintenance/renewal practice (e.g. decorative lamp posts, AC used on access / low volume streets). Other concerns included carriageway and footpath widths, planted traffic islands, speed treatments and standard of work (some surfaces show signs of early failure). The team was concerned that a lack of control of these design aspects will lead to a marked increase in compliance costs to meet and maintain standards (e.g. ongoing maintenance from poor drainage feature design; cost of adding or upgrading pedestrian facilities for accessibility). It is suggested that Council reviews their subdivision development standards and updates them as required, including strengthening linkages to the District Plan and NZS 4404. The completion of a comprehensive review of asset design specifications and detailed drawings will facilitate cost effective maintenance/ renewal and ensure best whole of life costs by standardising the asset specifications.

The inspection tour also included Stewart Island, where staff informed us that transport constraints across Foveaux Strait mean that heavy plant cannot be feasibly used on the island and that costs for supplying labour, equipment and materials result in very high maintenance activity cost. The transport network includes some 20 km of road, 1.3 km of footpath, 41 streetlights and other associated facilities. The standard of the network is perforce less than the standard on the mainland. Drainage on the road network is however inadequate and we suggest an improvement strategy be developed to address this. Staff take a tactical approach to optimise delivery of maintenance services – including regular inspections and bundling of work activities (e.g. resurfacing all sealed roads at the same time). We agree that in the current environment this is the best approach. In the longer term, Council may wish to work with residents to develop a local level of service that could incorporate some innovative and unique aspects. For example, Stewart Island has an opportunity to become an ecologically liveable and beautiful settlement that is also a hub of innovation in renewable energy and climate change resilience.

Recommendations	No recommendations.
Suggestions	<p><b>We suggest that Council:</b></p> <p>S3.1 Considers the long-term restriction of heavy vehicles on vulnerable bridges by means of a Bylaw process.</p> <p>S3.2 Considers working with relevant parties to develop an adaptation strategy for Southland District that includes forward planning for coastal roads.</p> <p>S3.3 Considers a review of development standards (technical specifications and detailed drawings) to reduce the variety and ensure the quality of asset types to be maintained by Council.</p>
Southland District Council's comment	Audit suggestions are appreciated and noted. As the restricted bridges are inspected annual and reported the Bylaw process is unlikely provide much of more value for the current approach. We see the value in the bylaw approach when bridges are designed to a lower standard or restriction are unlikely to change for a substantial period of time.



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4. Data Quality	Effective
<p><b><u>Performance Monitoring</u></b></p> <p>Road Efficiency Group's (REG) 2019/20 data quality report has scored Council with 82/100 (a score of 100 is achieved by having all metric results at the expected standard level). The ONRC PMRT indicates (as at August 2020) that there are still high importance areas for improvement (i.e. have major data issues) and they relate to:</p> <ul style="list-style-type: none"> <li>• accuracy of pavement records</li> <li>• timeliness of pavement renewal as-built data</li> <li>• accuracy of pavement and surface maintenance activity location.</li> </ul> <p>Provision of timely as-built data is a contractual requirement, but Council has a role in ensuring both compliance and that the records are accurate. It is important that Council investigates, identifies and resolves these and other data gaps highlighted in the REG data quality report. Doing so will improve reporting at an individual level and allow Council to accurately compare its ONRC performance with its peers.</p> <p><b><u>Condition Rating</u></b></p> <p>Condition Rating is generally complying. Council undertakes condition rating surveys on a two-yearly basis for the full sealed network. It was last done in January 2019. Knowledge Base<sup>4</sup> states "Roughness and condition rating surveys of all sealed roads must be undertaken at least every second year. Condition rating surveys of all sealed roads carrying more than 2,000 vehicles per day are to be undertaken annually". For Southland District, this latter requirement affects some 5-6 km of the network. To achieve full compliance cost effectively, Council might consider approaching neighbouring road controlling authorities to aggregate work packages for the higher volume surveys.</p> <p><b><u>General</u></b></p> <p>Queries run from RAMM involving maintenance costs highlighted some anomalies in the data. Activities such as core maintenance relating to environment, surfacing, traffic facilities, etc, should be reasonably consistent from year to year, but the data showed large gaps in expenditure on these activities and an occasional unexplainable peak. There were also 5,967 entries costed at \$0, no entries at all for 2020/21 and 142 records relating to an activity called "???" under the cost group "Other" (at a total cost of \$17,657). Robust maintenance costs facilitate invaluable analysis of network expenditure trends by year, by kilometre, by classification and by road - the measure of the actions taken to maintain the network inventory. They also provide a network-specific maintenance cost history that can be used in NPV calculations to justify renewal activity. It is suggested that Council works closely with its contractors to ensure a consistent understanding and approach to the recording of maintenance cost data.</p>	
Recommendations	<p><b>We recommend that Council:</b></p> <p>R4.1 Resolves the data issues identified in the REG Data Quality report to improve data accuracy and timeliness.</p>

<sup>4</sup> Refer to <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/202124-nltp/2021-24-nltp-activity-classes-and-work-categories/other-work-categories/2021-24-nltp-wc-151-network-and-asset-management/>

Suggestions	<p><b>We suggest that Council:</b></p> <p>S4.1 Investigates options for cost-effective compliance with Waka Kotahi funding rules regarding the undertaking of annual condition rating surveys on higher volume roads.</p> <p>S4.2 Reviews the relevant processes and specifications to ensure that maintenance cost data added to the RAMM database is timely, accurate and complete.</p>
Southland District Council's comment	Data quality is an ongoing focus area and will remain so for some time. The latest around of REG data quality reports showing a 10 point increase from the previous year which demonstrates positive progress is being made in this area.

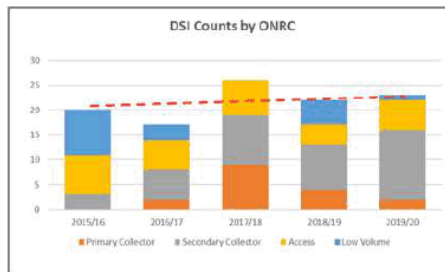
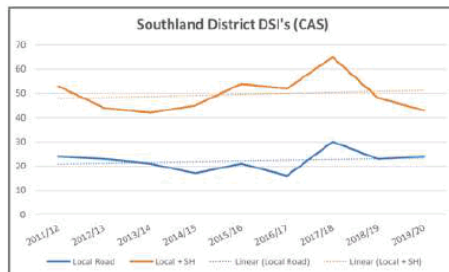
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## 5. Road Safety

Some Improvement Needed

### Performance Monitoring

The annual number of deaths and serious injuries (DSIs), listed in New Zealand's Crash Analysis System (CAS) as occurring in Southland District, has been gradually trending upwards over recent years – this appears to be driven partly by crashes on Secondary Collector roads (see graphs below). Over the last five years, CAS records show 94 crashes which have resulted in 114 DSI's. Of these 94 crashes, 26% occurred on a Saturday, 90% were within open road (100 kph) speed areas, 51% were loss of control or head-on on a bend, 30% were on unsealed roads, 26% were at night and 22% involved a motorcycle. Investigation is required to identify common factors in crashes and develop potential engineering solutions. Note that solutions can reduce the likelihood of a crash occurring or they can reduce/mitigate the consequences if the crash is the result of non-riding factors.



The levels of collective risk (crashes per km) for the various road classifications are notably lower than the rural network peer group averages (for 10 yrs up to 2019/20). Personal risk (crashes by traffic volume) is also lower than peer group averages, with the exception of Low Volume rural roads which are a little higher.

The Communities at Risk Register 2019<sup>5</sup> identifies no areas of high concern for Southland District but areas of medium concern are "young drivers", "pedestrian involved" and "fatigue".

<sup>5</sup> Refer to <https://www.nzta.govt.nz/assets/resources/communities-at-risk-register/docs/communities-at-risk-register-2019.pdf>

### **Road Safety Audits**

Road safety audit reports were viewed for:

- **Riversdale Pyramid Road Bridge Replacement - Preliminary Design Stage** (July 2018)
  - Well written, insightful report.
  - The audit team comprised a single auditor who is a Council staff member – “Road safety auditors must be independent of the client, designer or contractor, so that the project outcome is viewed with fresh eyes and is unbiased”.<sup>6</sup>
  - The report is not complete – *Client Decision* and *Action Taken* fields are not filled in.
  - Given the concerns raised at the preliminary design stage, an audit should have been undertaken at all subsequent stages for this project.



- **SDC Rehab Projects 18/19 - Post Construction Safety Audit** (August 2019)
  - Draft report with much of the template not updated for the project.
  - Risk fields are not filled in.
  - *Designer Response*, *Safety Engineer*, *Client Decision* and *Action Taken* fields are not filled in.
- **Alternative Coastal Route Seal Extension – Post Construction Safety Audit** (March 2019)
  - Good report – valid concerns, particularly regarding the significant and moderate risks.
  - Risk fields are not filled in.
  - *Designer Response*, *Safety Engineer*, *Client Decision* and *Action Taken* fields are not filled in.

Council is commended for undertaking Road Safety Audits for improvement and relevant renewal projects. However, we are concerned that:

- None of the reports viewed (above) had been completed (despite being undertaken some 2-3 years ago and identifying moderate and/or significant issues)
- It is apparent that subsequent stages of projects have proceeded prior to the closing out of the Road Safety Audit for the previous stage (e.g. Pyramid Road Bridge Replacement).

<sup>6</sup> Refer to <https://www.nzta.govt.nz/assets/resources/road-safety-audit-procedures/docs/road-safety-audit-procedures-tfm9.pdf>

Waka Kotahi requires Road Safety Audits to be undertaken, or exemption declarations completed, at key stages of “any improvement or renewal activity that involves vehicular traffic, and/or walking and/or cycling, proposed for funding assistance from the NLTP”<sup>7</sup>.

#### **General Observations**

Based on CAS data, nearly half (45 crashes or 48%) of all DSI crashes over the past 5 years occurred on bends on 100 kph open roads. And 38% of these (or 18% of the total DSI crashes) occurred on unsealed roads. This high rate of crashes on curves on rural roads, as well as crashes at night (30 DSI crashes occurred at night/twilight), highlights the need for correct delineation and effective advisory signage on out of context curves. While we observed many examples of high standard, complying signage on curves, reflecting Council’s upgrading strategy, both road delineation (edge marker posts, centrelines, edge lines) and curve warning signage on the rural network are inconsistently applied along routes and across classification types. Ensuring consistent application and maintenance of road and curve delineation, based on road classifications, is an essential step in reducing the risk of death and serious injury crashes. This includes ensuring that appropriate speed advisory values are implemented and that all out of context curves are appropriately signed. Guidance on the use and placement of delineation devices can be found in Part 5 of the TCD manual<sup>8</sup>.

Gravel migration (loose gravel from unsealed side roads) was repeatedly observed migrating onto the sealed through road (or intersection), reducing traction and erasing road marking. A preferred method to improve safety, road condition and reduce maintenance costs is to chip seal the side road approach. The optimal seal back distance is calculated based on the safe stopping distance for a heavy vehicle approaching the intersection. Sealing back provides further safety benefits such as facilitating the installation of full intersection makings, reducing dust and eliminating corrugations formed by acceleration and braking forces. Increased sealing back should also be considered on single lane bridge approaches and on rural driveways and farm entrances to minimise gravel migration and edge break at these locations. It is noted that Council is aware of this issue and currently undertakes seal backs on bridges and intersections as budgets and priorities allow, usually in conjunction with adjacent pavement rehabilitations. Our suggestion is that this response be extended into a proactive and prioritised programme of treatments.



We noted too that many intersections on both the rural and the urban networks are uncontrolled. Controls can improve conspicuity, define vehicle path and reduce confusion at intersections.

Recommendations	<b>We recommend that Council:</b>  R5.1 Ensures that Road Safety Audits for renewal and improvement projects are fully and completely undertaken (except where endorsed as exempted) in alignment with project staging.
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<sup>7</sup> Refer to <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/activity-classes-and-work-categories/road-improvements-other-road-related-funding-policies-guidance/road-safety-audit/>

<sup>8</sup> Refer to <https://www.nzta.govt.nz/roads-and-rail/traffic-control-devices-manual/part-5-traffic-control-devices-for-general-use-between-intersections/>



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	R5.2 Develops and implements a programme to upgrade rural road delineation, with a strong focus on curve warning, to ensure a safe and consistent driving environment during both day and night.
Suggestions	<b>We suggest that Council:</b>  S5.1 Considers a prioritised programme of sealing back unsealed road approaches to rural intersections.
Southland District Council's comment	With funding pressure on safety improvement funding and priority given to road to zero strategy for the immediate future it is unlikely that there will be opportunity for council to shift from its current strategy of sealing back gravel road intersections when undertaking pavement rehabilitation works in the same area.

\* \* \*

## 3.0 APPENDICES

### APPENDIX A

#### Network Field Inspections



**APPENDIX B****Sample of Audit Photos**

Highlights from the audit included (clockwise from top left) a good standard of temporary traffic management on roadwork sites; directional arrows to assist foreign tourists; water cutting / blasting to remove excess binder and restore surface texture; use of delineators; good standard of completed renewal projects (e.g. Balfour Ardlussa Road pavement rehabilitation); sign layout compliance (e.g. single chevrons, EMPs, etc); and effective programme of bridge replacements (e.g. Mararoa Rd bridge).



Some of the challenges are (clockwise from top left) high level of carriageway flushing; inconspicuous intersections (e.g. Otautau Nightcaps Road intersection with Hundred Line Road West); gravel migration from unsealed side roads; Texas twist guardrail terminal ends; lack of consistent delineation, particularly on curves; and flat crossfalls on unsealed roads along with inadequate drainage channels.



## Exclusion of the public: Local Government Official Information and Meetings Act 1987

### Recommendation

That the public be excluded from the following part(s) of the proceedings of this meeting.

C8.1 Foveaux road alliance contract review for 2021/2022

C8.2 Follow up audit action points

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Foveaux road alliance contract review for 2021/2022	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Follow up audit action points	s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.