



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

**Date:** Wednesday, 5 June 2024  
**Time:** 10am  
**Meeting room:** Council Chamber  
**Venue:** Level 2  
20 Don Street  
Invercargill

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## **Finance and Assurance Committee Agenda OPEN**

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### **MEMBERSHIP**

#### **Chairperson**

Bruce Robertson (external member)

Mayor Rob Scott

#### **Councillors**

Jaspreet Boparai

Don Byars

Derek Chamberlain

Paul Duffy

Darren Frazer

Sarah Greaney

Julie Keast

Christine Menzies

Tom O'Brien

Margie Ruddenklau

Jon Spraggon

Matt Wilson

### **IN ATTENDANCE**

#### **Group manager finance and assurance Committee advisor**

Anne Robson

Rachael Poole

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Online: [Southland District Council YouTube](https://www.youtube.com/watch?v=...)

**Full agendas are available on Council's website**  
**[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.

**Recording** - These proceedings are being recorded for the purpose of live video, both live streaming and downloading. By remaining in this meeting, you are consenting to being filmed for viewing by the public.

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## Terms of Reference – Finance and Assurance Committee

<b>TYPE OF COMMITTEE</b>	Council standing committee
<b>RESPONSIBLE TO</b>	Council
<b>SUBCOMMITTEES</b>	None
<b>LEGISLATIVE BASIS</b>	Committee constituted by Council as per schedule 7, clause 30 (1)(a), LGA 2002.  Committee delegated powers by Council as per schedule 7, clause 32, LGA 2002.
<b>MEMBERSHIP</b>	The mayor, all councillors and one external appointee.
<b>FREQUENCY OF MEETINGS</b>	Quarterly or as required
<b>QUORUM</b>	Seven members
<b>SCOPE OF ACTIVITIES</b>	<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>
<b>DELEGATIONS</b>	<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> </ul>

	<ul style="list-style-type: none"> <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> <ol style="list-style-type: none"> <li>a) monitoring financial performance to budgets</li> <li>b) monitoring service level performance to key performance indicators.</li> </ol> <p><b>Internal control framework</b></p> <ol 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> </ol> <p><b>Internal reporting</b></p> <ol 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> </ol> <p><b>External reporting and accountability</b></p> <ol 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> <li>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</li> </ol> <p><b>Risk management</b></p> <ol style="list-style-type: none"> <li>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</li> <li>b) considering whether appropriate action is being taken to mitigate Council's significant risks.</li> </ol>
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	<p><b>Health and safety</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) review and make recommendations for Council approval on strategies for achieving health and safety objectives</li> <li>c) review and recommend for Council approval targets for health and safety performance and assess performance against those targets</li> <li>d) monitor the organisation's compliance with health and safety policies and relevant applicable law</li> <li>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</li> <li>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</li> <li>g) review health and safety related incidents and consider appropriate actions to minimise the risk of recurrence</li> <li>h) make recommendations to Council regarding the appropriateness of resources available for operating the health and safety management systems and programmes</li> <li>i) any other duties and responsibilities which have been assigned to it from time to time by Council.</li> </ul> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>a) approve appointment of the internal auditor, internal audit engagement letter and letter of understanding</li> <li>b) reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on Council's risk profile</li> <li>c) reviewing the adequacy of management's implementation of internal audit recommendations</li> <li>d) reviewing the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.</li> </ul> <p><b>External audit</b></p> <ul style="list-style-type: none"> <li>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</li> </ul>
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	<p>b) receiving the external audit report(s) and review action(s) to be taken by management on significant issues and audit recommendations raised within</p> <p>c) enquiring of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks.</p> <p><b>Compliance with legislation, standards and best practice guidelines</b></p> <p>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</p> <p>b) conducting and monitoring special investigations, in accordance with Council policy, and reporting the findings to Council</p> <p>c) monitoring the performance of Council organisations, in accordance with the Local Government Act.</p> <p><b>Business case review</b></p> <p>a) review of the business case of work, services, supplies, where the value of these or the project exceeds \$2 million (GST exclusive) or the value over the term of the contract exceeds \$2 million (GST exclusive).</p> <p><b>Insurance</b></p> <p>a) consider Council's insurance requirements, considering its risk profile</p> <p>b) approving the annual insurance renewal requirements</p> <p><b>Treasury</b></p> <p>a) oversee the treasury function of Council ensuring compliance with the relevant Council policies and plans</p> <p>b) ensuring compliance with the requirements of Council's trust deeds are met</p> <p>c) recommend to Council treasury policies at least every three years.</p> <p>d) approve debt, interest rate and external investment management strategy.</p> <p><b>Fraud Policy</b></p> <p>a) receive and consider reports relating to the investigation of suspected fraud</p> <p>b) monitor the implementation of the Fraud Policy.</p> <p><b>Power to recommend</b></p> <p>The Finance and Assurance committee is responsible for considering and making recommendations to Council regarding:</p> <p>a) policies relating to risk management, rating, loans, funding and purchasing</p>
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	<p>b) accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements</p> <p>c) the approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.</p> <p>The Finance and Assurance committee is responsible for considering and making recommendations to Council on business cases completed under the 'Power to act' section above.</p>
<b>FINANCIAL DELEGATIONS</b>	<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 an activity that is within the scope of activities relating to the work of the Finance and Assurance committee</li> <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>
<b>LIMITS TO DELEGATIONS</b>	<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>
<b>RELATIONSHIPS WITH OTHER PARTIES</b>	<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</p>

	<p>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>
<b>CONTACT WITH MEDIA</b>	<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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**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 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.”

**5 Confirmation of minutes**

5.1 Meeting minutes of Finance and Assurance Committee, 24 April 2024

**6 Public participation**

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.



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## Finance and Assurance Committee

### OPEN MINUTES

**UNCONFIRMED**

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Minutes of a meeting of Finance and Assurance Committee held in the Council Chamber, Level 2, 20 Don Street, Invercargill on 24 Apr 2024 at 12:30 pm. (12.34pm – 2.40pm)

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#### **PRESENT**

**Chairperson**

Bruce Robertson

Mayor Rob Scott

**Councillors**

Jaspreet Boparai

Don Byars

Derek Chamberlain

Paul Duffy

Darren Frazer

Sarah Greaney

Julie Keast

Christine Menzies

Tom O'Brien

Margie Ruddenklau (audio visual link)

Jon Spraggon

Matt Wilson

#### **IN ATTENDANCE**

**Committee advisor**

Rachael Poole

**Group manager finance and assurance**

Anne Robson

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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 Extraordinary/urgent items**

There were no extraordinary/urgent items.

**5 Confirmation of minutes**

**Resolution**

Moved Chairperson Robertson, seconded Mayor Scott **and resolved:**

**That the Finance and Assurance Committee confirms the minutes of the meeting held on 27 March 2024 as a true and correct record of that meeting.**

**6 Public participation**

There was no public participation

**Reports**

**7.1 Finance and Assurance Committee work plan to 30 June 2024**

**Record No: R/24/4/25674**

GM finance and assurance, Anne Robson presented this report to the committee.

**Resolution**

Moved Chairperson Robertson, seconded Deputy Mayor Menzies **and resolved:**

**That the Finance and Assurance Committee:**

- a) receives the report titled "Finance and Assurance Committee work plan to 30 June 2024".**

- b) notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2024 since the last meeting.

## 7.2 Remaining Activity Management Plans (AMPS) supporting documents for the Long Term Plan 2024-2034 (LTP34)

**Record No: R/24/4/25601**

GM finance and assurance, Anne Robson introduced this report and explained that the activity management reports have been updated to ensure that previous discussions have been incorporated into each of the remaining activity management plans.

The key changes since the beginning of the year have been within the Water Services, Environmental Services and Waste Services AMPS.

### Resolution

Moved Cr Duffy, seconded Chairperson Robertson **and resolved:**

**That Finance and Assurance Committee:**

- a) **Receives the report titled “Remaining Activity Management Plans (AMPS) supporting documents for the Long Term Plan 2024-2034 (LTP34)” dated 19 April 2024.**
- b) **Determines that this matter or decision be recognised as 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 and recommends to Council the following draft supporting information for the Long Term Plan consultation document including amendments discussed at the meeting, including the reviewing of the wording of the significant financial assumptions for demographics and tourism.**

#### Activity management Plans for Council Activity groups

- **Environmental services group**
  - i. **Environmental Services AMP (A)**
  - ii. **Emergency Management AMP (B)**
- **Community Leadership group**
  - i. **Community leadership AMP (C)**
- **Transport group**
  - i. **Water facilities AMP (D)**
- **Water Services group**
  - i. **Water Services AMP (E)**

- **Community Resources group**
  - i. **Community Services AMP (F)**
  - ii. **Community Facilities AMP (G)**
  - iii. **Open Spaces AMP (H)**
  - iv. **Waste Services AMP (I)**
  - v. **Stewart Island Electricity Supply Authority (SIESA) AMP (J)**
- e) **Acknowledges that the Committee will be asked at its meeting on ~~5 June 2024~~ 15 May 2024 to endorse changes to the Performance measures previously endorsed at its February 2024 meeting**
- f) **Notes that the supporting documents will be made publicly available during the consultation period.**
- g) **That the reserve management plans identified in the Long Term Plan and currently funded from the district operations reserves be scoped and costed and a report prepared for Council by the end of July 2024.**

### **7.3 Forecasted Financial Position for the year ending 30 June 2024**

**Record No: R/24/4/25368**

Senior accountant Joanie Nel was in attendance for this report and explained that the purpose of this report was to inform the Committee of the expected year-end financial result compared to the Annual Plan 2023/2024 and to seek its approval to recommend to Council the resulting forecasted position.

#### **Resolution**

Moved Chairperson Robertson, seconded Cr Greaney **and resolved:**

**That the Finance and Assurance Committee:**

- a) **Receives the report titled “Forecasted Financial Position for the year ending 30 June 2024”.**
- 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 forecasted changes to Council’s year-end financial performance and position as detailed in attachment A and B.**

**e) Endorses and recommends to Council the following unbudgeted expenditure and associated funding source:**

<b>Business Unit</b>	<b>Expense</b>	<b>Amount</b>	<b>Funding Source</b>
Te Anau Airport – Manapouri	Runways renewal	\$60,093	Loan
Stewart Island Visitor Levy	Operating costs	\$15,000	Grant
Mayoral Taskforce	Consultants	\$110,000	Grant
Creative communities NZ	Creative communities	\$17,988	Grant
Community housing collective	Maintenance general	\$55,000	Reserves
District water	Maintenance unplanned	\$220,000	General recoveries
Water supply Ohai/Nightcaps	Water renewal	\$112,555	Loan
Tuatapere library	Maintenance general	\$16,000	Reserves
Property sales	Commission and levies	\$10,174	Proceeds on sale
Property sales	Consultants	\$7,379	Proceeds on sale
Property sales	Legal costs	\$19,850	Proceeds on sale
Resource consent processing	Consultants	\$250,000	Reserves
Water supply overheads	Maintenance routine	\$125,000	Loan
District sewerage	Maintenance unplanned	\$150,000	Insurance recoveries
District sewerage	Maintenance routine	\$400,000	Loan
Beautification Stewart island	Improvements Ac LOS	\$50,000	Grant
Sewerage Edendale/ Wyndham	Sewerage renewals	\$300,000	Insurance recoveries
Toilets – Riverton Princess Street	Buildings renewal	\$300,000	Loan
Wheelie bins	Kerbside collection – recycling	\$75,000	Reserves
Wheelie bins	Waste disposal	\$150,000	Reserves

**f) Endorses and recommends to Council the deferral of the following items to the 2024/2025 financial year:**

<b>Business Unit</b>	<b>Project/Item</b>	<b>Amount</b>	<b>Funding Source</b>
Better off funding	Consultants	(\$150,000)	Grant
Information services	Software renewal	(\$700,000)	Loan
Sewerage scheme Manapouri	Manapouri Wastewater treatment upgrade	(\$600,000)	Loan
Stormwater drainage Te Anau	Stormwater acquisition LOS	(\$1,000,000)	Loan
Resource planning/policy	General projects	(\$400,000)	Grant



- g) Approve the bringing forward of the following project budgets from future financial years:

Business Unit	Project	Amount	Funding Source
District sewerage	District wide oxidation pond desludging	\$100,000	Loan

The meeting concluded at 2.40pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A  
MEETING OF THE FINANCE AND ASSURANCE  
COMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....



## Finance and Assurance Committee work plan to 30 June 2024

Record no: R/24/4/25673  
Author: Teresa Morgan, Financial accountant  
Approved by: Anne Robson, Group manager finance and assurance

☐ Decision ☐ Recommendation ☒ Information

### Purpose

1. To update the Committee on the status of the work programme discussed and agreed at the 22 March 2023 meeting for the financial year ending 30 June 2024.
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 committee's 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 to the June meeting
  - the draft risk management policy report, further to an audit report finding.
  - the information systems update report, updating the committee on progress.
  - the balanced funds investment review, provides information around the Milford and Westpac balanced funds performance
  - Te Anau Downs Station – Twelve Point Action Plan (TPAP) report provides an update on the progress on the planned response to recommendations of the independent review
  - Legal issue steering group – update on Te Anau Downs, provides further information to the committee to questions raised.
  - the Fraud Policy Review, further to an audit report finding.
5. The following reports have been removed from June to a further meeting:
  - 2024/25 Long term plan – recommend adoption by council report has been moved to the 7 August meeting due to the extension of the long term plan
  - Internal Audit Terms of Reference report has been moved to the 7 August meeting due to the prioritising of resources.
  - The accounting policies and the significant forecasting assumptions reports relating to the 2025/26 Annual Plan have been moved to the 16 October meeting as the timetable for the annual plan is still being developed due to the extension of the long term plan.

- Internal Audit final report (prevention of Bribery and Corruption) report has been removed as we are currently in the process of finalising dates for the Deloitte team to travel to Invercargill and undertake presentations to staff and elected members.
6. The following report have been removed from the June meeting:
- 2024/25 Long term plan – Audit management report has been removed as the report was presented to Council on the 29<sup>th</sup> May 2024.

## **Recommendation**

**That the Finance and Assurance Committee:**

- a) receives the report titled “Finance and Assurance Committee work plan to 30 June 2024”.**
- b) notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2024 since the last meeting.**

## **Attachments**

There are no attachments for this report.

## Finance and Assurance Committee Workplan to 30 June 2024

Content	6 Sept 2023	18 Oct 2023	15 Nov 2023	6 Dec 2023	14 Feb 2024	27 Mar 2024	24 Apr 2024	5 Jun 2024
2024/25 Long term plan - accounting policies	X	X						
2024/25 Long term plan - significant forecasting assumptions	X							
2024/25 Long term plan – Deloitte engagement letter	X	X		X				
2024/25 Long term plan - recommend draft to council					X future date to be confirmed			
2024/25 Long term plan - recommend adoption by council								X
2024/25 Long term plan – endorse supporting documentation					X			
2024/25 Long term plan – audit management report					X future date to be confirmed			X
2024/25 Long term plan - policies				X	X			
2024/25 Long term plan - timeline update				X		X		
2024/25 Long term plan - Draft financial and infrastructure strategies						X		
2024/25 Long term plan - Remaining supporting documents							X	
2025/26 Annual Plan – accounting policies								X
2025/26 Annual Plan – significant forecasting assumptions								X
Quarterly Risk Report	X			X		X		X
Health & Safety Update including H&S events dashboard	X			X		X		X
Financial Monthly Report	X			X		X		X
Follow up on audit action points	X			X		X		X
2022/23 Annual Report – agree report ready for audit	X							
2022/23 Annual Report – accounting policies	X							
2022/23 Annual Report – management representation letter		X						
2022/23 Annual Report – recommend adoption by Council		X						
2022/23 Annual Report – final audit management report		X						
2023/24 Annual Report – Deloitte engagement letter					X	X		
2023/24 Annual Report – Audit Timetable					X	X		X
2023/24 Annual Report – accounting policies								X
2023/24 Debenture Trust Engagement Letter					X	X		
2022/23 Debenture Trust Limited Independent Assurance Report		X						
Analysis of actual results to forecast for year end 30 June 23		X						
Forecast Financial Position						X	X	
Interim Performance Report	X			X		X		
Financial Transactional Team Update Report to 30 June 2024	X							

Content	6 Sept 2023	18 Oct 2023	15 Nov 2023	6 Dec 2023	14 Feb 2024	27 Mar 2024	24 Apr 2024	5 Jun 2024
Determine Finance & Assurance meeting Content 24/25						✗		✗
Internal Audit Terms of Reference								
Internal Audit Final Report								
Insurance - renewal approval								X
Cyber security update	X			X		X		X
Environmental Services Business Improvement Plan	X			X		X		X
Setting of three-year Internal Audit Program						✗		X
Internal Audit Terms of Reference						✗		✗
Internal Audit Final Report (Prevention of Bribery & Corruption)				✗		✗		✗
Commercial infrastructure – forestry harvest plan 2023/2024	X							
Waimea road alliance contract review for 2022/2023	X							
Budget carry forward requests - 2022/2023 into 2023/2024 financial year	X							
Winton wastewater		X						
Ministry for the environment class 1 landfill audit report		X						
Legal matter – Outcome and next steps			X					
Manapouri water treatment plant upgrade – business case			X					
Legal matter – next steps				X				
Commercial infrastructure – forestry estate – carbon investment					X			
Draft Risk Management Policy								X
Information system update (Anne)								X
Balanced funds Investment Review								X
Te Anau Downs Station – Twelve Point Action Plan (TPAP)								X
Legal issue steering group – update on Te Anau Downs								X
Fraud Policy Review								X

R/23/3/9729

## Finance and Assurance Committee work plan for the year ended 30 June 2025

Record No: R/24/3/10709

Author: Teresa Morgan, Financial accountant

Approved by: Anne Robson, Group manager finance and assurance

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 The purpose of preparing the draft work plan is to obtain the committees discussion and agreement as to the agenda items it expects to see during the year to 30 June 2025. 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.

### Background

- 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 During the year there are reviews of the business case of work, services and supplies where the value of these or the project exceeds \$2 million (GST exclusive) or the value over the term of the contract exceeds \$2 million (GST exclusive). These will be added to the workplan as necessary.
- 5 The timetables for the 2024/25 annual plan and 2023/24 annual report are still to be confirmed so this may result in some changes to the draft plan attached.
- 6 We ask the Committee to consider the proposed workplan, making amendments as necessary.

### Recommendation

**That the Finance and Assurance Committee:**

- a) **receives the report titled "Finance and Assurance Committee work plan for the year ended 30 June 2025" dated 29 May 2024.**
- b) **agrees the Finance and Assurance Committee Work plan for the year ended 30 June 2025.**

### Attachments

- A Finance and Assurance Committee Workplan to 30 June 2025

Finance and Assurance Committee Workplan to 30 June 2025

Content	7 Aug 2024	4 Sept 2024	16 Oct 2024	4 Dec 2024	Feb 2025 TBC	Mar 2025 TBC	Jun 2025 TBC
2024/25 Long term plan - endorse the draft LTP and release to audit for final audit opinion.	X						
2025/26 Annual Plan – Timetable		X					
2025/26 Annual Plan – accounting policies			X				
2025/26 Annual Plan – significant forecasting assumptions			X				
2025/26 Annual Plan – workshop (if required)							
2025/26 Annual Plan – Recommend draft annual plan to Council					X		
2025/26 Annual Plan – Recommendation adoption to Council							X
Quarterly Risk Report		X		X		X	X
Health & Safety Update including H&S events dashboard		X		X		X	X
Financial Monthly Report		X		X		X	X
Follow up on audit action points		X		X		X	X
Cyber security update		X		X		X	X
Environmental Services Business Update (if required)		X		X		X	X
Investment strategy update		X		X		X	X
Interim Performance Report		X		X		X	X
2023/24 Annual Report – agree report ready for audit			X				
2023/24 Annual Report – management representation letter				X			
2023/24 Annual Report – recommend adoption by Council				X			
2023/24 Annual Report – final audit management report				X			
2024/25 Annual Report – Audit Timetable						X	
2024/25 Annual Report – accounting policies						X	
2024/25 Annual Report – Deloitte engagement and fee proposal letter						X	
2024/25 Debenture Trust Engagement Letter						X	
Analysis of actual results to forecast for year end 30 June 24			X				
Forecast Financial Position						X	
Financial Transactional Team Update Report to 30 June 2025		X					
Determine Finance & Assurance meeting Content 25/26						X	
Insurance Policy Review						X	
Insurance - renewal approval							X



Content	7 Aug 2024	4 Sept 2024	16 Oct 2024	4 Dec 2024	Feb 2025 TBC	Mar 2025 TBC	Jun 2025 TBC
Internal Audit Terms of Reference		X		X			X
Internal Audit Final Report				X			X
Commercial infrastructure – forestry harvest plan 2025/2026							X
Work programme for 2024/2025 incl projects c/f from 2023/2024			X				
Procurement Policy			X				
Draft risk management framework – recommendation to Council				X			
Annual Risk Review Report							X
Roading management and maintenance of current contracts renewals for Waimea, Central and Foveaux alliance.							X
Dog 10a Report			X				
IANZ Re-Accreditation Audit Report							X
Balfour Wastewater Treatment plant re discharge consent renewal					X		
Edendale/Wyndham Wastewater Treatment plant re discharge consent renewal				X			
Edendale/Wyndham Stormwater renewal					X		
NZTA Waka Kotahi audit report							X
Recycling Contract Renewal						X	



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## Financial Report for the period ended 30 April 2024

**Record No:** R/24/5/34024

**Author:** Joanie Nel, Senior accountant

**Approved by:** Anne Robson, Group manager finance and assurance

☐ Decision

☐ Recommendation

☒ Information

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### Purpose

- 1 To provide Council with an overview of the financial results for the ten months to 30 April 2024 by Council's seven activity groups, as well as the financial position and the statement of cashflows as at 30 April 2024.
- 2 Substantive changes from the previous financial report are shown in text with underline.

### Recommendation

**That Finance and Assurance Committee:**

- a) **Receives the report titled "Financial Report for the period ended 30 April 2024" dated 29 May 2024.**

### Attachments

- A Financial report for April 2024



## Financial report

*April 2024*

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

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## Introduction

This report summarises Council's financial results for the ten month period to 30 April 2024.

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 (Annual Plan) 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 Annual Plan budget with adjustments for phasing of budgets
- full year (FY) budget, which is the Annual Plan budget figures
- full year (FY) projection, which is the Annual Plan 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.

Carry forwards were approved by Council in September 2023 and have been included in the projection column.

Phasing of budgets is undertaken to reduce the number of variance explanations due to timing. Phasing occurred in October and when one-off actual costs were incurred.

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

The forecasting changes to the projected budgets for the year was approved by Council on the 1<sup>st</sup> of May. These changes will be included in the May financial results.

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.

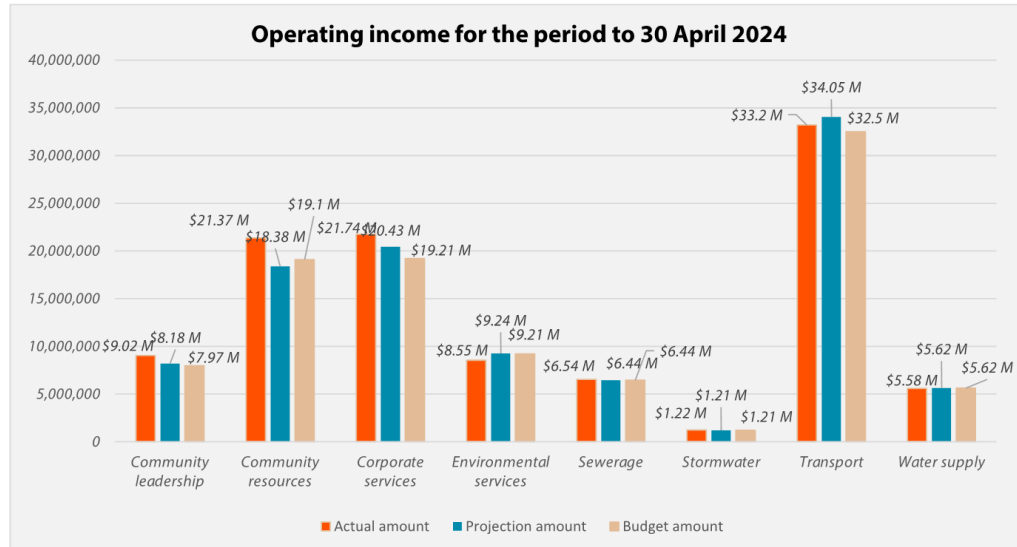
### Abbreviation explanation

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
TIF	Tourism Infrastructure Fund
YE	Year end
YTD	Year to date
YTD Variance	Comparison of actual results compared to YTD budget
\$M	Millions of dollars
WWTP	Wastewater treatment plant

## Council summary

### Income

Operating income for the ten month period to 30 April 2024 is \$3.6 million (4%) above projection (\$107.2 million actual vs \$103.5 million projection). The key reasons for the variances are detailed below.



- **community leadership** income is \$834K (10%) over projection due to the \$5 increase in the Stewart Island Visitor Levy (increased at 1 October 2023) and grant funding received for the Mayoral Taskforce as well as grant income received for creative communities. \$473K has also been received from the Fiordland retirement housing trust, further to the trust winding up, this money has been requested to be used by the Community Board for elderly persons.
- **community resources** income is \$2.9M (16%) over projection. \$1.8M of this is related to the sale of Luxmore land in Te Anau. In addition, waste services income is \$1.3M over projection due to the increase in waste levy funding received from the Ministry for the Environment (\$293K) as well as higher refuse fee income due to higher waste volumes at transfer stations (\$139K). The levy payments Councils receive is half of the money that has been collected by the Ministry through the waste disposal levy around the country and is paid to territorial authorities (TA) each quarter. The amount of levy each TA received is determined by the population. \$959K of government grant was invoiced for the Bluecliffs landfill removal. Community housing income is under projection (\$21K) due principally to two vacant units that require extensive repairs. SIESA electricity income is over projection (\$65K) due to the price increase and the increase in kWh sales.
- **corporate services** income is \$1.3M (6%) more than projection. This is mainly due to increased internal interest on loans versus projection, this has been forecasted for. The results from the forecasting round will be reflected in the May month-end reporting. Forestry income was \$398K above projection due to the yield and grade of the forest stock being above expected in some areas.
- **environmental services** income is \$697K (8%) less than projection. Building solutions income is less than projected due to a drop in new building consent applications over the prior year. In addition, the lower income has also resulted from more code of compliance certificates being signed off for historical building work. Because the fees for these certificates were prepaid at the time of the original consent and treated as income at the time, the financial statements do not show this income. This has



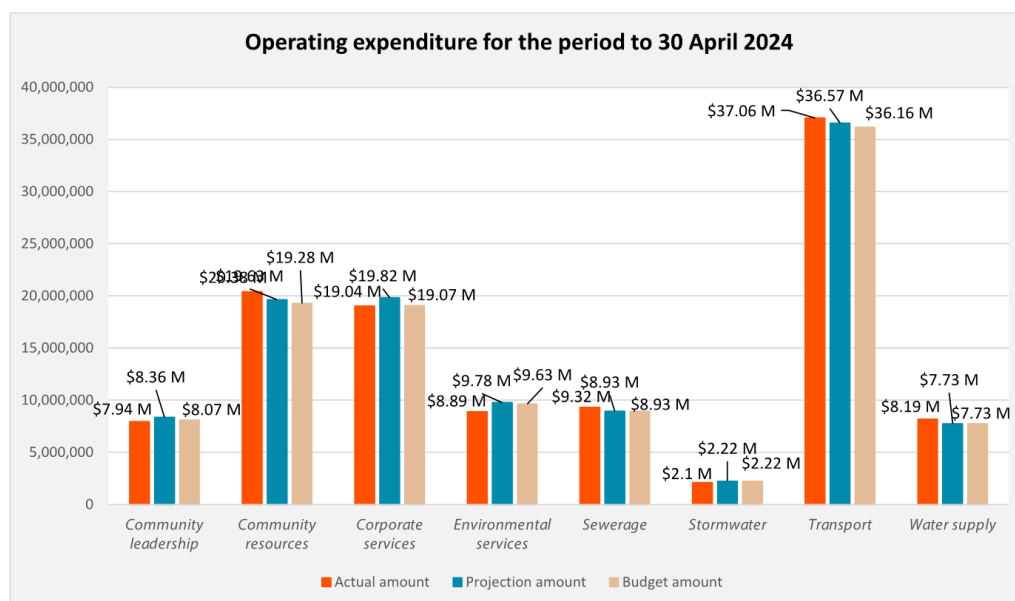
Financial report – April 2024

been changed for new consents where code of compliance certificate costs are invoiced and recognised as income at the time the work is undertaken. Overall, building solutions is projecting a higher shortfall at year end than budgeted which will need to be funded by the district operations reserve. Resource consent income is below projection due to fewer consent applications being processed compared to last year and the timing of invoices being generated.

- **transport** income is \$848K (2%) lower than projection mainly due to the timing of work being completed versus NZTA Waka Kotahi claims and the timing of projects, as some income being dependant on when costs are received.

## Expenditure

Operating expenditure for the ten month period to 30 April 2024 is \$111 thousand (0.1%) below projection for the period to date (\$112.9 million actual vs \$113 million projection). The key reasons for the variances are discussed below.



- **community leadership** operating expenditure is \$417K (5%) lower than projection. The underspend relates to lower staff costs, travel, legal, training and general project costs incurred
- **community resources** operating expenditure is \$752K (4%) above projection. This is made up of a range of underspends across the various sub activities:
  - parks and reserves operating expenditure is under projection (\$37K) mainly due to the work only just starting on the Curio Bay master plan (\$50K) as well as an underspend in maintenance across the district. The community facilities team currently has no staff in the open spaces area and therefore our ability to keep on top of the scheduled work will be at risk until the current vacancies are replaced
  - lower fuel costs for SIESA than projected due mainly to the price per litre being less than budgeted.
  - streetscapes operating expenditure is \$67K under projection mainly due to lower maintenance costs in Te Anau and Colac Bay.

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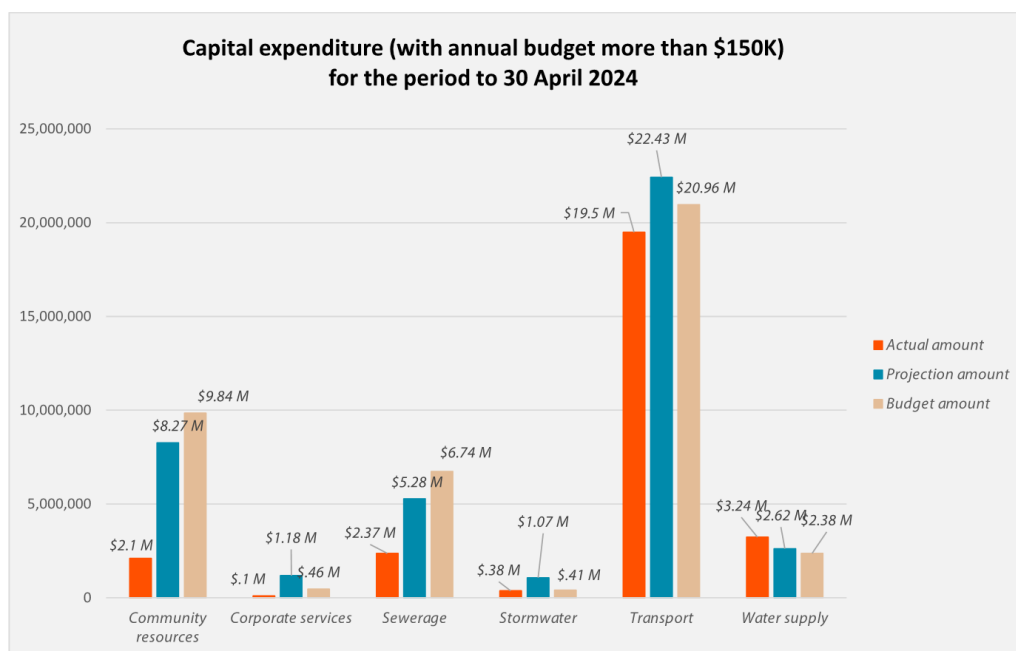
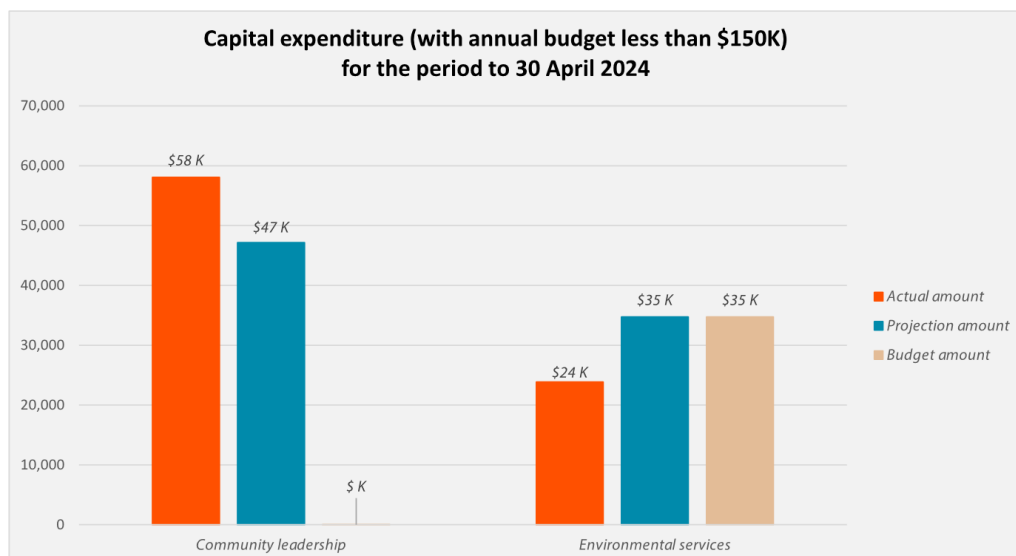
- library services operating expenditure is \$132K under projection mainly due to lower overall staff costs
- community housing operating expenditure is \$58K over projection due to additional maintenance costs to refurbish units at Otautau, Riverton, Tuatapere and Wyndham. There may be more costs associated with unit refurbishments as tenants have indicated that they will be leaving. Any overspend at year end is expected to be funded from reserves
- operating expenditure on the halls is under projection by \$21K (3%). The operational budget for the halls cover any minor maintenance that is required throughout the year, fly and spider control, external wash down and spouting cleaning.
- waste services is \$1M over projection relating to the costs for the Bluecliffs landfill removal.
- **corporate services** operating expenditure is \$785K (4%) under projection which mainly relates to lower overall staff costs
- **environmental services** operating expenditure is \$882K (9%) below projection due to lower staff costs resulting from staff vacancies in environmental health, resource planning and building solutions
- **sewerage** operating expenditure is \$386K (4%) above projection mainly due to higher maintenance costs as well as additional operating costs at Edendale/Wyndham resulting from damage to the site which will be recovered via an insurance claim. Reactive maintenance across all schemes is higher than projected with an increase in projected budget approved by Council as part of forecasting.
- **stormwater** operating expenditure is \$114K (5%) under projection mainly due to lower interest costs, internal overheads and condition assessment costs not yet being incurred. The underspend in the condition assessment budget has been spent on maintenance costs to remedy any issues identified in previous condition assessments undertaken. It is expected that the full conditioning expenditure budget will be spent before the end of the financial year.
- **transport** operating expenditure is \$491K (2%) over projection overall. Sealed and unsealed pavement and drainage maintenance are over projection due to the timing of the work being ahead of programme. Emergency re-instatement costs are above projection due to the September floods with additional funding being approved by NZTA Waka Kotahi. There are several other activities which are slightly behind projection. These include activities such as network and asset management and traffic service as well as structures maintenance due to other network priorities.
- **water supply** operating expenditure is \$459K (6%) over projection with increased costs to repair a pipe on Riverton bridge (\$175K) to be recovered by insurance. Rural water costs are higher than projection due to increased routine and unplanned maintenance required. Under the old operations and maintenance contract 10/01 there was an historic percentage of the total fixed portion of the contract cost allocated to rural waters, with the change to the new contract each job that is undertaken by Downer is assigned to a work order attached to a scheme and we are now seeing the actual true cost of maintaining these schemes. An increase in this projected budget was approved by Council as part of forecasting.

### Capital expenditure (CAPEX)

Capital expenditure for the ten month period to 30 April 2024 is \$13.2 million (32%) under projection (\$27.7 million actual vs \$40.9 million projection). The key reasons for the variances in each activity area are discussed below.

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Financial report – April 2024



- community resources** capital costs are \$6.2 million (75%) below projection. This is largely related to an allowance for the Invercargill office accommodation budgeted for (\$4.4m). Parks and reserves capital expenditure is under projection by \$450K largely due to the phasing of the playground projects which are in progress and expected to be completed this financial year with some carried forward due to construction windows. Toilets capital spend is \$739K under projection. Athol, Lions park and Mossburn toilet project budgets will be carried forward as works are currently underway but will be completed prior to the summer peak season. The Taramea Bay toilet project is awaiting code of compliance certification and stormwater works will be undertaken in September.

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*Financial report – April 2024*

- **corporate services** capital costs are \$1M (91%) below projection mainly due to the timing of the implementation of the new financial management information system with limited costs incurred to date. These are displayed under operating expenditure, as under current accounting rules, software as a service are recognised as operational rather than capital expenditure.
- **sewerage** capital costs are \$2.9 million (55%) below projection with projects in Balfour, Winton and Stewart Island commencing in May. These projects are expected to be completed by the end of July. There will be carry forwards for this and some multi-year projects of approximately \$1.5 million.
- **stormwater** capital costs are \$696K (65%) under projection. The variance relates to projects in Riverton, Winton and the Te Anau Sandy Brown project. The Winton project commenced in early May and is due to be completed in July. The Te Anau Sandy Brown project has been deferred to 2024/2025 as part of forecasting approved by Council on the 1<sup>st</sup> of May.
- **transport** capital costs are \$2.9M (13%) under projection with a range of unders and overs in footpaths, roading and the airport contributing to the variance as follows:
  - roading bridge renewals are over projection by \$492K and we are still expecting to complete the programme at year end
  - roading pavement renewals are below projection (\$1.2M) with around half of this difference being allocated through forecasting to cover increased maintenance costs
  - roading drainage renewals are under projection (\$665K) however several culvert renewals are programmed for May and June
  - roading resurfacing are slightly behind (\$103K) due to inclement weather in late March and early April resulting in three sites not being completed. Funding will be reallocated to sealed road water cutting
  - Unsealed road metaling is \$295K under projection. This activity will be completed by 30 June
  - Pedestrian facility capital expenditure is \$795K under projection. This relates to the speed signs around schools in the district. The procurement has been completed with construction soon to start.
- **water supply** capital costs are \$620K (24%) above projection. This is a timing difference with delivery of AC (asbestos cement) pipe renewals for Te Anau and Sinclair Ave Nightcaps stage 2 being completed ahead of planned.

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Financial report – April 2024

## Council summary by Activity Group

Operating income									
Activity	YTD					FYB			
	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	9,017,876	8,183,681	7,965,840	834,195	10%	10,898,992	10,760,650	(138,342)	(1%)
Community resources	21,367,986	18,377,439	19,098,283	2,990,546	16%	22,434,786	23,509,254	1,074,468	5%
Corporate services	21,743,303	20,430,945	19,214,466	1,312,358	6%	24,903,703	23,610,640	(1,293,063)	(5%)
Environmental services	8,547,508	9,244,316	9,211,866	(696,808)	(8%)	11,561,684	11,522,744	(38,940)	(0%)
Sewerage	6,535,862	6,442,756	6,442,756	93,106	1%	7,777,307	7,777,307	0	0%
Stormwater	1,217,835	1,211,882	1,211,882	5,953	0%	1,484,258	1,484,258	(0)	(0%)
Transport	33,199,555	34,047,714	32,501,742	(848,159)	(2%)	42,166,772	40,174,826	(1,991,945)	(5%)
Water supply	5,579,983	5,616,846	5,616,846	(36,863)	(1%)	6,828,215	6,828,215	(0)	(0%)
<b>Total</b>	<b>\$107,209,908</b>	<b>\$103,555,579</b>	<b>\$101,263,681</b>	<b>3,654,329</b>	<b>4%</b>	<b>\$128,055,718</b>	<b>\$125,667,895</b>	<b>(2,387,822)</b>	<b>(2%)</b>
Operating expenditure									
Activity	YTD					FYB			
	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	7,938,050	8,355,190	8,072,953	(417,140)	5%	11,073,226	10,804,039	(269,188)	(2%)
Community resources	20,382,385	19,629,937	19,280,710	752,448	(4%)	23,913,178	23,759,894	(153,284)	(1%)
Corporate services	19,038,780	19,824,002	19,073,087	(785,222)	4%	23,149,407	22,158,519	(990,888)	(4%)
Environmental services	8,892,723	9,775,065	9,625,444	(882,341)	9%	12,132,945	11,799,555	(333,390)	(3%)
Sewerage	9,315,401	8,929,435	8,929,435	385,967	(4%)	10,663,021	10,663,021	0	0%
Stormwater	2,104,562	2,218,856	2,218,856	(114,294)	5%	2,699,108	2,699,108	0	0%
Transport	37,059,479	36,568,311	36,157,020	491,168	(1%)	44,282,122	43,786,068	(496,054)	(1%)
Water supply	8,186,671	7,728,087	7,728,087	458,585	(6%)	9,232,397	9,232,397	(0)	(0%)
<b>Total</b>	<b>\$112,918,052</b>	<b>\$113,028,882</b>	<b>\$111,085,592</b>	<b>(110,830)</b>	<b>0.1%</b>	<b>\$137,145,404</b>	<b>\$134,902,600</b>	<b>(2,242,804)</b>	<b>(2%)</b>
<b>Net surplus/deficit</b>	<b>(\$5,708,144)</b>	<b>(\$9,473,303)</b>	<b>(\$9,821,911)</b>	<b>3,765,159</b>	<b>3%</b>	<b>(\$9,089,686)</b>	<b>(\$9,234,705)</b>	<b>(145,019)</b>	<b>(0%)</b>
Capital expenditure									
Activity	YTD					FYB			
	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	58,063	47,137	1	10,926	23%	106,564	50,001	(56,563)	(53%)
Community resources	2,098,963	8,268,162	9,844,672	(6,169,199)	(75%)	11,049,948	13,126,265	2,076,317	19%
Corporate services	103,113	1,175,788	462,301	(1,072,675)	(91%)	1,701,545	845,361	(856,184)	(50%)
Environmental services	23,858	34,729	34,729	(10,871)	(31%)	291,675	291,675	(0)	(0%)
Sewerage	2,368,352	5,281,600	6,737,568	(2,913,249)	(55%)	6,471,728	8,304,139	1,832,411	28%
Stormwater	376,808	1,072,661	409,709	(695,853)	(65%)	2,166,970	805,221	(1,361,749)	(63%)
Transport	19,495,135	22,425,929	20,960,986	(2,930,794)	(13%)	28,609,647	25,918,946	(2,690,701)	(9%)
Water supply	3,238,889	2,618,915	2,375,504	619,974	24%	5,267,342	4,735,904	(531,438)	(10%)
<b>Total</b>	<b>\$27,763,179</b>	<b>\$40,924,920</b>	<b>\$40,825,469</b>	<b>(13,161,741)</b>	<b>(32%)</b>	<b>\$55,665,420</b>	<b>\$54,077,512</b>	<b>(1,587,908)</b>	<b>(3%)</b>

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Financial report – April 2024

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

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## Statement of comprehensive income

Statement of comprehensive revenue and expenses for the period to 30 April 2024					
	YTD			FYB	
	Actual amount	Projection amount	Budget amount	Projection amount	Budget amount
<b>Revenue</b>					
Rates revenue	52,881,503	53,060,281	53,060,281	63,693,337	63,693,336
Other revenue	14,435,437	12,345,929	10,932,047	13,866,478	12,381,042
Interest and dividends	508,226	25,000	25,000	1,911,430	1,911,430
NZ Transport Agency funding	16,347,794	17,004,736	15,395,708	21,195,050	19,181,500
Grants and subsidies	2,949,330	1,816,636	2,490,323	3,746,246	4,791,822
Other gains/losses	421,735	318,731	219,081	937,627	818,047
Vested assets	0	0	0	0	0
Development and financial contributions	513	0	28,858	3,200	34,630
	<b>87,544,539</b>	<b>84,571,313</b>	<b>82,151,298</b>	<b>105,353,369</b>	<b>102,811,807</b>
<b>Expenditure</b>					
Employee benefit expense	16,044,452	17,607,600	17,607,600	20,102,126	20,102,126
Depreciation and amortisation	31,561,268	31,546,791	31,546,791	37,856,149	37,856,149
Finance costs	742,636	2,816,596	2,816,596	3,309,350	3,309,349
Other Council expenditure	44,904,326	42,073,629	40,002,223	53,175,430	50,778,888
	<b>93,252,683</b>	<b>94,044,615</b>	<b>91,973,209</b>	<b>114,443,055</b>	<b>112,046,512</b>
<b>Total comprehensive income</b>	<b>(5,708,144)</b>	<b>(9,473,303)</b>	<b>(9,821,911)</b>	<b>(9,089,686)</b>	<b>(9,234,705)</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 draft financial position as at 30 April 2024 is detailed below which covers Southland District Council and SIESA financial results. As such this differs from the comparative period (30 June 2023) Annual Report, which includes Council's share of Wastenet operations.

Southland District Council Statement of financial position as at 30 April 2024		
	Actual 30-Apr-24	Actual 30-Jun-23
<b>Equity</b>		
Retained earnings	706,746,543	712,454,687
Asset revaluation reserves	1,390,862,558	1,390,862,558
Other reserves	42,744,915	42,744,916
Share revaluation	4,525,778	4,525,778
	<u>2,144,879,796</u>	<u>2,150,587,939</u>
<b>Represented by:</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,613,005	11,510,999
Trade and other receivables	14,065,946	8,062,475
Inventories	128,858	128,858
Other financial assets	1,604,188	1,954,188
Property, plant and equipment	-	-
	<u>19,411,997</u>	<u>21,656,520</u>
<b>Non-current assets</b>		
Property, plant and equipment	2,151,378,641	2,154,268,115
Intangible assets	4,555,477	4,597,266
Forestry assets	13,420,000	13,420,000
Internal loans	60,281,106	60,281,106
Work in progress	315,092	1,264,934
Investment in associates	2,083,367	2,083,367
Other financial assets	645,000	545,000
	<u>2,232,678,683</u>	<u>2,236,459,788</u>
<b>Total assets</b>	<u>2,252,090,681</u>	<u>2,258,116,309</u>
<b>Current liabilities</b>		
Trade and other payables	5,011,893	10,696,372
Deferred revenue	3,336,472	2,223,719
Contract retentions and deposits	723,973	514,957
Employee benefit liabilities	2,609,960	2,609,960
Development and financial contributions	1,068,224	1,023,000
Borrowings	4,000,000	-
Provisions	3,333	3,333
	<u>16,753,855</u>	<u>17,071,341</u>
<b>Non-current liabilities</b>		
Employment benefit liabilities	10,502	10,502
Provisions	8,365,422	8,365,422
Internal loans - liability	60,281,106	60,281,106
Borrowings	21,800,000	21,800,000
	<u>90,457,029</u>	<u>90,457,029</u>
<b>Total liabilities</b>	<u>107,210,884</u>	<u>107,528,370</u>
<b>Net assets</b>	<u>2,144,879,796</u>	<u>2,150,587,939</u>



Financial report – April 2024

## Statement of cash flows

Statement of cashflows for the period to 30 April 2024		
	2023/24	2023/24
	YTD Actual	FY AP Budget
<b>Cash flows from operating activities</b>		
Receipts from rates revenue	48,736,594	63,693,337
Receipts from other revenue (including NZTA)	30,533,312	35,830,994
Cash receipts from interest and dividends	508,226	1,911,430
Payments to suppliers and employees	(64,979,047)	(70,486,381)
Interest paid	(742,636)	(3,309,350)
GST general ledger (net)	1,053,985	-
<b>Net cash inflow (outflow) from operating activities</b>	<b>15,110,434</b>	<b>27,640,031</b>
<b>Cash flows from investing activities</b>		
Receipts from sale of PPE	421,735	348,047
(Increase)/decrease other financial assets	250,000	-
Purchase of property, plant and equipment	(27,721,951)	(54,077,512)
Purchase of forestry assets	-	-
Acquisition of investments	-	85,159
Purchase of intangible assets	41,789	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>(27,008,427)</b>	<b>(53,644,306)</b>
<b>Cash Flows from financing activities</b>		
Increase in term loans	4,000,000	27,344,237
Repayment of term loans	-	-
Increase/(decrease) finance leases	-	-
<b>Net cash inflow (outflow) from financing activities</b>	<b>4,000,000</b>	<b>27,344,237</b>
Net increase/(decrease) in cash and cash equivalents	<b>(7,897,993)</b>	<b>1,339,963</b>
Cash and cash equivalents at the beginning of the year	<b>11,510,999</b>	<b>236,232</b>
Cash and cash equivalents at the end of April	<b>3,613,006</b>	<b>1,576,195</b>

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**Cash and cash equivalents**

- At 30 April 2024, Council had \$1,190 cash on hand.
- Funds on call at 30 April 2024:

Funds on call				
	Amount	Bank	Account	Interest rate
SDC	\$ 2,551,794	BNZ	Funds on call	1.25%
	\$ 10,000	BNZ	Operating bank acc	0.05%
	\$ 629,587	BNZ	Restricted funds acc	0.05%
SIESA	\$ 420,434	BNZ	Funds on call	0.05%
<b>Total</b>	<b>\$ 3,611,815</b>			

Reconciliation to statement of financial position	Amount
<b>Cash and cash equivalents</b>	
<i>Current assets</i>	
SDC Cash on hand (Note 1)	\$ 1,190
Funds on call (Note 2)	\$ 3,611,815
<b>Total cash and cash equivalents per the statement of financial</b>	<b>\$ 3,613,005</b>

**Other financial assets**

- At 30 April 2024, Council had no term deposits.
- At 30 April 2024, SIESA had \$1.1 million invested in four term deposits as follows:

SIESA investments - term deposits				
Bank	Amount	Interest rate	Date invested	Maturity date
BNZ	\$ 370,000	6.35%	1-Jun-23	4-Jun-24
BNZ	\$ 300,000	6.02%	12-Jan-24	12-Jul-24
BNZ	\$ 250,000	5.90%	2-Feb-24	2-Aug-24
BNZ	\$ 250,000	6.10%	5-Apr-24	7-Oct-24
<b>Total</b>	<b>\$ 1,170,000</b>			

- At 30 April 2024, Council had \$645,000 of LGFA borrowers notes 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
LGFA	\$ 87,500	5.48%	12-Apr-23	8-Jul-24
LGFA	\$ 37,500	5.97%	17-Apr-23	8-Jul-24
LGFA	\$ 100,000	6.06%	19-Apr-24	15-Apr-26
<b>Total</b>	<b>\$ 645,000</b>			

Financial report – April 2024

Reconciliation to statement of financial position	Amount
<b>Other financial assets</b>	
<i>Current assets</i>	
SDC Investments (Note 3)	\$ -
SIESA Investments (Note 4)	\$ 1,170,000
Loans - community	\$ -
Civic Assurance shares	\$ 12,191
Milford Sound Tourism shares	\$ 421,997
<b>Total current financial assets per the statement of financial position</b>	<b>\$ 1,604,188</b>
<i>Non - Current assets</i>	
LGFA bonds (Note 5)	\$ 645,000
Loan advances - Development contributions	\$ -
<b>Total non-current financial assets per the statement of financial position</b>	<b>\$ 645,000</b>

**External Borrowings**

SDC Borrowings				
Lender	Amount	Interest Rate	Date Drawdown	Maturity Date
LGFA	\$ 3,500,000	5.48%	12-Apr-23	8-Jul-24
LGFA	\$ 1,500,000	5.97%	17-Apr-23	8-Jul-24
LGFA	\$ 8,400,000	3.49%	15-Dec-21	15-Apr-36
LGFA	\$ 8,400,000	3.45%	15-Dec-21	15-May-35
LGFA	\$ 4,000,000	6.06%	19-Apr-24	15-Apr-26
<b>Total</b>	<b>\$ 25,800,000</b>			

Reconciliation to statement of financial position	Amount
<b>Borrowings</b>	
<i>Current liabilities</i>	\$ 4,000,000
Borrowings	\$ -
<i>Non-current liabilities</i>	
Borrowings	\$ 21,800,000
<b>Total borrowings per the statement of financial position</b>	<b>\$ 25,800,000</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 30 April 2024, comply with the SDC Investment and Liability Management Policy (\$4,781,815 invested in BNZ).

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## Balanced Funds Investment Review

**Record no:** R/24/5/36146

**Author:** Anne Robson, Group manager finance and assurance

**Approved by:** Cameron McIntosh, Chief executive

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 To provide the Committee with information on the Milford Asset Management and Westpac (BT Funds Management) balanced funds and seek approval to invest the remaining three quarterly instalments for the 2023/24 financial year.
- 2 To review the request from Westpac (BT Funds Management) to a tiered management fee until Council gets a total of \$15million invested following the decision to invest in instalments.

### Executive summary

- 3 In May 2023 Council decided to invest its unrestricted reserves evenly in Councils fund managers, Milford and Westpac (BTFM) over a period of 24 months in quarterly instalments with a review of market conditions by the Council prior to each instalment.
- 4 Before investing each instalment, Council wanted staff to prepare a report outlining the market conditions at the time.
- 5 To date one instalment has been made of \$5million in total to Westpac and Milford. Given this is the last quarter of the year Council staff are requesting confirmation as to the number if any instalments they wish to invest at this time. Council staff have based the resolution on three instalments in order to continue with the decision of Council to invest over two years.
- 6 If the committee recommend three instalments, Council staff will invest \$5million following this meeting from its cash reserves and will seek to borrow a further \$10 million from LGNZ in its next tender planned for the 3 July 2024.
- 7 Attached is a copy of the latest market reports from each provider for the Committees review and consideration.
- 8 Also attached is a letter from BTFM, requesting a tiered approach to their management fee. Westpac have said that they will honour the fee they proposed when Council considered their proposal as an investment manager but because Council is investing in instalments, they have asked that they tier the fee. The tiering being proposed is 0.55% up to \$15million and then 0.45% thereafter. The normal fee for the fund is 0.8%. Based on the approach of quarterly investing Council will meet the \$15million by December 2024, six months' time.

## Recommendation

**That the Finance and Assurance Committee:**

- a) receives the report titled “Balanced Funds Investment Review”.**
- 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) Requests staff invest a further three quarterly instalments of \$15million in total in Councils Balanced Investment funds at Milford Asset Management and Westpac (BTFM)**
- e) Receives the letter from BT Funds Management requesting a tiered approach to its balanced fund management fee**
- f) Agrees/Disagrees to the tiered approach to the BT Funds Management Fee as detailed in the attached letter**
- g) Subject to resolution (f), delegates to the Group Manager Finance and Assurance to sign on Councils behalf the attached BT Funds Management letter**

## Background

- 9 In May 2023 Council decided to invest its unrestricted reserves evenly in Councils fund managers, Milford and Westpac (BTFM) over a period of 24 months in quarterly instalments with a review of market conditions by the Committee prior to each instalment. This was endorsed by Council.
- 10 Before investing each instalment, the committee wanted staff to prepare a report outlining the market conditions at the time.
- 11 To date one instalment has been made of \$5million to Westpac and Milford. Given this is the last quarter of the year Council staff are requesting confirmation if the Committee which to invest any, one or three instalments at this time. Council staff have based the resolution on three instalments in order to continue with the decision of Council to invest over two years.
- 12 The Westpac active balanced fund, through BTFM is made up of 40% income assets (made up of 4% cash and cash equivalents, 14% NZ fixed interest, 22% international fixed interest) and 60% Growth assets (36% international equities, 18% Australasian equities and 6% listed properties).
- 13 More details of the Westpac active balanced fund managed by BT funds management are provided in the last three attachments to this report

- 14 The Milford Asset Management balanced fund is made up of 39% income assets including cash, bonds and fixed interest and 61% growth assets made up of property and shares
- 15 More details on the Milford balanced fund are provided in the second attachment to this report.

### **Issues**

- 16 The Committee needs to consider the investment information provided in this report and the attachments and provide direction to Council staff as to whether it wishes to invest monies at this time into its balanced funds accounts held at Milford Asset Management and Westpac (BTFM).
- 17 Also attached is a letter from BTFM, requesting a tiered approach to their management fee. Westpac have said that they will honour the fee they proposed when Council considered their proposal as an investment manager but because Council is investing in instalments, they have asked that they tier the fee. The tiering being proposed is 0.55% up to \$15million and then 0.45% thereafter. The normal fee for the fund is 0.8%. Based on the approach of quarterly investing Council will meet the \$15million by December 2024, six months' time.

### **Factors to consider**

#### **Legal and statutory requirements**

- 18 The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan remains the sole responsibility of Council (Clause 32(1)(c), Schedule 7). This responsibility cannot be delegated.

#### **Community views**

- 19 Council noted in the public proposal surrounding the LGFA participation an indication of a possible change to its borrowing approach, to externally borrow its internal loans that are currently funded from its cash reserves held rather than internally loan from its cash reserves. No comments were received on this point.
- 20 It outlined that this meant that cash reserves that are currently being used to fund these internal loans (\$35.3 million at 30 June 2020) would instead be available for investing.
- 21 It further indicated that Council was reviewing its Investment and Liability policy and had indicated a desire to broaden the policy to allow for investments in managed funds. Council subsequently approved this as part of the Investment and Liability Policy adopted in 2021.
- 22 Overall, it is likely that the public would support prudent and effective management, a balanced investment/risk profile, and to maintain appropriate procedures, controls and reporting.

#### **Costs and funding**

- 23 Council developed the Long Term Plan on the basis of the enactment of the Investment & Liability policy. This meant that Council assumed it would be borrowing the full value of its reserve balances from the LGFA and investing the resulting cash in a balanced managed fund. In doing this, Council had to make some assumptions about the cost of borrowing at the time and the level of return from investing.
- 24 In working with Councils investment advisor, the following assumptions were made in the LTP
- A projected average return from the balanced managed fund of 5.5% over a 10 year period

## Finance and Assurance Committee

5 June 2024

- That a fund management fee of 1.1% be deducted from the return
- That from the remaining 4.4% return, \$750,000 would be used to offset rates
- That 2% be paid on reserves with any balance investing.

- 25 If the committee recommend three instalments, Council staff will invest \$5million following this meeting from its cash reserves and will seek to borrow a further \$10 million from LGNZ in its next tender planned for the 3 July 2024.

### Policy implications

- 26 Key delegations relating to discussions in or from this report included in the Investment and Liability policy are as follows:

ACTIVITY	DELEGATED TO	LIMITS
Approve debt, investment and interest rate strategies	Finance and Assurance Committee	
Approve amount placed with approved managed fund	Chief Executive or Chief Financial Officer	As per Annual Plan or Long Term Plan
Approve external borrowing as set out in the Annual Plan or Long Term Plan	Chief Executive or Chief Financial Officer	As Per Annual Plan or Long Term Plan

### Analysis

#### Options considered

- 27 Either to invest up to three quarterly instalments between Councils balanced investment funds of Westpac and Milford Asset Management or not at this time

#### Analysis of Options

##### Option 1 – Invest up to three quarterly instalments between Councils balanced investment funds held in Westpac and Milford Asset Management or as directed at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• Continues the investment approach Council resolved to undertake</li><li>• Completes the first year of investment</li><li>• In a good year the fund will have returns equal to or higher than budget</li></ul>	<ul style="list-style-type: none"><li>• In other years the fund will have returns less than the budget and Council will need to make further decisions on how it will fund its activities in those years</li></ul>

##### Option 2 – Do not invest at this time in Councils balanced investment funds held in Westpac and Milford Asset Management.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• The returns may be less than budget so it could be a good result for Council, depending on the returns from either</li></ul>	<ul style="list-style-type: none"><li>• May delay the implementation and therefore the possible returns budgeted</li></ul>



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investing in the bank or reducing debt requirements	<ul style="list-style-type: none"><li>• If returns were good, Council may lose the opportunity cost of not investing.</li></ul>
-----------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------

### **Assessment of significance**

- 28 This approach has been consulted on as part of previous policies being adopted by Council and as part of the proposal to borrow from LGNZ as well as being discussed in numerous reports to Council over a number of years.
- 29 As such the intention of the Significance and Engagement Policy has been met from these actions.

### **Recommended option**

- 30 Option One - Invest up to three quarterly instalments between Councils balanced investment funds held in Westpac and Milford Asset Management or as directed at this meeting.

### **Next steps**

- 31 Undertake the relevant investment with Westpac and Milford Asset Management
- 32 Undertake the appropriate borrowing to provide the cash funding required
- 33 If agreed, sign and return the Westpac letter requesting a tiered management fee.

### **Attachments**

- A BTNZ request for tiered management fee
- B Milford Asset Mgmt - Balanced Fund report April 24
- C BT Insights - Monthly Market Performance - April 2024
- D Westpac Active Balanced Trust - March 2024 Qtr Report
- E BT Insights - Talking Points - 26th May 2024



Anne Robson  
Southland District Council  
PO Box 903  
Invercargill 9840

27 May 2024

Dear Anne

On behalf of BT Funds Management (NZ) Limited, I am delighted to acknowledge Southland District Council's decision to proceed with its investment in the Westpac Active Balanced Trust (**Trust**).

We confirm that the management fee payable by the Southland District Council on their investment will be as follows:

Portfolio value	Fee
First \$15m	0.55%
When assets exceed \$15m	0.45% on all assets

The unit price of the Trust incorporates annual fund charges of 0.80% per annum. Therefore, arrangements will be made whereby the amount of the annual fund charges charged on your investment exceeding the applicable management fee above will be rebated.

To this end, we will calculate a management fee rebate monthly using the average monthly value of your investment in the Trust. The rebate shall be applied quarterly by way of issuing you additional units in the Trust.

We trust this arrangement is satisfactory and we look forward to being of service.

Yours faithfully,  
For and on behalf of BT Funds Management (NZ) Limited

A handwritten signature in black ink, appearing to read "Philip Houghton-Brown".

Philip Houghton-Brown  
Head of Investment Solutions

A handwritten signature in black ink, appearing to read "Anna Boyle".

Anna Boyle  
Portfolio Manager

-----  
We acknowledge receipt and agree to the terms of this letter.

For and on behalf of Southland District Council:

\_\_\_\_\_  
Name:

Title:

Date:

Classification: PROTECTED

## Balanced Fund

### Portfolio Investment Entity

### Monthly Fact Sheet as at 30 April 2024



#### Portfolio Managers



**Mark Riggall**  
Portfolio Manager



**Paul Morris**  
Co-Portfolio Manager

The Fund returned -0.3% in April, with a one-year return of 9.1%. The month saw a pullback in global shares after the large gains of the past six months, whilst global bonds resumed their downward trend. Despite these headwinds, the Fund only posted a modestly negative performance in April, hanging onto the gains earned over previous months. Sticky inflation readings around the world are causing investors to re-evaluate expectations that central banks will cut interest rates sharply this year. This is causing bond yields to climb back towards levels seen in October last year, and is weighing on share markets. The Fund has held reduced exposure to global bonds to protect against this view.

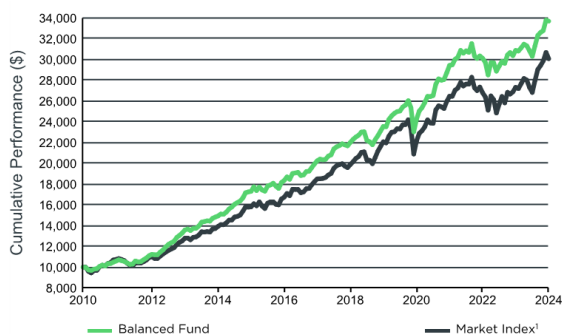
Conversely, the Fund has increased exposure to NZ bonds, as a weaker local economy likely requires sharp rate cuts in coming quarters. On the share side, the Fund had been hedged (i.e. held insurance) against falling global share markets, and this allowed an increase in share exposure in the middle of the month. The Fund also increased its exposure to UK shares, adding to performance as these shares smartly outperformed other shares in April. The Fund will continue to be active in changing share exposure in these choppy markets. In currencies, the Fund benefitted from a large exposure to the US dollar. Underlying Funds were also well positioned, particularly on the stock side where we have had increased exposure to European banks and commodity stocks.

To view Milford's April 2024 Market and Economic Review please see [milfordasset.com/insights](https://milfordasset.com/insights).

For previous fund reports see [milfordasset.com/fund-reports](https://milfordasset.com/fund-reports).

#### Cumulative Fund Performance

(after fees and before tax)



Assumes the growth of \$10,000 invested at the Fund's inception date.

#### Key Fund Facts

<b>Objective <sup>2</sup></b>	To provide capital growth over the minimum recommended investment timeframe
<b>Description</b>	Diversified fund that primarily invests in equities, with a significant allocation to fixed interest securities

<b>Minimum recommended investment timeframe</b>	5 years +
<b>Target Allocation</b>	39% Income Assets / 61% Growth Assets
<b>Neutral FX Exposure</b>	13.0%
<b>Net Asset Value (NAV)</b>	\$1,700.9 M
<b>Buy-sell Spread</b>	None - swing pricing applies (See PDS for details)
<b>Inception Date</b>	1 April 2010
<b>Benchmark</b>	Not applicable
<b>Base Fund Fee <sup>3</sup></b>	1.05%
<b>Performance Fee</b>	The Fund may invest into related Milford funds that charge performance fees.
<b>Total Fund Fees <sup>4</sup></b>	1.06% (includes an est. performance fee)
<b>Risk Indicator</b>	<div> <div>Lower risk</div> <div>1 2 3 4 5 6 7</div> <div>Higher risk</div> </div> <div> <div>Potentially lower returns</div> <div>Potentially higher returns</div> </div>

#### External Ratings



The Milford Balanced Fund has a Morningstar Medalist Rating™ of 'Silver' as of 6-09-2023

Milford Asset Management  
W [milfordasset.com](https://milfordasset.com)

T 0800 662 345  
E [info@milfordasset.com](mailto:info@milfordasset.com)

Level 28, 48 Shortland Street  
Auckland 1010, New Zealand

PO Box 960, Shortland Street  
Auckland 1140, New Zealand



## Balanced Fund as at 30 April 2024

### Investment Performance after fees as at 30 April 2024<sup>5</sup>

Unit Price: \$3.2193

	1 Month	3 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)
Milford Balanced Fund (Gross Of Tax)	-0.30%	3.32%	9.13%	4.61%	7.42%	9.01%
After Tax 10.50%	-0.38%	3.20%	8.64%	4.33%	7.11%	8.53%
After Tax 17.50%	-0.43%	3.12%	8.31%	4.14%	6.90%	8.22%
After Tax 28.00%	-0.51%	3.00%	7.82%	3.85%	6.60%	7.75%
Market Index <sup>1</sup>	-2.00%	2.20%	10.05%	4.35%	6.37%	8.13%

### Top Equity Holdings

Holdings	% of Fund
Contact Energy	1.90%
Shell	1.80%
Spark	1.51%
Coca-Cola Europacific Partners	1.48%
HCA Holdings	1.41%
Elevance Health	1.25%
Telstra	1.15%
Bank of Ireland Group	1.11%
Santos	0.94%
Arthur J Gallagher	0.93%

### Current Asset Allocation

	Actual Investment Mix	Neutral Investment Mix
Effective Cash #	14.62%	8%
New Zealand Fixed Interest	8.23%	6%
International Fixed Interest	26.11%	25.0%
New Zealand Equities	8.33%	10.5%
Australian Equities	13.11%	13.5%
International Equities	26.09%	30%
Listed Property	3.51%	7%
Other	0.00%	0.0%

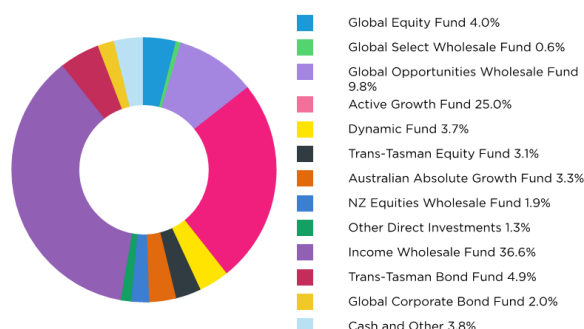
# The actual cash held by the Fund is 7.46%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

### Top Fixed Interest Holdings

Holdings	% of Fund
NZGBI 2% 2025	2.61%
ANZ 4.95% 2029	0.70%
Scentre Group 5.125% 2080	0.65%
Westpac 5.754% 2034	0.63%
NatWest 5.125% Perpetual	0.56%
British Telecommunications 8.375% 2083	0.47%
AT&T 2.875% Perpetual	0.43%
Suncorp 4.75% 2029	0.40%
Bank of Ireland 7.594% 2032	0.39%
Contact 6.398% 2030	0.37%

Note: Fixed interest securities are reported in the following format: Issuer name, interest (coupon rate), maturity year.

### Fund Allocation



1. The Fund does not have a performance benchmark, hence a market index has been included for comparison purposes. See the Statement of Investment Policy and Objectives for more details on the market index. The market index is a blend of indices that represent the Fund's neutral asset allocation. Note the Fund's investment strategy is designed to achieve its objective, which may mean that at times, the returns of the market index may not be an appropriate measure. 2. After the Base Fund Fee but before tax and before the performance fee. 3. Where applicable, the Base Fund Fee includes an estimate of non-related underlying fund charges. 4. The Total Fund Fees comprise the Base Fund Fee and any estimated Performance Fee. Please refer to the Product Disclosure Statement for more information as to how these are calculated. 5. Please note past performance is not a guarantee of future returns.

Please refer to the 'Glossary for the Monthly Fact Sheet' at [milfordasset.com/fact-sheet](https://milfordasset.com/fact-sheet) for more information about the data published within this document.

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## Monthly market review

April 2024

### Summary of performance of key market indices

Global equities returned -3.2% in local currency terms (-2.5% in NZD terms), Australian equities posted -2.9% (in AUD terms) while NZ equities returned -1.2%. The yield on the 10-year US Treasury rose 48bps over the month to 4.68% as the market pushed out the timeline for when the Fed may start to cut rates. The 10-year NZ Government bond yield followed a similar pattern, rising from 4.54% to 4.90% by the end of the month. The US dollar was stronger against most major currencies over the month; the NZ dollar fell -1.5% vs the US dollar over the month.

### Commentary and context

Global equity markets broke a five-month streak of gains, with most markets posting a negative return for April. Economic data during the month pointed to a global economy that continues to perform better than expected, despite restrictive monetary policy.

US Inflation topped forecasts for a third straight month on gains in rents and transportation costs, further spurring concerns that inflation is becoming entrenched as the economy keeps powering ahead. Federal Reserve Chair Jerome Powell signalled policymakers will wait for clearer signs of lower inflation before cutting interest rates. Markets are now not expecting the Fed to begin easing until Q4 of 2024.

The European Central Bank (ECB) held interest rates steady for a fifth meeting, while sending its clearest signal yet that cooling inflation will soon allow it to commence cuts in the coming months. The yen fell to a fresh 34-year low against the dollar after the Bank of Japan (BoJ) refrained from making changes to its monetary policy at its April meeting.

Australia's inflation came in faster than expected in the first three months of 2024, suggesting price pressures are proving stickier and bolstering the case for the central bank to hold interest rates at a 12-year high. The CPI rose 3.6% from a year earlier, exceeding the 3.5% estimate.

Fitch Ratings revised the outlook on China's long-term foreign debt to negative from stable, citing increasing risks to the country's public finance prospects. Geopolitical tensions rattled the market after Iran's attack on Israel with more than 300 missiles and drones. This marked a perilous turn for a fragile region as it was the first strike on the Jewish state from Iranian soil.

The Reserve Bank of New Zealand (RBNZ) kept interest rates unchanged at 5.5%, saying there had not been a material change to their inflation outlook. Towards the end of the month, data showed that NZ inflation had slowed to 4.0% year on year, down from 4.7% in the last quarter of 2023. The latest reading was in line with market expectations, but above the RBNZ's 3.8% forecast.

### Market view

While the US economic activity has held up better than expected, some advanced economies have experienced challenges as depicted by the technical recession occurring in Europe and New Zealand or the near-zero growth in Japan. Nevertheless, the inflation rate remains the focus of most Central Banks, while labour conditions continue to be generally strong. We still retain our view that the Fed, the ECB and the Bank of England as well as the RBNZ are in position to start with a few base rate cuts given inflation rates have significantly come down from peak levels seen last year while still keeping their monetary policy restrictive (i.e. with a 1.0%-1.5% real cash rate gap) given inflation remains above target. Conversely, the Bank of Japan could continue to hike rates.

Equity markets have been pricing in a soft economic landing (slower growth than trend but essentially avoiding a recession), especially in the US, where economic data to-date has supported this view. However, earnings growth is yet to broaden outside of the mega-cap "magnificent 7" stocks, which provide the technology that helps companies to boost their productivity. We still expect spikes in market volatility to occur from time to time as markets continue to adjust the expected timing of rate cuts (and factoring the extent of monetary policy lag) or if these mega-cap growth stocks don't meet market expectations in terms of earnings or forward guidance. Market risks also depend on the trajectory of long-dated bond yields going forward: risk to the downside if yields materially increase back to October 2023 levels or upside if central banks deliver some insurance rate cuts.

In this uneven global economic and profit environment underpinned by ongoing geopolitical tensions and the coming US elections, we see a balance of risks in financial markets justifying a neutral view on equities, bonds, and cash.

#### Important things to know

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### Markets

Equities	1 Month	3 Months	1 Year
NZ - S&P NZX50	-1.2%	0.7%	-0.5%
AUS - S&P ASX200	-2.9%	1.0%	8.8%
US - S&P500	-4.1%	4.3%	22.7%
MSCI World Local TR (LC)	-3.2%	4.7%	20.2%
MSCI World Local TR (NZD)	-2.5%	7.7%	24.0%
MSCI Emerging Mkt TR (LC)	1.4%	9.8%	12.9%
MSCI Emerging Mkt TR (NZD)	1.7%	12.1%	15.1%



Fixed Income	1 Month	3 Months	1 Year
BBG Global Aggregate (hdg)	-1.6%	-1.4%	1.6%
BBG NZ Bond Composite	-1.0%	-0.2%	1.9%
BBG NZ Bond Government	-1.2%	-0.4%	0.6%
BBG NZ Bond Credit	-0.5%	0.5%	4.8%



Other	1 Month	3 Months	1 Year
NZX Property Gross	-2.7%	-2.4%	0.7%
NZD/USD	-1.5%	-3.7%	-4.8%
BBG Commodities TR	2.7%	4.5%	2.9%
Oil (WTI)	-1.5%	8.0%	6.7%
Gold	4.2%	12.4%	16.4%

Markets data source: Bloomberg Finance LP

1



## Westpac Active Balanced Trust

Quarterly Report

31 March 2024



## 1.0 Performance & Market Commentary

### Performance as at 31 March 2024\*:

	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)
Westpac Active Balanced Trust	5.16%	12.52%	12.45%	3.02%	5.75%
Benchmark	4.86%	11.40%	12.24%	3.29%	5.65%
<i>Relative</i>	<i>+0.30%</i>	<i>+1.12%</i>	<i>+0.21%</i>	<i>-0.27%</i>	<i>+0.10%</i>

\*Returns are gross of fees and tax.

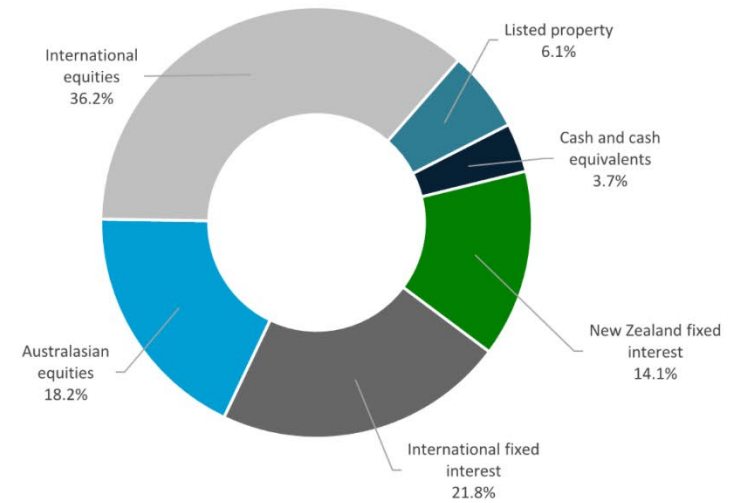
### Market commentary

- Many major stock indices reached new all time highs during the quarter as optimism around “AI” and a more resilient global economy brought a soft-landing into focus for global markets. The “Magnificent 7” stocks leadership in the US market diminished despite still meeting or exceeding lofty earnings expectations.
- While inflation rates are not yet within central bank target ranges, there is a clear trend towards achieving this over time; meanwhile the strong economic performance gives them time to be patient when it comes to easing monetary policy. While the Swiss National Bank surprised markets by being the first developed market bank to cut interest rates, the Bank of Japan raised interest rates for the first time in 17 years, ending the world’s last negative interest rate environment.
- New Zealand inflation slowed to 4.7% from 5.6% in Q4 2024, which saw the Reserve Bank of New Zealand (RBNZ) keep rates on hold at 5.5%. The NZ economy unexpectedly contracted in the last quarter of 2023, confirming a technical recession.
- Global equities return +10.1% (in local currency terms) and +15.5% in NZD terms over the quarter. Among developed markets, Japanese equities were the best performer with a return of 18.1% (in JPY terms), elsewhere European equities returned 12.8% (in EUR terms), while US equities returned 10.6% (in USD terms). Emerging markets returned 4.5% (in local currency terms) over the quarter.
- New Zealand and Australian equities posted positive results for the quarter, with NZ equities returning +2.8% (S&P/NZX 50 gross index), while Australian equities returned +5.3% (in AUD terms). The US dollar was stronger against most major currencies over the month, resulting in the NZD falling 5.4% over the quarter.
- Global bond yields rose over the quarter, which partially offset the running yield thus resulting in small positive returns for Global bonds (fixed interest), 0.1% over the quarter. Domestic bonds also followed the same theme, with marginally positive returns for NZ Government Bonds, and a positive return of 0.8% for NZ credit.

## 2.0 Positioning


















Top 10 holdings	Weight
Microsoft Corporation	1.90%
Fisher & Paykel Healthcare	1.65%
US 2YR Note	1.46%
NVIDIA Corporation	1.43%
Infratil	1.27%
Auckland International Airport	1.09%
Apple	1.08%
Contact Energy	1.03%
Mainfreight	0.93%
Spark New Zealand	0.86%

Asset allocation as at 31 March 2024





## 3.0 Underlying Investment Managers

Asset Class	Strategic weighting	Investment Manager*	Investment Style
Cash	4%	BTNZ 	Core
New Zealand Fixed Interest	14%	BTNZ 	Core, composite
		BTNZ 	Corporate bonds
International Fixed Interest	22%	Colchester 	Global sovereign
		Loomis Sayles 	Global investment grade credit
		Wellington 	Core, global aggregate
NZ Listed Property	3%	Salt 	Core, value tilt, NZ listed
International Listed Property	3%	Principal 	Core, global listed
Australasian Equities	18%	Harbour 	Growth, 30% AU
		Devon 	Value, 30% AU
		Salt 	Core, 15% AU
International Equities	36%	Schroders 	Core
		T. Rowe Price 	Growth
		Mirova 	Sustainable focused
		Ninety One 	Emerging markets
		Northern Trust 	Systematic, factor based
		LGIM 	Climate & ESG focused

\* All external investment managers manage a segregated account and are appointed under an investment management agreement tailored to meet BT's requirements

## 4.0 About the Trust

- **Investment objective and overview:**
  - Aims to provide medium returns over the medium to long term
  - Has a higher target allocation to growth assets than to income assets
  - Volatility is expected to be higher than the Moderate Trust but lower than the Growth Trust
  - Returns will vary and may be low or negative at times.
- **Recommended minimum investment timeframe:** 7 years
- **Inception Date:** 1 August 1992
- **Trust Size:** \$320.2m
- **Risk indicator\*:**



\*The risk indicator is calculated based on the volatility of past returns over the five years ended 31 March 2023, which may not be a full investment cycle.

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Talking Points: Week ending 26<sup>th</sup> May 2024

## Stories of the Week:



The Reserve Bank of New Zealand (RBNZ) held interest rates steady at 5.50% this week. The RBNZ highlighted the persistence of non-tradable inflation which “remains a significant upside risk”. Furthermore, the committee had given “real consideration” to raising the official cash rate at the meeting.



The minutes from the recent Fed meeting showed that most officials believe rates are already restrictive, but not all are convinced they're restrictive enough to bring inflation down to their target. Participants noted “disappointing readings on inflation over the first quarter”.



Preliminary Purchasing Manufacturing (PMI) survey results from S&P showed an improvement in both the manufacturing and services sector in April. The advance signals a notable acceleration in overall activity midway through the second quarter. Such resilient demand is making it difficult for inflation to cool.



UK Prime Minister Rishi Sunak called a general election for July 4. Sunak launched a six-week campaign in a rain-soaked address from outside No.10 Downing Street. Labour leader Keir Starmer, who is favoured to take Sunak's job after the votes are counted, insisted it was time for change.



The minutes of the Reserve Bank of Australia's May 6-7 gathering showed the central bank resumed a discussion of interest-rate hikes before deciding that the case to stand pat was stronger as it aims to avoid “excessive fine tuning.”. The minutes also reinforced a widely-held view that rates are set to stay higher-for-longer.



UK consumer prices index (CPI) came in at 2.3 per cent for the year to April. While the UK inflation is edging its way closer to the Bank of England's 2% target; it is still higher than had been forecast by economists (2.1%). Markets now expect the Bank of England (BoE) to start reducing interest rates in August.



Two of the world's largest and most sophisticated chip manufacturing firms have confirmed that in the event of China invading Taiwan they would be able to remotely disable their factories. This comes as China has concluded expansive military exercises around Taiwan over the weekend, the largest such drills in over a year.



A review of recent earnings calls by FactSet showed the highest number of S&P500 companies citing “AI” (Artificial Intelligence) on their calls was early 200. Meanwhile at centre of the AI boom, chipmaker Nvidia reported earnings above analysts' expectations with an upbeat outlook. They mentioned AI is moving to consumer internet companies, carmakers, biotechnology and health-care.

## Markets:

It was a week of starkly different results for the major US stock indexes, with the Dow down more than 2%, the NASDAQ up more than 1%, and the S&P 500 posting a tiny gain. A primary factor driving the market's divergence was the gain in shares of artificial intelligence chipmaker NVIDIA, now the third-largest company in the S&P 500 by market capitalization (trailing only Apple and Microsoft). In local currency terms, the pan-European STOXX Europe 600 Index ended 0.45% lower, as questions emerged about the pace of potential interest rate cuts this year from the European Central Bank. The yield on the New Zealand 10y Government bond rose 18bps over the week due to the “higher for longer” tone struck by the RBNZ.

Markets:	24-May	17-May	Change:
<b>Equities:</b>			
NZ - NZX50	11,783	11,700	0.7%
AUS - ASX200	7,728	7,814	-1.1%
US - S&P500	5,305	5,303	0.0%
MSCI World	425.7	427.3	-0.4%
<b>Fixed Income:</b>			
NZ 10Y Bond Yield	4.78%	4.60%	0.18
US 10Y Bond Yield	4.47%	4.42%	0.05

Sources: BT Funds Management (NZ) Limited, Bloomberg, Westpac NZ, JH Investments, TRowePrice

Markets:	24-May	17-May	Change:
<b>Foreign Exchange</b>			
NZD/USD	0.612	0.613	-0.2%
NZD/EUR	0.564	0.564	0.0%
NZD/AUD	0.924	0.916	0.8%
<b>Other:</b>			
Volatility (VIX)	11.9	12.0	-0.5%
Gold (\$US ounce)	2,334	2,415	-3.4%
Oil (WTI \$US/brl)	77.7	80.1	-2.9%

Source: Bloomberg Finance L.P

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## Legal Issue Steering Group update on Te Anau Downs Station findings

**Record no:** R/24/5/35974

**Author:** Michael Aitken, GM strategy & partnerships (interim)

**Approved by:** Cameron McIntosh, Chief executive

☐ Decision

☐ Recommendation

☒ Information

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The content of this report will be made available once it has been approved.



## Te Anau Downs Station - Twelve Point Action Plan (TPAP)

Record no: R/24/5/35769  
Author: Michael Aitken, GM strategy & partnerships (interim)  
Approved by: Cameron McIntosh, Chief executive

☐ Decision ☐ Recommendation ☒ Information

### Purpose

- 1 The purpose of the report is to provide and update on progress against a plan of work that emerged as a response to the recommendations in the independent review of the “Environment Court Decision On An Application For An Enforcement Order For Te Anau Downs Station”.

### Executive summary

- 2 Following the Council meeting of 6 December 2023, the Chief Executive prepared a Twelve Point Action Plan (TPAP) to implement the twelve recommendations of the independent review of the circumstances that led to the decision of the Environment Court regarding the Council’s management of perceived unlawful vegetation clearance practices at Te Anau Downs station.
- 3 This report presents progress against the plan.

### Recommendation

**That the Finance and Assurance Committee:**

- a) **receives the report titled “Te Anau Downs Station - Twelve Point Action Plan (TPAP)”.**
- 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 progress made against the recommendations**

### Background

- 4 The Southland District Council (SDC) applied for enforcement orders to manage what were perceived as unlawful indigenous vegetation clearance practices at Te Anau Downs Station (TADS). The application was declined by the Environment Court. The Council was ordered to pay costs of \$300,000 to the respondent.

- 5 Given the significant costs awarded and the reputational damage to Council arising from the case, the Council's Chief Executive Officer (CEO) initiated an independent review of the circumstances which led to this outcome, and any lessons to be taken from it.
- 6 An independent report was prepared by John Hutchings and Ian Gordon titled "Environment Court Decision on an Application for an Enforcement Order for Te Anau Downs Station: Circumstances and lessons." Their essential conclusion was that "...there was no single action, fault or omission that caused the result. Rather, a decade long concert of factors aligned in a way that was difficult to foresee, difficult to avoid and difficult to navigate. Whilst performance was not always optimal, no single individual was most responsible."
- 7 The report was received by Finance and Assurance and Council on 15 November 2023 and a timebound action plan presented to Finance and Assurance 6 December 2023. The 12 recommendations for action in the report were the basis for the Twelve Point Action Plan (TPAP) developed by the CE and ELT that includes the requirement to set up a steering group and to report back quarterly to Finance and Assurance on progress against the plan.

**Issues**

- 8 This is the first formal feedback to Finance and Assurance. Progress has been made on most of the recommendations that have fallen due under the proposed timing, noting that legislative changes and proposed changes have significantly impacted the proposed work on the district plan.

**Next steps**

- 9 A further report to Finance and Assurance will be provided in the next quarter.

**Attachments**

- A Twelve Point Action Plan Update 17 May 2024



**TWELVE POINT ACTION PLAN (TPAP) – Status Update 17 May 2024**

1. Urgently review the biodiversity aspects of the operative Southland District Plan, to:

Identify how it can give effect to the NPS for Indigenous Biodiversity 2023<sup>1</sup>, including whether further work should be undertaken to identify and provide for Significant Natural Areas (SNAs)<sup>2</sup>

Clarify the relationship between existing uses, permitted activities and the definitions applying to these, with a focus on how these may affect the clearance of indigenous vegetation.

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
1.1	Request ES assistance to undertake a district-wide assessment to identify significant indigenous vegetation or significant habitats of indigenous fauna	CEO		Actioned on 22/11/23	ES have \$3.5 million Jobs for Nature funding; it was originally allocated to map highly productive areas, but they have agreement to use it for SNAs  Depending on outcome of this request, SDC may need to allow for further funding e.g., ecologists(c.\$100k)  <b>Note:</b> This may change depending on new government policies	Government announced 14 March 2024 that it has agreed to suspend the requirement for councils to comply with the Significant Natural Areas (SNA) provisions of the National Policy Statement for Indigenous Biodiversity for three years, while it replaces the Resource Management Act (RMA).
1.2	Review and amend relevant chapters in District Plan <ul style="list-style-type: none"> <li>Appoint external expert resource/s to lead this work</li> </ul>	GMSP	\$170k	Dec 23-June 27	This funding allocation is designed to get the work underway.  It will be a multi-year project and our expectation is that significant more funding is very likely to be required. A	Seeking a proposal from external provider for this work. Will review once received to consider costings and timing.

<sup>1</sup> The NPS for Indigenous Biodiversity came into force on 4 August 2023.

<sup>2</sup> The NPS for Indigenous Biodiversity also requires every regional council to prepare a regional biodiversity strategy, in collaboration with the territorial local authorities of its region.

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
	<ul style="list-style-type: none"> <li>Confirm process and timeframe to implement changes</li> <li>Provide regular updates to Council</li> <li>Allow for peer review if required</li> </ul>				more informed budget will be developed as the project progresses.	
1.3	Ensure specialist communications and engagement advice is available to support and work with lead expert	GMSP	\$40k	Dec 23- June 25	Complement existing resources with specialist external contractor who will also provide input into 2.1 and 9.2	Contractor engaged on as "as needed" basis.

**2. Provide better information to landowners, so they may more clearly understand those land use activities enabled or not enabled within the District Plan.**

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
2.1	Develop an engagement plan and communication strategy	GMSP	Covered above	Feb 24- June 25	Developed as part of the combined 17A workstream.	Awaiting timing decisions from steering team
2.2	Increase focus on promoting information already available and easy to access	GMSP		Ongoing	Developed as part of the combined 17A workstream.	Awaiting timing decisions from steering team
2.3	Monitor and amend/improve as required as part of ELT agenda on a regular basis	GMSP		Ongoing		First report back to F&A scheduled for 5 June 2024

**3. Increase the budget for Council's compliance monitoring and enforcement function, increase the number of experienced personnel operating in this area and consider options to enhance the Council's capacity and capability to implement RMA requirements.**

	<b>Actions</b>	<b>ELT Lead</b>	<b>Budget Estimate</b>	<b>Timeframe</b>	<b>Comments</b>	<b>Status @ 17 May 2024</b>
<b>3.1</b>	Legal and Compliance Team <ul style="list-style-type: none"> <li>Review establishment numbers in this team</li> <li>Consider whether additional resources are required.</li> <li>Consider appointment of interim manager</li> </ul>	GMRS	\$50k	Feb 2024		We now have two Compliance Officers instead of one and a Team Leader position has been established and is out for recruitment.
<b>3.2</b>	RC team <ul style="list-style-type: none"> <li>Review establishment numbers in this team</li> <li>Consider whether additional resources are required beyond those currently included in the draft LTP</li> </ul>	GMRS		ASAP	Note – review underway will confirm numbers required and the extent of cost recovery Council are willing to support	Now installing a manager and are comfortable with proposed establishment changes.
<b>3.3</b>	<ul style="list-style-type: none"> <li><i>Conclude the procurement of the RC panel (3 consultants) which will increase the RC processing capacity</i></li> </ul>	GMRS		Dec 23		<i>Done and working well.</i>
<b>3.4</b>	DP Team					
	<ul style="list-style-type: none"> <li>Review establishment numbers in this team</li> </ul>	GMSP		March/April 24	<i>Need to consider permanent additions to the team alongside using external parties.</i>	<i>Resourcing to be considered alongside planning (see 1.2)</i>

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
	<ul style="list-style-type: none"> <li>Consider whether additional resources are required beyond those currently included in the draft LTP</li> </ul>					
	<ul style="list-style-type: none"> <li>Review and amend the DP work programme to prioritise this implementation plan</li> </ul>	GMSP		May 24	<p><i>The DP team will commence plan changes from ~ May 24 and the workload in plan administration will increase; whoever is in this role needs to have time to prior to this to understand (or even implement) systems and processes to support this part of District Planning. This will be rates funded.</i></p> <p><i>The new government has made changes to the planning legislation and foreshadowed more to come. This may impact on the focus and prioritisation of DP changes.</i></p>	Preparing a plan for this work and considering how it fits with the required 2028 DP review.
	<ul style="list-style-type: none"> <li><i>Ensure the District Plan has the right framework to ensure that both the RC and the Compliance teams can fulfil their regulatory responsibilities</i></li> </ul>	GMSP		March 24	<p><i>Consider balancing the planning requirements with the useability of the plan for enforcement and compliance issues.</i></p> <p><i>Involve the enforcement team in the policy creation loop.</i></p>	<i>Consider in plan preparation.</i>
	<ul style="list-style-type: none"> <li>Consider a resource dedicated to the spatial plan</li> </ul>				<i>Spatial plans no longer required by government.</i>	<i>Fixed-term appointment made to prepare a road map for spatial planning. To report to Council 19 June 2024</i>

**4. Prepare an enhanced Council compliance monitoring and enforcement manual.**

	<b>Actions</b>	<b>ELT Lead</b>	<b>Budget Estimate</b>	<b>Timeframe</b>	<b>Comments</b>	<b>Status @ 17 May 2024</b>
<b>4.1</b>	Consider advice provided in "Learning from Others" s28-34 of TADS review	GMRS		March 24		Done and incorporated into development of Enforcement Policy and ongoing work with SOPs.
<b>4.2</b>	Prepare a fit for purpose compliance and enforcement manual for SDC	GMRS	\$25k	June 24		Enforcement policy produced; manual will be produced with supporting SOPs.
<b>4.3</b>	Design and implement a staff training programme to ensure effective deployment of manual	GMRS		Ongoing from June 24		Underway. Training delivered in Body Cameras and Infringement Notices. Further full day training (probably with staff from adjoining councils) scheduled for late August 2024
<b>4.4</b>	Schedule a council workshop to ensure elected members have a comprehensive understanding of their legal responsibilities	GMRS	\$5k	July 24		Enforcement Policy coming to Council in June 2024. This will include working with Community Boards
<b>4.5</b>	Include in elected member induction	GMSP		Dec 25		Reviewing EM Induction materials

**5. Develop a protocol for the making of a deliberate decision to implement a mid-stream peer review of Council long running and complex legal proceedings, such as those arising in the TADS case.**

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
5.1	Implement a system to capture all legal proceedings both proposed and underway	GMSP		March 24		Patchy across the SDC. Good tracking in the regulatory area. Needs further work which will be considered as we establish the processes around the Legal Panel.
5.2	Monitor legal proceedings and their status as part of ELT agenda on a monthly basis	GMSP		From March 24		Currently ad hoc – major issues brought to ELT attention. Will develop a systematic approach alongside Legal Panel work.
5.3	Ensure legal panel has the breadth of providers so that peer reviews can be accommodated	GMSP		Jan/Feb 24	Ref action 8.1	Legal Panel establishment underway

**6. Improve the efficiency of the way the Council manages the LGOIMA process.**

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
6.1	Identify best practice noting guidance from Ombudsman	GMSP		March 24		Noted – will form part of review.

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
6.2	Implement changes to ensure SDC has a best practice system in place and is appropriately resourced	GMSP	\$20k	July 24	An additional resource may be required	Reviewing current LGOIMA system which is heavily dependent on one person. Review "home" for LGOIMA management once revised system is designed.
6.3	Monitor LGOIMA requests and their status as part of ELT agenda on a monthly basis	GMSP		July 24		Not started – system is currently very manual and depends on one person. It will be replaced by a more systematic approach following review.

**7. Introduce better document management systems to enable more efficient preparation and review of proceedings such as those related to TADS.**

	<b>Actions</b>	<b>ELT Lead</b>	<b>Budget Estimate</b>	<b>Timeframe</b>	<b>Comments</b>	<b>Status @ 17 May 2024</b>
<b>7.1</b>	Review current document management system to identify gaps and determine what improvements are required.	GMFA	\$20k	Nov 24		Initial discussions only taken place.
<b>7.2</b>	Depending on outcome of 7.1 scope agreed way forward	GMFA	\$10k	Nov 24		Not due
<b>7.3</b>	Appoint specialist help (project manager or company) to develop and implement improvements and/or changes	GMFA	\$70k	Nov 24- June 25	The final budget for this will be dependent on the outcome of the previous 2 actions	Not due



**8. Establish a panel of legal advisors to readily enable external review processes and to ensure specialist legal work is undertaken by those best equipped to do it, with the added benefit of avoidance of potential conflicts of interest.**

	<b>Actions</b>	<b>ELT Lead</b>	<b>Budget Estimate</b>	<b>Timeframe</b>	<b>Comments</b>	<b>Status @ 17 May 2024</b>
<b>8.1</b>	Prepare brief of work to use as basis for RFP	GM SP	\$20k	Jan/Feb 24	There are lots of different aspects/complications to council legal work so recommendation is to appoint an external resource to lead the work (including developing an internal process for staff to follow) and work with small internal team	External resource (Lodestone Consulting Ltd) appointed to work with internal procurement to establish panel, likely a hybrid of AOG and local providers.  External provider will establish and run the process for SDC of identification and selection and appointment.
<b>8.2</b>	Advertise via GETS	GM SP		July 24		As above
<b>8.3</b>	Appoint panel (internal staff plus project manager) including staff who are likely to use these specialists to evaluate the proposals	GM SP		July 24		As above
<b>8.4</b>	Conduct interviews with most highly evaluated firms/specialists and add interview scores to initial evaluation	GM SP		July 24		As above
<b>8.5</b>	Conduct negotiations to close out contracts with preferred panel members	GM SP		July 24		As above
<b>8.6</b>	Develop and implement a clear process for staff to follow when legal advice is	GM SP		July 24		Not started

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
	required (potentially a centrally held budget)					
8.7	Conduct 6 monthly review to consider whether improvements/modifications to the panel operations are required	GM SP		Jan 25		Not due
8.8	Review panel process as part of ELT agenda on an annual basis	GM SP		July 25		Not due

**9. Work with Environment Southland on a program to promote on-farm indigenous revegetation, including ‘the right plants and trees in the right place,’ and to lobby central government to include small indigenous woodlots, wetlands, riparian planting and emerging SNAs in the ETS scheme.**

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
9.1	Formalize SDC’s wish to Work with Environment Southland on a program to promote on-farm indigenous revegetation, including ‘the right plants and trees in the right place,’ and to lobby central government to include small indigenous woodlots, wetlands, riparian planting and emerging SNAs in the ETS scheme at CEO level  Continue to enhance engagement with other bodies (e.g. Thrive Southland, Fish	CEO		Feb 24	Note: incoming government may potentially introduce changes, but this action plan is based on current legislation	Government announced 14 March 2024 that it has agreed to suspend the requirement for councils to comply with the Significant Natural Areas (SNA) provisions of the National Policy Statement for Indigenous Biodiversity for three years, while it replaces the Resource Management Act (RMA).

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
	and Game) to support/contribute to this work					
9.2	Confirm SDC lead to develop the programme and initiate regular meetings with ES counterpart to work collaboratively on such a programme Include specialist support comms and engagement support as 1.3 above	GM SP		Monthly from March 24		Awaiting further clarity from governmental changes
9.3	Present recommended programme to both ELTs and Councils for sign off	GM SP	\$50k	July 24		Not due
9.4	Implement agreed programme	GM SP		August-Oct 24		Not due
9.5	Work collaboratively with ES CEO and Chair to develop and deploy a strategy to lobby Central Government	CEO		From Feb 24		

**10. With the passing of the Natural and Built Environment Act, and the proposed formation of regional committees,<sup>3</sup> consider the merit of negotiating with other Southland local authorities to enable the application of a regional approach to the implementation of compliance monitoring and enforcement actions, in relation to biodiversity.**

	Actions	ELT Lead	Budget Estimate	Timeframe	Comments	Status @ 17 May 2024
<b>10.1</b>	Keep a watching brief on direction of new government and prepare advice to Council as information becomes available	GM SP				Natural and Built Environment Act has been repealed. Government announced 14 March 2024 that it has agreed to suspend the requirement for councils to comply with the Significant Natural Areas (SNA) provisions of the National Policy Statement for Indigenous Biodiversity for three years, while it replaces the Resource Management Act (RMA).
<b>10.2</b>	Council workshop on incoming government's 100-day plan	CEO	\$5k	January 2023		

**11. Ensure future delegation powers and procedures remain robust.**

	<b>Actions</b>	<b>ELT Lead</b>	<b>Budget Estimate</b>	<b>Timeframe</b>	<b>Comments</b>	<b>Status @ 17 May 2024</b>
<b>11.1</b>	Ensure annual review of delegations is in place	GMSP		From June 24		Delegations reviewed as issues arise. Programme of full review being considered.
<b>11.2</b>	Ensure staff are aware of their delegation powers and procedures they need to follow	GMSP		Ongoing		Ongoing.
<b>11.3</b>	Review documentation processes to ensure they align with delegations	GMSP		July 24		Ongoing
<b>11.4</b>	Ensure there is a process to amend delegations outside of annual review if necessary	GMSP		June 24		Delegations reviewed as issues arise.
<b>11.5</b>	Investigate a technology-based solution to streamline/support delegation powers and procedures	GMSP	\$5k	Oct 24		Not started

**12. Ensure there are clear lines-of-sight / overview / 'escalation upwards' opportunities for the decision-making path on key matters and that they are afforded sufficient time at meetings of the Executive Leadership Team.**

	<b>Actions</b>	<b>ELT Lead</b>	<b>Budget Estimate</b>	<b>Timeframe</b>	<b>Comments</b>	<b>Status @ 17 May 2024</b>
<b>12.1</b>	Review how ELT agendas are set and ensure they capture the right topics (e.g. including monitoring legal proceedings proposed and underway, key metrics etc)	CEO		Jan 24		CE to work with EA and Governance team on Agenda setting for ELT.
<b>12.2</b>	Continue to communicate with the organization so that there is a common understanding of what does and doesn't get escalated upwards	CEO		Ongoing		Processes for reports going on to the ELT agenda now promulgated and enforced.
<b>12.3</b>	Ensure each GM takes ownership of allocated risks in corporate risk register, management teams also understand what constitutes risk and what needs to be escalated–.	CEO		Ongoing		Full ELT meeting on review of Risk Register held 7 May 2024

## Fraud Policy Review

**Record no:** R/24/5/31722

**Author:** Theresa Cavanagh, Intermediate policy analyst

**Approved by:** Anne Robson, Group manager finance and assurance

☐ Decision

☒ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is for the Finance and Assurance Committee (the Committee) to:
  - a) consider and provide feedback on the draft Fraud Policy (the draft policy).
  - b) determine the recommendation to Council regarding adoption of the draft policy.

### Executive summary

- 2 The Fraud Policy provides a framework to protect Council's revenue, property, information, and other assets from any attempt to gain financial or other benefits by deceit.
- 3 The current policy was extensively reviewed in 2021 and based on this and the policy working well to date, the only changes are to include Audit NZ recommendations for *bribery* and *corruption* definitions, as well as further responsibility around *bribery* and *corruption* for the Fraud Control Officers.

### Recommendation

**That the Finance and Assurance Committee:**

- a) **receives the report titled "Fraud Policy Review".**
- 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) **Considers the draft Fraud Policy and provides feedback.**
- e) **Endorses the draft Fraud Policy, subject to any amendments suggested by the Committee.**
- f) **Recommends to Council that it adopts the draft Fraud Policy**

## **Background**

- 4 The Fraud Policy is due for review and Council has received recommendations from Audit NZ to expand the bribery and corruption aspects of the policy.
- 5 The policy was legally reviewed in 2021 by Copeland Ashcroft Law, and the Fraud Control Officers have confirmed that the policy is working well. Given this, the only amendments proposed to the policy relate to the audit recommendations and the updating of legislation.

## **Issues**

- 6 Recommendations from Audit NZs 2021 Annual Report audit are as follows:
  1. include definitions of bribery and corruption in the Fraud Policy
  2. perform a risk assessment to identify areas where the District Council is most at risk of bribery and corruption
  3. provide additional training and support to staff in key positions that could be susceptible to bribery and corruption
  4. assign responsibility of maintaining adequate internal controls over bribery and corruption to one or more senior officers.
- 7 Points 1 & 4 of the above audit recommendations have been included in the policy. The details of amendments to the policy are as follows:
  - Update reference to legislation – now the Protected Disclosures (Whistleblowers) Act 2022
  - Include reference to the Protected Disclosures Policy
  - Include Bribery definition - from the Ministry of Justice *Anti Corruption Guide*
  - Include Corruption definition - from the Office of the Auditor General's *Good Practice Summary: Discouraging Fraud*
  - Update the Whistleblower section to reflect legislative changes
  - Include the following responsibility for the Fraud Control Officers – *maintaining adequate controls over bribery and corruption*
  - Minor amendments for clarity

## **Factors to consider**

### **Legal and statutory requirements**

- 8 Guidance on best practice for fraud is regularly prompted by Audit NZ through Council's annual management audit. The focus has recently been on bribery and corruption.

### **Community views**

- 9 The policy states that feedback on the effectiveness and appropriateness of this policy can be provided to the Fraud Control Officers at any time.
- 10 A copy of the policy will be forwarded to Council employees upon adoption which will serve as a reminder of employee obligations in regards to fraud.

### **Costs and funding**

- 11 There will be costs associated with fraud training for the fraud control officers, as well as fraud awareness training for all staff. This cost will be covered within existing budgets.



**Policy implications**

- 12 The proposed changes will ensure that Council's Fraud Policy meets the recommendations from Audit NZ.

**Analysis**

**Options considered**

- 13 There are two options for consideration in this report:
- option 1 – that the committee recommend that Council adopt the draft Fraud Policy
  - option 2 – propose a different way forward

**Analysis of Options**

**Option 1 – that the committee recommend that Council adopt the draft Fraud Policy**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• ensure ongoing guidance on the process for detecting and reporting suspected fraudulent activities</li><li>• audit recommendations will be met</li></ul>	<ul style="list-style-type: none"><li>• none identified</li></ul>

**Option 2 – propose a different way forward**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• would give further clarity on councillors' views regarding the policy</li></ul>	<ul style="list-style-type: none"><li>• may result in audit recommendations not being met</li></ul>

**Assessment of significance**

- 14 This decision is not deemed as significant in terms of Council's Significance and Engagement Policy and the Local Government Act 2002.

**Recommended option**

- 15 It is recommended that the committee endorse the draft policy, and recommends to Council that it adopts the draft Fraud Policy.

**Next steps**

- 16 If endorsed, the draft policy will be included in the agenda for the next Council meeting for adoption.
- 17 If adopted by Council, the draft policy will be circulated to all Council employees, along with the Fraud Response Plan.

## **Attachments**

A      DRAFT Fraud Policy 2024



Fraud Policy 2024

Groups responsible:	Finance and Assurance People and Culture
Date approved:	## ##### 2024
File #	R/24/##/#####

Introduction

Purpose

The purpose of this policy is to:

- define fraud
- outline that Southland District Council (Council) has ‘zero tolerance’ towards fraud
- promote awareness about fraud
- outline fraud prevention mechanisms
- provide clarity on reporting suspected fraud
- outline how people who report suspected fraud will be protected
- set out the action that will be taken if a fraud is discovered.
- set out responsibilities in relation to preventing and reporting fraud

Overview

Council is committed to protecting its revenue, property, information, and other assets from any attempt to gain financial or other benefits from it by deceit.

This policy outlines Council’s position on fraud. The policy also provides information on preventing, reporting and investigating fraud.

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Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

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📍 southlanddc.govt.nz



## Scope

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This policy applies to all Council employees. For the purpose of this policy Council employees are:

- Council staff
- elected members
- contractors
- volunteers working for Council.

## Associated documents

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This policy is associated with the following documents:

- Local Authorities (Members' Interests) Act 1968
- The Secret Commissions Act 1910
- Crimes Act 1961
- Protected Disclosures (Protection of Whistleblowers) Act 2022
- Fraud Response Plan
- Protected Disclosures Policy
- Code of Conduct
- Delegation Manual
- Staff Handbook
- Policy on Electronic Communications (including the internet)
- Sensitive Expenditure Policy
- Conflict of Interest Policy
- Employment Relations Act 2000
- Privacy Act 2020
- Vehicle Policy

## Definitions

**Act** refers to the Protected Disclosures (Protection of Whistleblowers) Act 2022

**Bribery** - the giving or receiving, whether directly or indirectly, of something of value to influence a transaction

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**Corruption** - the abuse of entrusted power for private gain (such as soliciting or receiving gifts or other gratuities to perform an official duty or omit to perform an official duty).

**Fraud** includes all acts of deception, corruption, misrepresentation or omission committed with the intention of gaining an unjust or illegal financial advantage or to cause an unjust or illegal loss or disadvantage. Fraud includes, but is not limited to:

- forgery or alteration of documents or accounts belonging to Council
- unauthorised possession of Council property
- failing to record leave taken, or any other employee theft of time
- disclosing confidential or proprietary information to third parties
- misappropriation or improper disposal of funds, securities, supplies or any other asset
- any irregularities of funds, securities, supplies or any other asset
- any irregularity in handling or reporting of money transactions
- misappropriation of furniture, fixtures and equipment
- accepting or seeking anything of material value from contractors or persons (whether before, during or after any procurement process)
- bribery, corruption or abuse of office
- unauthorised or inappropriate use of Council property, vehicles, equipment, materials, furniture, fixtures, or records, such as for personal gain
- any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes – including the misappropriation of Council-owned software
- manipulating reporting to obscure impropriety
- obtaining funds or any other benefit through misleading claims, representations or by false pretences
- causing a loss, or avoiding or creating a liability by deception
- any claim for reimbursement of expenses that were not made for the exclusive benefit of Council
- profiteering or gain (whether it is personal gain or to gain an advantage for another person or entity) as a result of insider knowledge of Council's activities
- unapproved destruction or removal of records
- unauthorised or unapproved use of a Council credit card
- inappropriate payments to third parties
- presenting false credentials, qualifications or identity

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- supporting others in, or in any way being party to, fraud or not reporting fraud when it is suspected
- any of the above for personal gratification and/or edification (personal gain), whether or not there is pecuniary gain
- theft

## Policy statement

### Council has 'zero tolerance' towards fraud

Council regards fraud as totally unacceptable, and will apply a 'zero tolerance' approach to fraud.

All employees are required to act honestly and with integrity, and to safeguard the public resources Council is responsible for.

### Prevention

Council will take all reasonable steps to prevent fraud by having clear procedures, processes and expectations of behaviour. There will also be robust internal controls to protect assets, procurement processes, payroll, treasury and cash management. Council's activities to prevent fraud include, but are not limited to:

ACTIVITY	ACTIONS
<b>PROMOTION</b>	<ul style="list-style-type: none"> <li>• promoting this policy and Council's Fraud Response Plan</li> <li>• encouraging people to report suspected fraud</li> </ul>
<b>TRAINING</b>	<ul style="list-style-type: none"> <li>• running induction processes for new employees that include fraud awareness and code of conduct training</li> <li>• providing regular fraud awareness training for all employees</li> <li>• training employees on the purchase order system when necessary</li> </ul>
<b>MONITORING</b>	<ul style="list-style-type: none"> <li>• actively monitoring conflicts of interest</li> <li>• monitoring timesheets and leave requests</li> <li>• having external parties conduct regular fraud risk assessments</li> <li>• completing regular suspicious transaction analysis</li> </ul>
<b>VIGILANT PRACTICE</b>	<ul style="list-style-type: none"> <li>• having standard recruitment processes</li> <li>• undertaking pre-employment screening that includes checking for criminal convictions for appropriate employee</li> <li>• ensuring all employees are appropriately trained in regards to their obligations to fraud prevention and the protection of Council assets</li> <li>• segregating duties in accordance with best practice</li> </ul>

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	<ul style="list-style-type: none"> <li>• having appropriate protection measures in place for cash handling, procurement, purchase orders, asset management, fuel card usage, expense reimbursement, data security, leave applications, payroll and accounting</li> <li>• having appropriate processes in place for recording new suppliers, changing supplier details, bank account checking and weekly reporting</li> <li>• maintaining a centralised contract register</li> <li>• producing robust monthly financial reporting that provides information about results against budget, benchmarks and expected key performance indicators</li> <li>• having a fraud risk register</li> <li>• restricting access to information and systems as is appropriate</li> <li>• completing an internal audit plan and a programme of work carried out by external parties</li> </ul>
<b>CLEAR EXPECTATIONS</b>	<ul style="list-style-type: none"> <li>• having a code of conduct that sets out expectations for employee behaviour</li> <li>• having clear parameters set in the procurement policy/manual and the delegations manual</li> </ul>
<b>RESPONDING</b>	<ul style="list-style-type: none"> <li>• having safe, documented and accessible processes for employees to report suspected fraud</li> <li>• ensuring allegations of suspected fraud are responded to and actioned in a timely, effective and appropriate way</li> <li>• ensuring sanctions are in place for parties who commit fraud</li> <li>• recovering lost money or property wherever practical and appropriate</li> </ul>

## Reporting

### Obligation to report suspected fraud

All instances of suspected fraud must be reported. An employee can report fraud in person, phone, or by email to Council's Fraud Control Officers or directly to the Serious Fraud Office. Council has a documented process for responding to suspected fraud called a Fraud Response Plan.

The plan requires people to report instances of suspected fraud to a Fraud Control Officer:

- GM People and Culture Manager
- GM Finance and Assurance

Or, if this is not appropriate, to:

- the Chief Executive
- the chair of the Finance and Assurance Committee - the independent member of the Finance and Assurance committee
- the Mayor

Employees who report serious wrongdoing are protected by the Act. Refer to the whistleblower protection section of this policy as well as Council's Protected Disclosures Policy.

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**Contact emails:**Fraud Control Officer [fraudofficer@southlanddc.govt.nz](mailto:fraudofficer@southlanddc.govt.nz)Serious Fraud Office [sfo@sfo.govt.nz](mailto:sfo@sfo.govt.nz)**Reporting on fraud investigations**

In accordance with the Fraud Response Plan, fraud investigations will be reported to the Chief Executive and the Finance and Assurance Committee.

**Whistleblower protection responsibilities**

Employees who report 'serious wrongdoing' in the workplace are protected by the Act.

- Section 10 of the Act defines 'serious wrongdoing'
- Section 17 states that every receiver of a protected disclosure must use their best endeavours to keep confidential, information that might identify the discloser. A person's identity can only be disclosed if their consent has been given, or there is another essential reason for disclosing someone's identity (as outlined under the Act).
- Section 29 requires all public sector organisations to have an internal procedure to respond to serious wrongdoing (refer to Council's Protected Disclosures Policy).

Council is committed to protecting individuals who report suspected fraud. The responsibility for ensuring confidentiality and overall protection of the individual(s) making disclosures rests with the Chief Executive.

**How Council will respond to fraud**

- Council will respond to suspected fraud in accordance with the Fraud Response Plan.
- Concerns regarding fraud will be addressed via Council's disciplinary procedures. Fraud will generally constitute serious misconduct.
- Fraud is a criminal offence. As appropriate, instances of fraud will be reported to the NZ Police/*Ngā Pirihimana o Aotearoa* and/or Serious Fraud Office/*Te Tari Hara Tāware*.
- Recovery of lost money or other property will be pursued wherever practical and appropriate.
- Where possible, Council will also make system and process improvements if fraud occurs, in order to prevent future fraud.
- Council will comply with principles of Natural Justice when responding to suspected fraud.

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## Responsibilities

### Responsibilities set by Council

This policy establishes the following responsibilities.

ROLE	RESPONSIBILITIES
<b>MANAGEMENT</b>	<p>The day to day responsibility for the prevention and detection of fraud, misappropriation and other inappropriate conduct rests with managers. Managers are responsible for:</p> <ul style="list-style-type: none"> <li>• demonstrating the highest standards of ethical behaviour</li> <li>• identifying risks to systems, operations and procedures</li> <li>• developing and maintaining effective internal controls to ensure appropriate stewardship of funds and to prevent and detect fraud</li> <li>• ensuring internal controls are being complied with</li> <li>• strictly adhering to delegations of authority</li> <li>• ensuring compliance with policies, procedures and guidelines</li> <li>• an awareness and sense of responsibility for the types of impropriety that may occur within their respective areas, and being alert to any indication of irregularity</li> <li>• ensuring appropriate fraud prevention and detection training is provided to staff</li> <li>• responding to fraudulent activity by making any appropriate changes to systems and processes</li> </ul>
<b>EMPLOYEES</b>	<p>All employees, including managers, are responsible for:</p> <ul style="list-style-type: none"> <li>• ensuring internal controls are being complied with</li> <li>• operating within policies, procedures and guidelines</li> <li>• strictly adhering to all system security measures, segregation of duties and delegations</li> <li>• being scrupulously fair and honest in their dealings with contractors, suppliers or customers</li> <li>• taking reasonable steps to safeguard Council funds and assets against fraud, theft, unauthorised use and misappropriation</li> <li>• reporting suspected fraud immediately, in accordance with the fraud response plan.</li> </ul>
<b>ELECTED MEMBERS</b>	<p>Each elected member is responsible for:</p> <ul style="list-style-type: none"> <li>• operating within the code of conduct, policies, procedures, the Delegations Manual, standing order and relevant guidelines</li> <li>• strictly adhering to all system security measures, segregation of duties and delegations</li> <li>• being scrupulously fair and honest in their dealings with contractors, suppliers or customers</li> <li>• taking reasonable steps to safeguard Council funds and assets against fraud, theft, unauthorised use and misappropriation</li> </ul>

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	<ul style="list-style-type: none"> <li>reporting suspected fraud immediately, in accordance with the fraud response plan</li> <li>maintaining a climate of risk awareness by providing firm and visible support for fraud and corruption control management</li> </ul>
<b>FRAUD CONTROL OFFICERS</b>	<ul style="list-style-type: none"> <li>developing, maintaining and implementing this policy</li> <li>initiating and overseeing fraud investigations, and reporting on changes required in response to fraud</li> <li>developing and maintaining the governance and strategy aspects of this policy</li> <li>maintaining adequate internal controls over bribery and corruption</li> </ul>
<b>CHIEF EXECUTIVE / EXECUTIVE LEADERSHIP TEAM</b>	<ul style="list-style-type: none"> <li>the overall ownership and administration of this policy</li> <li>enhancing fraud awareness (including fraud identification, prevention and reporting processes, and providing staff with reminders on fraud processes and examples)</li> <li>developing an effective anti-fraud culture</li> <li>ensuring that Council fulfils its obligations under the Act</li> <li>recovering lost money or property, wherever practical and appropriate</li> </ul>

### Other responsibilities

In addition to this policy, some Council employees belong to professional bodies (such as legal, accountancy and engineering institutes) that bind members to individual codes of ethics, and require professional behaviour.

### Monitoring, evaluation and policy review

Informal feedback on the effectiveness and appropriateness of this policy can be provided at any time to the Fraud Control Officer(s).

A formal review of this policy and the Fraud Response Plan will be undertaken within three years of it being implemented/reviewed.

### Revision Record

DATE	VERSION	REVISION DESCRIPTION
<b>26 SEPTEMBER 2017</b>		2017 version of policy approved by Council
<b>23 JUNE 2021</b>	2	Amendments to improve readability and style. Amendments to incorporate feedback from Deloitte reports and audit management reports

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## ##### 2024	3	<ul style="list-style-type: none"><li>• Bribery and Corruption definitions included as per recommendation by Audit NZ</li><li>• Include responsibility of maintaining adequate internal controls over bribery and corruption to the Fraud Control Officers as per recommendation by Audit NZ</li><li>• Updating legislation</li><li>• Minor amendments for clarity and readability</li></ul>
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## Draft Risk Management Policy

**Record no:** R/24/5/32475

**Author:** Jane Edwards, Risk analyst

**Approved by:** Anne Robson, Group manager finance and assurance

☐ Decision

☒ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to:
  - a) present the draft Risk Management Policy (the draft policy) to the Finance and Assurance Committee (the committee) for consideration and feedback
  - b) seek recommendation from the committee that Council adopt the draft policy at its meeting 19 June 2024 with a proposed operational date of 1 July 2024.

### Executive summary

- 2 Council currently has a Risk Management Policy (the current policy) which outlines its approach to monitoring and managing risk. The purpose of the policy is to promote and support risk management as an integral part of Council's business processes, decision-making and oversight for executive management and governance. The policy sits alongside, and is supported by, Council's Risk Management Framework (RMF).
- 3 As part of continuous improvement to Council's overall risk and maturity, the current policy has undergone review to ensure it remains fit-for-purpose and reflects best practice. The draft policy presented seeks to provide direction for effective and consistent risk management, highlight key roles and responsibilities, and demonstrate Council's commitment to a culture of risk-based decision-making.
- 4 This report outlines the draft policy, included as attachment A, and proposes that the committee recommend to Council that the draft policy, including any changes the committee or Council may wish to make, be adopted at the 19 June 2024 Council meeting.
- 5 The current policy is included with this report as Attachment B.
- 6 For the committee's information, Council's Risk Management Framework is included as Attachment C.

## Recommendation

### That the Finance and Assurance Committee:

- a) receives the report titled “Draft Risk Management Policy”.
- 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) considers the draft Risk Management Policy and provides feedback.
- e) endorses the draft Risk Management Policy, subject to any amendments suggested by the committee.
- f) recommends that Council adopt the draft Risk Management Policy to come into effect on the 1 July 2024.

## Background

- 7 Council currently has a Risk Management Policy which was adopted in 2014, and while having no legislative review timeframe, the policy states that it is on a three yearly review cycle.
- 8 The review of the current policy was not undertaken within the stated timeframe, in part to Council’s adoption of the RMF in 2019 (which superseded large parts of the policy), and also, as a result of capacity issues within the previous strategy and policy team which necessitated prioritisation of other pieces of work.
- 9 The 2021 Management Report from Audit New Zealand received in early 2022 recommended that Council review and update its Risk Management Policy by June 2024 so that it “addresses risks within the current environment that SDC is operating in”.

## Issues

- 10 The approach taken in reviewing the current policy was to remove the elements which are outdated or replicated in the RMF, and to create a document that could be read in conjunction with the framework.
- 11 In consequence, the draft policy presented has been developed to outline at a high level Council’s position on risk management and it contains a set of policy objectives and principles in line with ANZS 31000:2018 (the international standard providing guidelines and principles for risk management). It is proposed that the draft policy outlines broadly the ‘what’ and ‘why’, and the RMF will cover the more detailed and operational ‘how’.

- 12 This approach has been taken in order to support clarity of Council's risk management commitment; to align the draft policy with the RMF, and to create a more user-friendly document for the organisation.
- 13 The review of the draft policy has reinforced the need to undertake a review of the RMF which is also overdue for review. While the draft policy has been developed in alignment with the current RMF, it has also been developed with consideration to its place in the wider risk management review scope so that it will remain fit for purpose.
- 14 Early targeted pre-engagement has been undertaken with staff and management, and feedback to the draft policy was sought from the committee after its 27 March 2024 meeting.

a) **Changes included in the draft policy**

- 15 The main updates include:
- structured redesign for increased readability
  - restating the scope of the policy to make it clearer
  - expanding the principles underpinning the policy
  - removing processes that were also, and more appropriately, outlined in the RMF.

**Factors to consider**

**Legal and statutory requirements**

- 16 Council is not legislatively required to have a Risk Management Policy; however it is obligated to operate in a prudent manner by identifying and reducing relevant risks to the delivery of its services and activities.

**Community views**

- 17 Community views have not been sought in relation to the draft policy. It can be expected that the community would expect Council to operate in accordance with recognised good practice standards.

**Costs and funding**

- 18 Costs associated with staff time in reviewing the policy have been met within current budgets. There are no other costs related to the application of this policy.

**Policy implications**

- 19 The draft policy has been developed in alignment with the current RMF, but with consideration to its place in the wider risk management review process.
- 20 The review of the draft policy has reinforced the need to undertake a review of the RMF which is also overdue for review.
- 21 This will be completed as the next step in the risk management project development process.

- 22 It is anticipated that the draft RMF review will be completed for Council consideration by December 2024.

## **Analysis**

### **Options considered**

- 23 There are two options for consideration in this report:
- option 1 – that the committee endorse the draft policy to Council for adoption subject to any amendments suggested.
  - option 2 – propose a different way forward.

## **Analysis of Options**

### **Option 1 – that the committee endorse the draft policy to Council for adoption subject to any amendments suggested.**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• the draft policy has been updated in alignment with the risk management framework</li> <li>• the review will meet auditor requested timeframes</li> <li>• provides clarity and an understanding of the significance of risk management to the organisation – for elected members and staff alike</li> <li>• will allow staff to continue with the preparatory work required for the review of the RMF which is recognised as being overdue</li> </ul>	<ul style="list-style-type: none"> <li>• there are no significant disadvantages to this approach</li> </ul>

### **Option 2 – propose a different way forward**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• would give clarity on the committee's views regarding this policy</li> <li>• there may be benefits to be gained by proceeding with a different way forward in conjunction with other pieces of work in the risk management review programme (e.g. RMF and risk appetite statements).</li> </ul>	<ul style="list-style-type: none"> <li>• may put pressure on auditor's preference to have the policy reviewed by June 2024</li> <li>• proceeding with a different way forward may put pressure on staff capacity to undertake the scheduled review of the RMF by December 2024.</li> </ul>



**Assessment of significance**

- 24 It has been identified that this matter is of lower significance in relation to Council's Significance and Engagement Policy and the Act.

**Recommended option**

- 25 It is recommended that the committee proceed with Option 1 and recommend that the Committee endorse the draft policy to Council for adoption subject to any amendments suggested.

**Next steps**

- 26 If the committee endorses Option 1, staff will make any recommended changes, undertake any other necessary steps, and present the draft policy to Council for adoption at its 19 June 2024 meeting.
- 27 It is proposed that the review of Council's Risk Management Framework, scheduled for Q1/Q2 of 2024/25 FY, is undertaken in alignment with the draft policy.

**Attachments**

- A Draft Risk Management Policy 2024
- B Current Risk Management Policy 2014
- C Risk Management Framework



## DRAFT Risk Management Policy 2024

**Group responsible:** Finance and Assurance

**Date adopted:** XX June 2024

**File no:** R/24/5/34327

### Purpose

Southland District Council (Council) recognises that effective risk management is an integral part of good governance, allowing it to maximise potential opportunities and minimise adverse effects in the Southland District.

The purpose of this policy is to provide direction for effective and consistent risk management, highlight key roles and responsibilities, and demonstrate Council's commitment to a culture of risk informed decision-making.

### Scope

The scope of this policy is organisation-wide and it will be fully integrated into Council's activities, particularly strategy-setting and decision-making.

This policy should be read in conjunction with Council's Risk Management Framework which sets out the principles, procedures and processes to be followed, and the risk tools that provide a standardised format and methodology to support consistent risk management practices across the organisation.

Definitions relating to this policy are outlined in the Risk Management Framework.

### Objectives

The objectives of the policy are to:

- support Council's vision, purpose, strategic goals and objectives
- integrate and align risk management with Council's strategic, operational and project planning approaches
- facilitate good risk based decision making by enabling Council to prioritise actions and distinguish between potential options
- provide an organisation-wide, systematic, structured and timely approach enabling Council to identify, and appropriately manage, monitor, report on, and respond to risks and risk events
- create a risk aware organisational culture and provide the tools and support required for all staff to take responsibility for managing risks
- ensure a common and consistent understanding of risks, risk management process and risk related concepts and terminology



- provide assurance to Council, the community and stakeholders that critical risks will be identified and managed effectively.

## Policy

Council will maintain an effective and relevant Risk Management Framework, ensuring a structured and systematic approach to risk management across the organisation. Risk management documents will remain relevant to the organisational culture, business objectives and organisational strategies, remaining applicable to all areas and in keeping with Council's risk appetite.

## Principles

The risk management policy is aligned with the principles and processes described within AS/NZS ISO 31000:2018 Risk Management Guidelines.

The policy confirms Council's commitment to the following principles:

- risk management creates value by supporting the development and execution of Council strategy
- risk management is an integral part of organisational processes and decision making
- risk management explicitly addresses uncertainty
- risk management is systematic, comprehensive and structured to ensure consistent and effective outcomes
- risk management is tailored to the Southland District context and the objectives of Council
- risk management is transparent and inclusive with the appropriate and timely involvement of relevant stakeholders
- risk management is dynamic so that it can anticipate and proactively respond to change
- risk management is based on the best possible information reasonably available
- risk management takes into account human factors and organisational culture that influence the risk management process
- risk management is subject to continued improvement and enhancement.

## Risk Management Framework

Council, through the Finance and Assurance Committee, is responsible for ensuring there are adequate procedures in place in relation to risk management, compliance and internal control systems.

Council-wide risk management principles will be implemented in line with the approach detailed in the Risk Management Framework's supporting documentation and associated processes.

The Risk Management Framework includes a risk assessment to identify, analyse, evaluate and treat risks in the following areas:



- strategic
- operational
- financial
- health, safety and wellbeing
- social, cultural and environmental
- regulatory and compliance.

The reporting and disclosure of risk is to be made in accordance with the Risk Management Framework.

The Risk Management Framework:

- establishes Council's risk appetite statement
- details how risks are identified, analysed and evaluated
- details how risk response plans are designed and prioritised
- details how risks are reported, escalated and communicated

### Reporting and communication

Council's risk management processes are regularly monitored, reviewed and reported.

Council has delegated oversight of this policy and the Risk Management Framework to the Finance and Assurance Committee which is advised by the Executive Leadership Team.

Key internal and external stakeholders are consulted regularly to ensure that there is appropriate identification, understanding, accountability and treatment of key risks.

### Responsibilities

Specific roles and responsibilities are outlined in the Risk Management Framework however risk management is the responsibility of all Council staff.

Each individual has a role to play in the identification and management of risk through risk management processes being integrated with planning processes and embedded in management and operational activities.

To remain effective, the Risk Management Policy and Risk Management Framework must be supported by an organisation-wide risk aware culture which will better enable Council to achieve its strategic goals.

### Legislative compliance

While there is no specific legislation directing this policy, it aims to ensure best practice in alignment with AS/NZS ISO 31000:2018 Risk Management Guidelines, supporting both effective risk management across the organisation, and ratepayer confidence across the District.



### Associated documents

- Southland District Council Risk Management Framework
- Finance and Assurance Committee – terms of reference
- AS/NZS ISO 31000:2018

### Review

The review timeframe of the Risk Management Policy will be as required but no less frequently than every three years.



## SOUTHLAND DISTRICT COUNCIL RISK MANAGEMENT POLICY

This policy applies to: Council, Elected members and Council staff.

### DOCUMENT CONTROL

<b>Policy owner:</b> Chief Executive	<b>TRIM reference number:</b> r/14/9/14091	<b>Effective date:</b> 29 October 2014
<b>Approved by:</b> Activities Performance Audit Committee	<b>Date approved:</b> 29 October 2014	<b>Next review date:</b> November 2015

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## RISK MANAGEMENT POLICY

### 1. PURPOSE

The Southland District Council is a territorial authority and governed by the Local Government Act 2002. The Council is responsible to the people of the District.

Council has a wide-range of obligations such as legal, financial, regulatory, political, social and cultural obligations.

Council recognises the need to manage risks for all activities of Council. In today's ever-changing environment it is especially important to understand Council's risks in order to be proactive in mitigating our exposure to risks and consequences. Risk assessments result in better more informed decisions.

This policy exists to:

- Make risk management a reality of how we do things,
- Integrate best practice risk management into policy, planning and operational decisions based on Joint Australian New Zealand Standard - Risk Management - Principles & Guidelines (AS/NZ ISO 31000:2009),
- Develop a holistic approach to managing a range of risks facing Council,
- Develop awareness and common understanding of Council's risk management expectations,
- Incorporate risk management into all key decision-making processes, business planning and reporting,
- Embed best practice risk management into every day work in a balanced, structured and cost effective way,
- Provide risk management training and learning opportunities for Council and employees.

Council recognises risk management is an integral component of its operations, from the setting of priorities right through to the achievement of goals and milestones. Risk management occurs not as a one-off management or control exercise but as an on-going requirement for all staff to identify opportunities that should enhance Council's objectives and address risks that may negatively impact on the achievement of those objectives.

## 2. DEFINITIONS AND ABBREVIATIONS

Term	Meaning
<b>Acceptable Risk</b>	A risk that is suitable as is given the context in which Council operates.
<b>Effect</b>	An effect is a deviation from the expected.
<b>Objectives</b>	Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product and process).
<b>Risk</b>	<p>Risk is the effect of uncertainty on objectives.</p> <ul style="list-style-type: none"> <li>• Risk is often characterised by reference to potential events and consequences, or a combination of these.</li> <li>• Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.</li> </ul>
<b>Risk Appetite</b>	This is the level of risk that Council accepts to be allowed as determined in Section 3.5.
<b>Risk Management</b>	Risk management is the culture, process and structures that are directed towards the effective management of potential opportunities and adverse effects.
<b>Risk Management Process</b>	The risk management process is the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks.
<b>Risk Tolerance</b>	Is the resilience of the Council to overcome the consequences of an event, normally expressed as a financial sum or recovery period.
<b>Tolerable Risk</b>	A risk that is bearable given the context in which Council operates after the risk has been assessed and treated to the best extent given the resources required, but is still not acceptable to Council.
<b>Uncertainty</b>	Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of an event, its consequence, or likelihood.

## 3. POLICY DETAILS

### 3.1 Background

Within the Council, a formal approach to risk management is in its establishment phase - beginning with this policy and the implementation of a formal risk register and reporting process.

Risk management best practice has shifted from the traditional operational focus into enterprise-wide risk management. Council needs to reflect this shift in its practices. The Council recognises the need to develop and apply a Risk Management Policy to all its objectives and across all organisational levels of the Council. Risk management is an iterative process. As risks are identified and reviewed/managed periodically, this information becomes more accurate and therefore resulting in more informed decision-making.

The Council is a complex and diverse organisation that is increasingly aware that to meet its long term objectives risks should be managed.



3.2 Overview

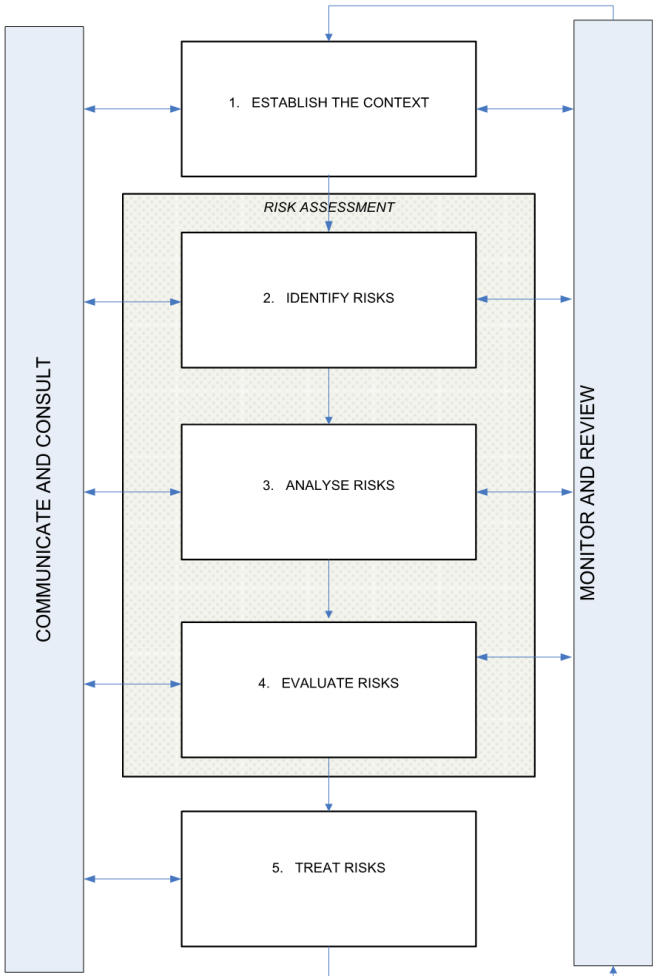
The Council recognises that risk management is not an isolated activity, nor a yearly compliance activity. To be truly effective, risk management must integrate into the organisational structure and the objectives of the Council. The integrated framework below visually represents the inter-relationship between:

- Risk management process
- Focus
- Organisational Structure



This matrix shows that the risk management process applies to all the objectives of the Council and penetrates down through from the highest *level* of the Council organisational structure to the very lowest level. In turn, it should also be clear that objectives do not sit in isolation at each level in the organisation structure but that each part of the Council structure works to support the strategic objectives.

The risk management process is illustrated below:



### 3.3 Establish the Context

Southland District Council is a territorial local authority. The internal environment, governance structure, powers, duties, authorities, codes of conduct, values and ethics and responsibilities are primarily determined by the Local Government Act (2002).

In the same way that commercial enterprises are accountable to their shareholders, Council is accountable to the people of Southland District. Most citizens expect Council to have higher standards than the private sector of stewardship and prudence in safeguarding and spending the public purse.

A focus on risk management will reflect a new organisational culture and in turn influences the setting of strategies and objectives.

The recent amendments to the LGA 2002 have changed the focus of Council from:

Section 10(b) *'to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.'*

to -

*'to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.'*

Council is moving towards the formal management of its risks to compliment this new focus.

#### **Objectives of Council**

The strategic objectives of the Council are set out in the Long Term Plan and these establish the basis of the Council activities and operations, in particular the discrete projects the Council will undertake to meet the wants and expectations of people of the District. In addition to the strategic objectives, the Council has operational objectives to meet the demand for both statutory and non-statutory Council services. Setting objectives drives the operational activities required and sets the reporting requirement for monitoring to ensure alignment with objectives. In setting objectives, it is essential that consideration is given to the Council's risk appetite and tolerance.

### 3.4 Identify Events (risks)

Once objectives are set then events that may stop, delay or otherwise hinder the achievement of objectives are considered. To assist in identifying events it can be useful to categorise these. The categories below are not an exhaustive list but a guide to assist in identifying what can happen.

Internal (direct influence):

- Governance,
- Delivery of commitments,
- Customers,
- Operations,
- People,
- Processes,
- Technology,
- Information management,

- Financial,
- Legal and regulatory compliance,
- Assets.

External (indirect, limited or no influence):

- Reputation,
- Partners,
- Election outcomes,
- Statutory changes,
- Socio cultural,
- Environment,
- Economic.

Definitions of the above risk categories are in Appendix 1.

### 3.5 Analyse and Evaluate Risks

By identifying what events can happen we can now consider what effect the occurrence would have on achieving the objective(s). To assess what the affect would be Council needs to consider the likelihood, or probability, that the event will occur and the impact, or consequence(s), of the occurrence.

Please refer to the tables in Appendix 2.

Score	Consequence	Probability
1	Insignificant	Rare
2	Minor	Unlikely
3	Moderate	Moderate
4	Major	Likely
5	Extreme	Almost Certain

The Executive Leadership Team is responsible for assessing risk.

Council will plot the probability against the consequence to create a risk profile that helps to prioritise risks based on their probability and consequence. This in turn assists in determining the most appropriate actions to respond to the prioritised risks.

When assessing the probability of a risk, consideration will be given to the risks occurrence (risk velocity). A risk may occur as a sudden event or due to a series of events over time. A risk that requires a series of events is less probable of occurring than an event that can occur in an instant.

The following table demonstrates the actions required given the assessment:

Guide	Action Required
<b>Acceptable</b>	Risk is insignificant. To be managed by operational staff/managers.
<b>Unacceptable but tolerable</b>	Risk may be unacceptable. Department Manager to manage risk to ensure risk is tolerable. Executive staff need to be informed.
<b>Unacceptable</b>	Risk is unacceptable. Requires a formal assessment and managed by the Executive Leadership Team to mitigate.
<b>Intolerable</b>	Risk is too great. Requires a formal assessment and details of all possible treatments. To be managed by the Executive Leadership Team with the Activities Performance Audit Committee being informed.

### 3.6 Treat Risks

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

Response	Description
<b>Avoid</b>	Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk.
<b>Accept</b>	Taking or increasing risk in order to pursue an opportunity.
<b>Remove Source</b>	Removing the risk source.
<b>Change Likelihood</b>	Changing the likelihood.
<b>Change Consequence</b>	Changing the consequence.
<b>Share</b>	Sharing the risk with another party or parties (including contracts and risk financing).
<b>Retain</b>	Retaining the risk by informed decision.

There are no set rules in applying these options, although generally low risk activities are acceptable and higher risk activities are only undertaken if there is a statutory duty or if there are significant rewards. In considering the identified risks, one must firstly consider the context of the activity that creates the risk to decide whether an option is available. Equally, the options are not mutually exclusive and for some identified risks, the optimum solution will be a combination of the options.

All treatments recorded against a risk will be assigned an owner. That owner will be responsible to ensure that the treatment is working as expected or to report any concerns or failures of the treatment.

### 3.7 Information and Communication

To be effective, risk management requires a reporting structure that ensures that data and information be captured and communicated at an appropriate level to enable decisions.

There is a continual process of event identification, assessment and response that requires the best information available.

- All staff responsible for risks will receive a quarterly report of their risks to manage.
- All staff will inform the Assurance Officer of potential new risks and any changes to a risk or their treatments.
- All staff responsible for a risk will ensure that all other parties (internal and external) are informed of the risk and treatments in place.
- The Activities Performance Audit Committee will receive a KPI report on the risks of Council at every meeting with commentary from the Assurance Officer.
- Every year after 30 June the Activities Performance Audit Committee will report to Council on the risk management process.
- The risk register and policy will be able to be accessed via the intranet (to view).

### 3.8 Monitoring

The Activities Performance Audit Committee is responsible for monitoring the management of Council risks. (effectively the governing body to risk management).

All staff are responsible for monitoring the risks and controls in their various areas.

The Assurance Officer is responsible for monitoring staff compliance to risk management.

The Executive Leadership Team will ensure all staff comply with this policy and instigate disciplinary action if/when required.

### 3.9 Risk Appetite and Tolerance

Council accepts that each group/department/area can set its own appetite and tolerance, but must use as a very minimum the colour-coding of the risk matrix as highlighted in Section 3.5 as a proxy for appetite and tolerance.

The Council recognises the limitations of risk matrices as a guide to appetite and tolerance, particularly in relation to high consequence/low probability and high probability/low consequence risks.

### 3.10 Risk Register

The Council uses risk register to record identified risk, consequences, probability, controls to be used, and ownership (responsibility).

To ensure consistency, use of a standard template, (Appendix 3), is required.

#### 4. ROLES AND RESPONSIBILITIES

Risk performance measures will be developed for staff and management to complement their work/function performance measures.

**1. Council**

Elected Councillors have a responsibility to the local community to govern the Council. Proper governance requires that members know and understand the risks to attaining the strategic objectives of the Council. Members are accountable for their policy decisions and should ensure decisions appropriately balance the risks and rewards.

**2. Activities Performance Audit Committee**

The Activities Performance Audit Committee is responsible for ensuring that Council has appropriate risk management and internal control systems in place, monitoring organisational performance in managing risk and forming a view on the overall risk profile and its acceptability.

**3. Chief Executive**

The Chief Executive is accountable to the Council and is responsible for the implementation of the Risk Management Policy approved by the Council and for ensuring that an appropriate risk reporting mechanism exists between officers and Council.

**4. Executive Leadership Team**

The Executive Leadership Team is responsible for the management of risks that affect the attainment of strategic objectives or that are a material threat to the operational capacity or reputation of the Council.

**5. Executive Staff**

Executive Staff are responsible for the management of operational risks that affect the attainment of their objectives or that are a material threat to the operational capacity or reputation of their group.

**6. Managers**

Managers are responsible for the management of operational risks that affect the delivery of their objectives or that are a material threat to the operational capacity or reputation of their area.

**7. Assurance Officer**

Create and implement processes required to successfully implement the policy. Provide training for affected parties. Administer processes and compile reports as required.

**8. Staff**

Staff are responsible for the day to day management of risks that affect the performance of their duties with the Council and subject always to the policies, plans and procedures of the Council.

**9. Treatment Owners**

All staff assigned the responsibility of managing a treatment will be responsible to ensure that the treatment is working as expected or to inform the Assurance Officer when the treatment has failed or concerns they have in its effectiveness.

**5. REFERENCES**

Joint Australian New Zealand International Standard - Risk Management - Principles and Guidelines AS/NZS ISO 31000:2009

**6. REVISION RECORD**

Date	Version	Revision Description



## 7. APPENDICES

### Appendix 1 - Risk Categories

#### 1. Internal (Direct influence)

<b>Governance</b>	Risk arising from the performance of duties of officers and elected representatives. Propriety/compliance with relevant requirements/ethical considerations.
<b>Delivery of commitments</b>	Risks to the development, planning and delivery of political commitments within the Long Term Plan (LTP). Consultation and communication, project management and project delivery issues.
<b>Customers</b>	Meeting needs, wants and expectations of customers in respect of Council facilities, service standards and service provision.
<b>Operations</b>	Risk arising from the day-to-day operations of Council groups and project teams. Risks that affect service delivery standards and best practice. The ability of the Council to compete and provide best value to in the provision of services. Opportunities to reduce waste and inefficiency.
<b>People</b>	Risks related to people and their well-being. Staff talent, recruitment and retention issues, including market competitiveness. Management protocols, training, development and capacity issues. Health and safety, disability and discrimination issues. Resilience and ability to change.
<b>Processes</b>	Risk associated with internal processes and how they relate to each other. The adequacy, efficient and effectiveness of these processes. The interface with other processes.
<b>Technology</b>	Risks arising from current provision of technology and changing demand/capacity. Use or misuse/security of new or existing technology. Obsolescence of current systems; opportunities arising from new technology.
<b>Information management</b>	Risks that affect the Council's ability to store, retrieve and use data and information, including adequacy for decision-making and protection of privacy.
<b>Financial</b>	Risks that affect the finances or financial planning of the Council. Includes fraud, management, control and ability to meet financial commitments and support strategies and objectives.
<b>Legal and Regulatory compliance</b>	Risk from failing to comply with statutory or common law, delegations, regulations, consents and contractual obligations, including failure to address changes to law in policy and procedures.
<b>Assets</b>	Risks that cause loss or damage to assets owned or operated by the Council to provide services. Includes land, property, equipment, information.

**2. External (Indirect, limited or no influence)**

<b>Reputation</b>	Confidence and trust stakeholders have in the organisation. Risks that may directly, or indirectly, damage the reputation of the Council or any of its elected members or key personnel.
<b>Partners</b>	Risk relating to partnerships, alliances, new ways of working, stakeholder management.
<b>Election outcomes</b>	Change of government (central and local), cross-cutting policy decisions, machinery of government changes. Includes the exertion of political influence to set or change policy, direction, objective, strategy, etcetera. Potential ratepayer dissatisfaction and/or change in direction.
<b>Statutory changes</b>	New or changed statutory environment.
<b>Socio cultural</b>	Social and cultural demographic changes that effects demand for services. Stakeholder expectation changes over time.
<b>Environmental</b>	Environmental changes such as climactic changes and Acts of God.
<b>Economic</b>	Risk relating to the economic environment. Changes in the demand for Council services, production, distribution, and consumption of goods and services.

## Appendix 2 - Consequence and Probability Tables

Consequence Table

Score	Consequence	Description
1	Insignificant	Event will have little, or no, effect on the objective(s).
2	Minor	Event will have some effect on achieving the objective(s), but well within tolerable limits.
3	Moderate	Event will affect the achievement of the objective(s), but within tolerable limits.
4	Major	Event will affect the achievement of objective(s), beyond tolerable limits. Remedial action will be required.
5	Extreme	Event will affect the viability of the objective(s), may be too late or too costly to take remedial action.

Probability Table

Score	Probability	Description
1 (0-20%)	Rare	Will only happen within a year if Council is unfortunate.
2 (20-40%)	Unlikely	Is unlikely to occur within a year given all considerations.
3 (40%-60%)	Moderate	Is likely to occur within a year given all considerations.
4 (60%-80%)	Likely	Will happen within a year unless Council is fortunate.
5 (80%-100%)	Almost Certain	Will happen within a year.

SUMMARY RISK PROFILE						
(enter each risk number on this table)						
Consequence	5		#2			
	4		#4, #10	#1		
	3			#9, #5, #7, #8		#3
	2			#6		
	1					
		1	2	3	4	5
Probability						

The above graph is coloured to reflect the likely risk responses described in Section 3.5. Responses range from Accept (green) to Avoid (deep red).

Appendix 3 - Consequence and Probability Tables

Risk #	Risk Description	Classification	Risk Type	Activity	Consequences	Objective(s) affected	Consequence ranking	Probability	Current Treatments (with owner)	Consequence ranking (after treatments)	Probability (after treatments)	Planned Mitigations (Treatments)	Consequence ranking (after planned treatments)	Probability (after planned treatments)	Owner



SOUTHLAND DISTRICT COUNCIL

# **Risk Management Framework 2018**



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## Overview

The Risk Management Framework (RMF) is an important strategic document for Southland District Council (SDC). By understanding risk, we can make better decisions and become more dynamic to change by managing uncertainty.

SDC looks after critical community assets and services, which need to be safeguarded. Understanding and mitigating risk will make it possible for us to do that. As guardians of community money, it is important that we allocate spending in the right places.

Risk management is an important part of this, helping us to make progress toward our strategic goals with clear and informed decisions that make the best use of these funds.

We operate in an uncertain environment. As things change and different options become available, we need a clear way to compare relative choices and options that aligns with our big picture objectives and represents consistent response to risk.

Our goal is to create a framework that supports risk thinking across Council, so we can understand, plan for and mitigate risk across all levels and activities.

The RMF has been designed to:

- Provide the basis of a consistent, structured approach for SDC to identify and manage risk
- Support the achievement of SDC's strategic and operational objectives, by helping us to manage risks that that would otherwise impede success
- Encourage an open and transparent organisational culture, where conversations about risk are supported and understood
- Facilitate good decisions, by helping SDC to prioritise actions and distinguish between potential options
- Provide assurance to Council, the Southland District community and stakeholders that critical risks are being identified and managed effectively.



### What is risk management?

Risk management is the approach that we take to understanding, assessing and mitigating risk.

As a cycle, it looks like this:



What risk management is	What risk management is not
A valuable way to be prepared for uncertainty	100% accurate
A decision-making tool	
A way to direct resources	A compliance exercise
Big picture	All encompassing
Long-term and strategic.	A way to justify bad or risk-averse decisions
An inexact science	
Forward-looking – (with backwards data)	





## About the RMF

The development of the RMF has been a team effort, including the input of activity managers and elected members from the outset. First, we set the foundation through senior level engagement – and then we collaborated at all levels of the organisation to identify areas for improvement.

We surveyed key staff and elected members and held facilitated workshops to understand the way that risk is currently managed and identify areas for improvement. Staff and elected members partnered on a journey to understand and identify risk, building a common understanding of how risk management can add value to our organisation.

### Key principles

- Create value
- Be an integral part of organisational processes
- Be part of decision making
- Explicitly address uncertainty
- Be systematic and structured
- Be based on the best available information
- Be tailored
- Take into account human factors
- Be transparent and inclusive
- Be dynamic, iterative and responsive to change
- Be capable of continual improvement and enhancement.

### Scope

This framework has been developed to support organisation-wide risk management, with a particular focus on SDC's most critical risks.

However, the principles and processes outlined in this framework can and should be applied at a group, team, project and individual level – with required adjustments to thresholds and guidelines made accordingly.



## Identifying and Assessing Risk

### Risk categories

Providing common categories or types of risks is a useful way to manage risk information. By categorising risk into several common groups, we can see where concentrations of risk are the greatest, identify common causes and develop better risk responses.

We have categorised potential risks into six common categories, based on the main threat or impact. Many risks will touch several categories. These categories should be applied according to 'which area is most affected'.

Category	Description
<b>Strategic</b>	Usually addresses external changes. The risk that Council's strategy is no longer relevant or effective. Could be due to technological changes, social and demographic change, customer expectations. Also covers governance-related issues, reputational risk.
<b>Operational</b>	A risk to Council operations or the delivery of service. Includes corporate and management functions, product or service failure, IT, customer service interruption. This also covers people and capability risks, as well as access to resources and materials.
<b>Financial</b>	A risk that primarily threatens financial loss – might also include credit rating, access to finance.
<b>Health, Safety and Wellbeing</b>	Internal and external health and safety threats, which might cause illness, injury or death. This includes public health and safety, and employee/ contractor health and safety.
<b>Social, Cultural and Environmental</b>	A risk to the community or environment, such as natural hazards, emergency management, environmental protection. Includes community impact, both social and economic.
<b>Regulatory and Compliance</b>	A risk of non-compliance with statutes and regulations which may or may not result in penalty.

## Risk thresholds

	<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
<b>Strategic</b>	<p>No significant adverse public comment</p> <p>No impact on achievement of LTP objectives</p> <p>Key stakeholder relationships unaffected</p>	<p>Adverse comment in local or social media</p> <p>Letters to CEO, complaints to Crs</p> <p>May slow achievement of LTP objectives</p> <p>Minor impact on key stakeholder relationships</p>	<p>National media coverage</p> <p>Will impact achievement of one or more LTP objectives</p> <p>Negative impact on key stakeholder relationships</p>	<p>National media coverage 2-3 days</p> <p>Will significantly impact the achievement of multiple LTP objectives</p> <p>Significant impact on multiple key stakeholder relationships</p>	<p>Coverage in national media 3+ days</p> <p>Commission of Inquiry/ Parliamentary questions</p> <p>Stakeholder relations irreparably damaged</p> <p>Cannot deliver on most LTP objectives</p>
<b>Operational</b>	<p>No loss of operational capability</p> <p>Minimal change to service levels</p> <p>Minimal loss of internal capacity</p>	<p>Loss of operational capability in some areas</p> <p>Some disruption to service levels</p> <p>Internal capacity lost for up to 1 week</p>	<p>Serious loss of operational capability for over 6 weeks and/or</p> <p>Disruption to service levels for 4-6 weeks</p> <p>Loss of internal capacity 1-3 weeks</p>	<p>Serious loss of operational capability for over 8 weeks and major disruption to service levels and/or</p> <p>Loss of internal capacity 4-6 weeks</p>	<p>Serious loss of operational capability for 3-4 mths and serious disruption to service levels and</p> <p>Loss of internal capacity for more than 6 weeks</p>
<b>Financial</b>	<p>No impact on financial targets</p>	<p>Up to 1% impact on financial targets</p>	<p>Up to 5% impact on financial targets</p>	<p>Up to 10% impact on financial targets</p>	<p>More than 10% impact on financial targets</p>



	<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
<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  H&S issue to court and fine imposed	Permanent severe disability or loss of life OR  H&S issue taken to court resulting in imprisonment OR  Widespread community sickness
<b>Social, Cultural, Environmental</b>	No significant community impact  Localised short-term reversible environmental, economic or social impact	Single community affected  Localised short-term reversible environmental, economic or social damage	Multiple communities affected  Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social or cultural)	Many communities affected  Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social or cultural)	Most or all communities affected OR  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+





These thresholds determine, based on the impact of a potential risk event, the consequence level of a particular risk event. This assessment, along with an assessment of likelihood, form this basis of identifying which risks require further attention.

### Risk tolerance

Council is willing to accept a **low to medium** level of risk in pursuit of its objectives. If a risk is assessed as **high** or **very high**, then we need to take action to reduce the likelihood or impact.

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

### Risk prioritisation

Decisions about the treatment of high and very high priority risks need to consider the relative importance of each risk in relation to the resources available. The following weighted priority criteria should be applied by Council, the Finance and Audit Committee and the ELT in determining the relative priority of high-level risks.

Criteria	Weighting
Potential for at-fault death	30%
Potential for financial disaster	25%
Threat to LTP objectives	20%
Level of influence over drivers or outcomes	15%
Immediate impact of treatment or control	10%



## Responding to Risk

### Risk acceptance and escalation

Risk Level	Escalation
<b>Very High</b>	Immediate and ongoing action required. Only the Chief Executive and/or Council can accept this level of risk.
<b>High</b>	Council and ELT attention required. Group Managers can accept this level of risk.
<b>Medium</b>	Group Manager attention advised. Activity and project managers can accept this level of risk, with the approval of Group Managers.
<b>Low</b>	Manage by standard operational practice. Activity and project managers can accept this level of risk.

### Risk treatments and controls

Risk treatment options need to consider a reasonable assessment of potential outcomes and only applied if the impact or benefit outweighs the potential cost.

Treatments are generally based on one (or a combination) of the following options.

**Avoid:** Avoid the event that would lead to the risk occurring. This might include not endorsing a particular option, entering a contract or undertaking a specific project.

**Mitigate:** Develop a plan to reduce the likelihood and/or consequence of a risk occurring. This involves pre-emptive action and should include:

- Identification of a full range of mitigation options
- Select the most effective options(s) based on timeliness, cost and feasibility
- Assigning each a treatment owner
- Development of a treatment plan, or incorporation into existing project, risk management or asset plans
- Development of contingency responses if necessary.

**Retain:** Accept the likelihood and consequence of the risk occurring.

**Transfer:** Transfer all or some risk, usually through insurance or by contractual agreement.

Treatments and controls must then be monitored regularly, to ensure that they are having the intended effect and reducing risk.



## Monitoring Risk

Risk management is the responsibility of everyone at SDC. All staff should be empowered to identify risks and have the tools to bring risk to the attention of managers and Council.

The mandate for risk management comes from Council and the Executive Leadership Team (ELT). Together, these groups lead the agenda for managing risk at SDC and drive commitment across the organisation. This responsibility transcends individual functional areas, with Council and the ELT committed to an organisation-wide view and approach.

Council and the ELT lead this commitment by:

- Endorsing and implementing the RMF
- Championing the value added by risk management to staff and stakeholders
- Aligning risk management activities with organisational objectives
- Ensuring legislative and regulatory compliance
- Assigning accountabilities and responsibilities for risk management at appropriate levels within the organisation
- Ensuring the independence of the Finance and Audit Committee
- Creating and supporting an organisational culture which encourages transparent identification and open discussion of risks
- Monitoring the effectiveness of the risk management system and ensuring actions are taken to continually improve it.

### Key responsibilities

#### Council

Council's risk responsibilities include:

- Evaluating risks to the delivery of SDC's Long Term Plan and other strategies
- Determining SDC's strategic approach to risk
- Setting a clear risk threshold
- Establishing structures and practices for risk management
- Understanding the most significant risks facing SDC
- Setting and reviewing risk policies
- Reviewing the quality of risk information, reports and effectiveness of risk assurance practices.



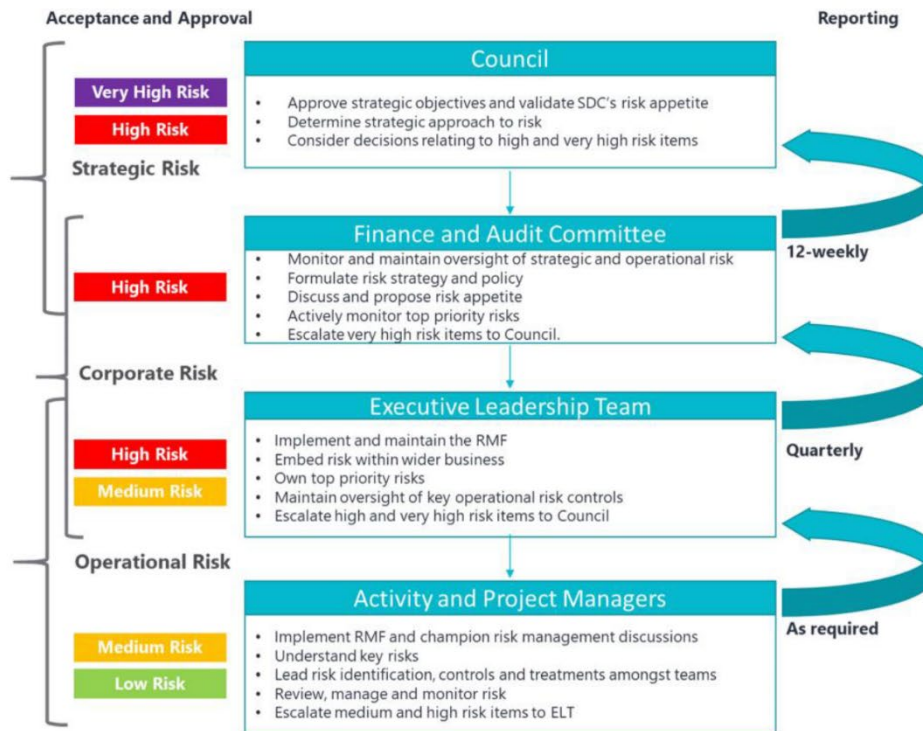


Figure 1 - SDC Risk Responsibility Summary

### Finance and Audit Committee

The Finance and Audit Committee provides monitoring and oversight of risk management at SDC and support Council staff to manage risk effectively – but does not absolve the responsibility of individuals.

The Finance and Audit Committee is responsible for: administering the RMF, monitoring risk assessments and internal controls, as well as approving or recommending approval of risk related policies.

The Committee oversees the corporate risk register and actively monitors the management of top priority risks. The full Terms of Reference for is in the Appendices.





### Executive Leadership Team

SDC's ELT jointly own the top 10 priority risks for Southland District Council. Each priority risk will also be assigned a primary Risk Lead within the ELT. The ELT are responsible for overseeing key risk management controls across the organisation, including but not limited to:

- Financial and management accounting
- Property
- Insurance
- Contractual liabilities
- Business continuity
- People related, and other operational risk controls
- Assessment of strategic risk within their areas of responsibility.

Role	Responsibility
<b>Risk Owner</b>	Responsible for coordinating management of risk, including: <ul style="list-style-type: none"> <li>▪ Ensuring controls are effective</li> <li>▪ Monitoring implementation of treatments</li> <li>▪ Monitoring the environment</li> <li>▪ Providing updates for risk reporting</li> </ul>
<b>Risk Lead</b>	Usually an Activity or Group Manager. Responsible for maintaining oversight of risks identified in their area, in consultation with Risk Owner/s. This includes providing status updates on risk and controls.
<b>Control/ Treatment Owner</b>	Responsible for ensuring controls are effective through ongoing operation and improvement. Responsible for designing and implementing risk treatments to agreed timeframes and quality.
<b>Executive Leadership Team</b>	Responsible for maintaining oversight of SDC risks, controls and treatments. This includes: <ul style="list-style-type: none"> <li>▪ Reporting risk to the Finance and Audit Committee</li> <li>▪ Facilitating the risk management process</li> <li>▪ Reporting on emerging risk issues</li> <li>▪ Monitoring the internal and external environment for their area of responsibility and Council in general.</li> </ul>



## Monitoring and reporting

### Risk monitoring

Assigned risk owners should monitor their project, team or group level risk registers at least 6-monthly. Changes should be considered as part of this review, in respect of:

- The maturity and effectiveness of existing treatments or controls
- New or emerging risks presenting because of change in the internal or external environment.

Identified risks should be reported to the appropriate level on a regular or as required basis, using the below table as a guide.

<b>Risk Level</b>	<b>Reporting To</b>	<b>Frequency</b>
<b>Very High</b>	Council Finance and Audit Committee ELT	12 weekly (Council) Quarterly (Finance and Audit Committee) Monthly - ELT
<b>High</b>	Council Finance and Audit Committee ELT	12 weekly (Council) Quarterly (Finance and Audit Committee) Monthly - ELT
<b>Medium</b>	Group Manager	As required
<b>Low</b>	Activity Manager	As required

### Risk reporting

Risk reports are prepared quarterly for Finance and Audit Committee, detailing:

- Changes and emerging trends relating to risk
- Updates to controls, treatments and mitigation strategies for priority risks
- The effectiveness of current controls, treatments and mitigation strategies
- Material changes to the internal or external operating environment
- Policy recommendations and concerns.



## Integrating Risk Management

Risk management needs to be part of the way we make decisions and operate across Council on a day to day basis.

It is particularly important that we consider risk implications in processes like:

**Long term and annual planning and budgeting:** Within each group of Council, risk identification should inform planning and budgeting for the following year or LTP period. The cost of implementing annual plans, including any controls or treatments required need to be incorporated into the budgeting process.

**Project management:** As part of good project management practice, risks must be actively identified, managed, escalated and reported throughout the lifetime of the project.

**Policy development:** Council policies outline how we should manage a wide variety of risks, including those associated with legislative compliance, asset management, public health and safety, environmental impact, service quality and finance.

**Procurement and asset management:** Risk management must be factored into decision making for significant procurement and asset management related processes.

Making risk management a core part of our business requires behaviours and support that facilitate this. Key areas for organisational development we have identified include:

- Working across borders to take a Council-wide view
- Delegations that empower staff to identify risk and be solution-focused
- Strong leadership – senior leaders to model good practice
- Encouraging challenge and questioning in the operational and strategic arenas
- Clear priorities and alignment to the bigger picture
- Conversation, culture and collaboration to support good practice
- Technology and system support to automate risk management.



## Implementation and Review

The RMF will come into operation in April 2019<sup>1</sup>, following Council adoption. It will be reviewed annually and redeveloped every three years. In the meantime, the RMF will be a living document that changes and adapts as required.

The SDC Corporate Risk Register review will be undertaken by the Finance and Audit Committee formally every six months (with other changes and updates made on an as-required basis).

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<sup>1</sup> Projected. Depends on Council approval





# Appendices

## Appendix 1: Definitions

Term	Definition
Risk	The effect of uncertainty on strategic or operational objectives
Risk management	Coordinated activities to direct and control an organisation with regard to risk.
Risk owner	A person or entity that has the accountability and authority to manage a risk
Control	A process, device, practice or other action that is intended to modify the likelihood or impact of risk
Treatment	<div>An agreed approach to a specific risk. This might include:<ul style="list-style-type: none"><li>Avoiding risk</li><li>Accepting risk</li><li>Removing the source of risk</li><li>Changing the likelihood or impact of risk</li><li>Sharing risk.</li></ul></div>



## Appendix 2: SDCs highest priority risks as at 10 October 2018

These risks form the basis of the Finance and Audit Committee Corporate Risk Register. A living document, this will be reviewed formally every 6 months and on an as required basis.

Rank	Risk
<b>1</b>	<b>Underinvestment in infrastructure</b>
<b>2</b>	<b>Inaccurate data leads to bad decisions/ asset failure</b>
<b>3</b>	<b>Infrastructure not fit for purpose to withstand climate change</b>
<b>4</b>	<b>Health and safety controls threatening staff and contractor safety</b>
<b>5</b>	<b>Overcommitment and work programme</b>
<b>6</b>	<b>Financial conservatism constrains progress</b>
<b>7</b>	<b>Key people leave with organisational knowledge, impacting business continuity</b>
<b>8</b>	<b>Difficulty retaining or recruiting staff affects service levels</b>
<b>9</b>	<b>Growth dependent model makes it hard to fund new infrastructure</b>
<b>10</b>	<b>Population decline will impact the viability of small communities</b>
<b>11</b>	Funding mechanisms limiting ability to make change
<b>12</b>	Economic change impact on delivering capital programme
<b>13</b>	Coastal communities unprepared for climate change will be affected
<b>14</b>	Natural or biosecurity event impacts economy/ industry
<b>15</b>	Increasing compliance costs make rates less affordable
<b>16</b>	Potential LG reform - instability



<b>17</b>	Ageing population can no longer afford rates
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### Appendix 3: RMF Implementation Plan as at October 2018

Timeframe	Action	Responsibility
<b>By January 2019</b>	Change Finance and Audit committee name	Clare
	Build buy-in with Council	Gary + Steve
	Communicate framework at staff forum	ELT
	Change ELT agenda	Matt
	Risk report to be elevated to Council	Michelle
<b>By April 2019</b>	Internal communications and support	Louise
	Council report template changes	Clare + Michelle
<b>By October 2019</b>	Induction designed to include risk	Clare + ELT
	Job descriptions changed to incorporate risk	Janet



## Appendix 4: Finance and Audit Committee Terms of Reference

### SOUTHLAND DISTRICT COUNCIL

#### FINANCE AND AUDIT COMMITTEE

#### TERMS OF REFERENCE

<b>Authorising body</b>	Council
<b>Approval date</b>	<b>16 November 2016 (amended 27 April 2017)</b>

#### 1. SCOPE OF ACTIVITIES

The Finance and Audit Committee is responsible for:

- Ensuring that Council has appropriate financial, risk management and internal control systems in place that provide:
  - An overview of the financial performance of the organisation.
  - Effective management of potential opportunities and adverse effects.
  - Reasonable assurance as to the integrity and reliability of Council's financial and non-financial reporting.
- Exercising active oversight of information technology systems.
- Exercising active oversight of "Council's health and safety policies, processes, compliance, results and frameworks"
- Relationships with External, Internal Auditors, Banking Institutions and Insurance brokers.

The Finance and Audit Committee will monitor and assess the following:

- The financial and non-financial performance of Council against budgeted and forecasted outcomes
- Consideration of forecasted changes to financial outcomes
- Council's compliance with legislative requirements
- Council's risk management framework
- Council's Control framework
- Council's compliance with its treasury responsibilities.

#### 2. MEMBERSHIP

The Finance and Audit Committee will comprise of five members.

Membership will be the Mayor, three Councillors and one external appointee.





External appointees have full speaking and voting rights on the Finance and Audit Committee.

### **Chairperson**

The Chairperson is responsible for:

1. The efficient functioning of the Committee;
2. Setting the agenda for Committee meetings in conjunction with the Chief Financial Officer; and
3. Ensuring that all members of the Committee receive sufficient timely information to enable them to be effective Committee members.

The Chairperson will be the link between the Committee and Council staff.

### **3. MEETING SCHEDULE**

Quarterly or as required. Meetings outside of the regular meeting schedule shall be called by the Chairperson.

### **4. QUORUM (amended 27 April 2017)**

The quorum at any meeting of the Finance and Audit Committee shall be three members.

### **5. DELEGATION**

#### **5.1 Power to Act**

The Finance and Audit Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.<sup>2</sup>

In exercising the delegated powers, the Finance and Audit Committee will operate within:

- policies, plans, standards or guidelines that have been established and approved by Council;
- the overall priorities of Council;
- the needs of the local communities; and
- the approved budgets for the activity.

<sup>2</sup> Local Government Act 2002, Schedule 7, Clause 32



The Finance and Audit Committee will have responsibility and delegated authority in the following areas:

Financial and Performance Monitoring

- (a) Monitoring financial performance to budgets
- (b) Monitoring service level performance to key performance indicators.

Internal Control Framework

- (a) Reviewing whether Council's approach to maintaining an effective internal control framework is sound and effective;
- (b) Reviewing whether Council has taken steps to embed a culture that is committed to probity and ethical behaviour;
- (c) Reviewing whether there are appropriate systems, processes and controls in place to prevent, detect and effectively investigate fraud.

Internal Reporting

- (a) To consider the processes for ensuring the completeness and quality of financial and operational information being provided to the Council
- (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.

External Reporting and Accountability

- (a) Agreeing the appropriateness of the Council's existing accounting policies and principles and any proposed change;
- (b) Enquiring of internal and external auditors for any information that affects the quality and clarity of the Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above;
- (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 the 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 recommendation to the 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 the 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 the 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



- (c) 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 the 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 \$2million or the value over the term of the contract exceeds \$2million.

Insurance

- (a) Consider Council's insurance requirements, considering its risk profile
- (b) Approving the annual insurance renewal requirements

Treasury

- (a) Oversee the treasury function of Council ensuring compliance with the relevant Council policies and plans
- (b) Ensuring compliance with the requirements of Council's trust deeds are met
- (c) Recommending to Council treasury policies.

**6. Power to Recommend**

- 6.1** The Finance and Audit Committee is responsible for considering and making recommendations to Council regarding:
  - (a) Policies relating to risk management, rating, loans, funding and purchasing.
  - (b) Accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements.
  - (c) The approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.





- 6.2** The Finance and Audit Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases completed under section 5.1 (above).

**7. RELATIONSHIPS WITH OTHER PARTIES**

The Chief Executive is responsible for servicing and providing support to the Committee in the completion of its duties and responsibilities. The Chief Executive generally appoints the Chief Financial Officer to provide these functions on his/her behalf.

Professional advisors to the Committee shall be invited to attend all meetings of the Committee:

- External auditor;
- Internal auditor/risk advisor (if appointed); and
- Chief Financial Officer.

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.

The Chief Executive Officer 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.

The Committee shall provide guidance and feedback to the Council on financial performance, risk and compliance issues.

The Committee will report to Council as it deems appropriate but no less than twice a year.

**7.1 Public Access and Reporting**

Notification of meetings to the public and public access to meetings and information shall comply with Standing Orders, but it should be noted that:

- At any meeting of the Committee at which no resolutions or decisions are made, the provisions of Standing Orders relating to public access do not apply.
- Workshop meetings solely for information and discussions and at which no resolutions or decisions are made may be held in accordance with Standing Orders.
- Extraordinary meetings of the Committee may be held in accordance with Standing Orders.



The public may be excluded from the whole or part of the proceedings of the meeting and information withheld on one or more of the grounds specified in *the Local Government Official Information and Meetings Act 1987 s.48*.

The Committee shall record minutes of all its proceedings and present the minutes to the next available Council meeting following the Committee meeting.

#### **7.2 Contacts with Media and Outside Agencies**

The Committee Chairperson is the authorised spokesperson for the Committee in all matters where the Committee has authority or a particular interest.

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.

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 the Southland District Council.

#### **8. CONDUCT OF AFFAIRS**

The Committee shall conduct its affairs in accordance with the *Local Government Act 2002*, the *Local Government Official Information and Meetings Act 1987*, the *Local Authorities (Members' Interests) Act 1968*, Council's Standing Orders and Code of Conduct.

In fulfilling their role on the Finance and Audit Committee, members shall be impartial and independent at all times.

#### **9. REMUNERATION**

Elected members will be reimbursed in accordance with the current Local Government Elected Members' Determination

External members and advisors to the Committee will be reimbursed in accordance with their standard business rates, including disbursements.

#### **10. FUNDING AND BUDGETS**

Funding for the Committee will align with Council's Revenue and Financing Policy.

The Committee shall only expend funding on purposes for which that funding was originally raised and in accordance with the budgets approved by Council through its Long Term Plan and Annual Plan.

Remuneration and expenses will be funded from the Leadership activity budget.



**11. REPORTING**

Minutes of all meetings of the Finance and Audit Committee will be provided to the Council.

**12. Review of the Committee**

The Committee shall undertake an annual self-review of its objectives and responsibilities.

Such objectives and responsibilities shall also be reviewed by the Council, the Chief Executive Officer and the Chief Financial Officer and any other person the Council considers appropriate.

## Appendix 5: Finance and Audit Committee Risk Register Quarterly Update Report (DRAFT)

Risk #	Risk	Risk Lead	Risk Owner	Changes and Updates
1	Underinvestment in infrastructure			
2	Inaccurate data leads to bad decisions/ asset failure			
3	Infrastructure not fit for purpose to withstand climate change			
4	Health and safety controls threatening staff and contractor safety			
5	Overcommitment and work programme			
6	Financial conservatism constrains progress			
7	Key people leave with organisational knowledge, impacting business continuity			



<b>8</b>	Difficulty retaining or recruiting staff affects service levels			
<b>9</b>	Growth dependent model makes it hard to fund new infrastructure			
<b>10</b>	Population decline will impact the viability of small communities			



## Health and safety update

**Record no:** R/24/5/36350

**Author:** David McCone, Organisational health and safety manager

**Approved by:** Fran Mikulicic, Group manager infrastructure and capital delivery

☐ Decision

☐ Recommendation

☒ Information

### Purpose

- 1 To provide an update on health and safety related events and activity over the last quarter.

### Content

#### Health, safety and wellbeing dashboard update

- 2 Please find attached the health, safety and wellbeing dashboard update for the period 1 March 2024 –30 May 2024. This report is on operational (employee) health and safety within Council focused on critical risk and associated controls. Incidents have been colour coded to reflect potential exposures through our scope of operation. Risk mitigation via critical controls (as determined by our critical risk roadmap) are also reported.
- 3 Lagging indicators are those that look at past performance in safety, these are traditional safety metrics that look at compliance. All employee injuries that result in medical treatment are supported by Council rehabilitation and return to work procedure. All reported events are investigated, with the extent on the investigation relative to the risk and injuries occurred.
- 4 Health and safety training is being maintained.
- 5 Contractor health and safety monitoring is continuing to improve.
- 6 Review of policies and information is ongoing to support our employee health, safety and wellbeing. Alongside our policy reviews and updates, education opportunities are provided.
- 7 There are many ways to keep current on health and safety matters, subscribing to the Worksafe updates is an easy way to remain up to date. The link is:  
<https://worksafe.govt.nz/home/subscriptions>

### Recommendation

**That the Finance and Assurance Committee:**

- a) **Receives the report titled “Health and safety update” dated 30 May 2024 and attached appendices.**

### Attachments

- A FA June 2024



Health and Safety Dashboard – 1 March 2024 – 30 May 2024

D McCone 30/5/24

LAG INDICATORS					
Injuries reported					
Event ID	Severity	Detail of injury	Mechanism of harm	Lost time days	Treatment
8824	Minor	Cut to head	Hit by swing door when met by another user.	0	First aid.
9112	Minor	Cut to head	Hit head on car door when getting into passenger seat.	0	Visited medical centre – three steristrips.
9164	Moderate	Bruising to hip	Fell after slip on ice in car park.	2	Visited ED. Two days off, three days light duties.

Other events					
Event ID	Description		Follow up		
9022	Contractors 12T roller tipped while rolling road shoulders – no injury.		Damage to wing mirror only. Investigated due to level of potential risk. Outcomes and accident report still to be finalised.		
9182	Staff member experienced medical event.		Emergency/ first aid response from staff.		
Total number LTI's 2022-2023		1	Total LTI's YTD	1	Total Lost days - Quarter 63*

\*61 lost days relate to an ongoing incapacity from an event Sept 2022.

TAKING OWNERSHIP (LEAD INDICATORS)		
Near miss		
Event ID	Description	Followup
9108	Oncoming vehicle passed without clear distance presenting risk of head on.	Reported – and noted to critical risk reporting.
8955	Motor vehicle accident – no injury when Council vehicle left the road in heavy rain event. Damage to vehicle and farm fence.	Vehicle recovered. Fence repaired. No impairment. E Roads reviewed – no driver behavior issues.

Pain and discomfort:	
Events	Resolved:
2	2

Verification:							
Safety observations (Quarter)	41	Safety observations (YTD)	157	Audits (Quarter)	33	Audits (YTD)	159
Safe practice	31						
Unsafe conditions	5						
Unsafe practice	3						
Suggestions	2						

MANAGING RISK	
Exposure to critical risk(s) (Quarter)	Number of incidents
Motor vehicle use	2
Aggressive/ difficult customer (Personal Harm)	0
Environmental biological	0
Overhead and underground services	0
Working near water	0
Working alone	0
Fall from heights	0
Psychosocial harm	0
Plant equipment and machinery	1
Working on (or) near the road	0

Exposure to critical risk(s) (YTD)	Number of incidents
Motor vehicle use	7
Aggressive/ difficult customer (Personal Harm)	1
Environmental biological	1
Overhead and underground services	1
Working near water	1
Working alone	0
Fall from heights	0
Psychosocial harm	0
Plant equipment and machinery	1
Working on (or) near the road	0



Safe motor vehicle use continues to be the main feature in our exposures to risk, reflecting the high kilometres travelled by staff while encountering poor decisions of other road users. Recommended bow tie controls are in place and I would submit the risk is managed to the lowest practicable level at this time. This will be subject to review as incidents are reported.

Plant, equipment and machinery is the other critical risk arising in this quarter. The contractor's accident report has been received, however, our incident investigation is ongoing as there is likely organisational improvements that will lift contractor management performance across Southland District Council.

Other current work focuses include the transition of traffic management to a new guide. This guide (NZ Guide to temporary traffic management) has a strong risk management focus versus the traditional prescriptive response provided in the Code of Practice it will supersede. Early indicators are that this will likely be beneficial to making business easier for smaller entities and volunteer groups as well as meeting compliance in this area.



## Quarterly update to the Finance and Assurance Committee on progress for the Environmental Services Business Improvement Plan - 17a

Record no: R/24/5/35727

Author: Jane Johnston, Customer and business continuous improvement lead

Approved by: Anne Robson, Group manager finance and assurance

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 To receive an update on the Environmental Services Business Improvement Plan and to consider changes to delivery dates and oversight.

### Executive summary

- 2 The Environmental Services Business Improvement Plan arose out of the independent 17A review of the three teams within Environmental Services which was conducted earlier in 2023. It is based on the five themes identified in the report - quality systems, consistency and transparency, balancing compliance and customer service, availability of information online, and internal Council communication.
- 3 At the Finance & Assurance Committee (the “Committee”) meeting of 6 December 2023, the Committee received the updated implementation plan and reviewed the status of the actions. The Committee requested that staff prioritise the report in terms of priorities. The action plan attached has therefore been updated to reflect staff assessed priorities with changes made to the delivery dates to be able to achieve the most critical first. At the Committee's next meeting all completed actions completed this period will be moved to the bottom of the table.
- 4 Included in this report is also the methodology for measuring progress of individual actions and overall outcomes and the risk register, which has been updated based on feedback from the Committee at its previous meeting.
- 5 We are now starting to undertake more resource consents in-house rather than fully utilising contractors. This is reflective of the embedding of the training and system improvements to date.
- 6 At the meeting we will get an update from Louise Pagan, Strategic Communications and Engagement Manager regarding the ongoing progress with the deliverables of item 23, and another update from Adrian Humphries, Group Manager Regulatory Services.

## Recommendation

**That the Finance and Assurance Committee:**

- a) **receives the report titled “Quarterly update to the Finance and Assurance Committee on progress for the Environmental Services Business Improvement Plan - 17a”.**
- 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) **note that a further 9 items have been resolved in the last quarter as listed below:**

<b>Action No</b>	<b>Action</b>
<b>23</b>	<b>Develop simple guides and fact sheets that explain the process for common activities/questions e.g. “How do I”</b>
<b>20a</b>	<b>Ensure links are pointing to the right information on SDC’s website</b>
<b>20b</b>	<b>Clarify responsibility for ensuring all existing website information is current and correct.</b>
<b>20c</b>	<b>Continue to test website layout to ensure that information can be found in intuitive locations.</b>
<b>19</b>	<b>Develop a targeted communication plan about the new online processes being introduced. Include what information customers are required to provide and where they find help if they need it.</b>
<b>17</b>	<b>Investigate and Implement strategies for administrative support for the team to complete administrative tasks and free up technical resources for technical tasks.</b>
<b>34</b>	<b>Investigate increased use of remote inspections.</b>
<b>21</b>	<b>Ensure satisfaction with protections and permissions in the District Plan in advance of the first regional plan. Communication, change, education.</b>
<b>Action No</b>	<b>Action</b>
<b>5</b>	<b>Explore potential for either joint procurement of individual contracts or joining contracts with other councils.</b>

## Background

- 7 Morrison Low (ML), independent Wellington based consultants, were commissioned to review the three teams within Environmental Services (environmental management, building solutions, and environmental health/animal control) in accordance with the requirements of Section 17A of the Local Government Act 2002.



- 8 The review considered the current operating environment, rules and legislation. It also considered external factors including reforms and potential legislation changes, skills shortages, and geography.
- 9 An enhanced status quo was recommended for each of the three services which incorporated five common themes which presents opportunities for improvement:
- i. Quality systems - continuing the path of implementing a full quality-based system, using a modern approach to quality to improve processes for efficiency and consistency.
  - ii. Consistency and transparency
    - ensuring consistency between internal and external application processes and timeframes
    - spot checking of externally processed applications for consistency, but not to the extent the application is processed twice
    - establishing strong communication channels with industry so that changes can be signalled, and common issues can be addressed, giving industry the time to adjust and improve the overall quality of applications received.
  - iii. Balancing compliance and customer service
    - using a risk-based approach to prioritise outcomes to be achieved or avoided and focus available resources on these outcomes
    - ensuring that all staff are trained and aware of the relative risks in the applications they are involved with and that a consistent approach to risk management is used by all staff
    - implementing regular customer surveys to seek feedback on their experience of the process, and a key performance indicator (KPI) around customer satisfaction so that reporting reflects customer service as a priority. Note that any KPI should be objective and not related to the decisions made by the teams. For example, average time to respond to request for service (RFS).

- iv. Availability of information online
  - ensuring all existing website information is current and correct
  - testing website layout with actual users to ensure that information can be found in intuitive locations
  - examining RFS' for common questions that could be added to the online content
  - potential development of simple guides that explain the process for common activities/questions. eg "How do I...".
- v. Internal Council communication
  - improving processes around handling customer requests that involve multiple parts of Council, with clear communication around what is expected of the customer.

### **Key updates**

- 10 The governance and delivery framework below outline the themes noted above, the desired outcomes we are striving towards and what has guided the contents of the plan. It shows how the governance structure fits together and the role of each team. Some minor changes have been made to reflect changes in staff. The changes are designed to enable us to be more agile at staff and work level. There is improved separation between the steering team who review and approve recommendations and the delivery team who are the working group implementing required changes.

## Finance and Assurance Committee

5 June 2024

Environment Services Business Improvement Plan governance delivery 27 February 2024			
OVERALL THEMES	balancing compliance and customer service		

- 11 The governance and delivery framework are followed by the updated consolidated action plan(attached), risk register(attached) and the outcome measurement and reporting table.

### Consolidated action plan (attachment A)

- 12 For clarity and quick understanding of each action there is now an opportunity heading column. Where an action contains distinct actions within it, these have been separated out as sub-

actions, shown as #a; #b etc. The sub-headings have provided more focus for individual responsibility.

- 13 A summary of activity undertaken has been added to the relevant actions. This is written in blue.
- 14 The risk register below reflects the risks associated with these actions and the mitigations to address these.
- 15 Note that actions completed since the last Committee meeting remain within their relative priority order. Older completed actions are at the end of the action plan table. All completed actions will be moved to the end of the table for the next meeting.

### Risk Register (attachment B)

- 16 The risk register has been updated as a result of feedback received from Committee meetings. A greater focus on customer outcomes was requested and remains a strong focus.

### Outcome Measurement and Reporting Table

- 17 The outcome measurement and reporting table shown below, has been updated

#### Environmental Services Business Improvement Plan - Outcome Measurement and Reporting – June 2024

	OUTCOME	ASSOCIATED THEME/S	MEASURED BY	FREQUENCY	PROGRESS	COMMENTS
1	Customer satisfaction with services reaches 80% within two years	Balancing compliance and customer service  Consistency and transparency  Availability of information online	Baseline customer survey  Customer survey  Internal survey  Technical audit Technical spot checks	Sept 2023  Nov 23 then annually October 23 then annually  Both June 2024 then quarterly	Improving	After a disappointing Customer Survey result in Dec 23, significant training programmes and contractor support, we are confident that the changes being introduced will have a positive impact. This will be shown in results such as meeting statutory timeframes.  Spot checking of new contractors is in place and an audit is planned for June to provide time for bedding in new approaches. Will work with appropriate team leads.
2	IANZ accreditation is maintained	Quality Systems	MBIE Requirements for accreditation are met	IANZ audit Feb 2025	Stable	All requirements to maintain accreditation are part of an action plan. The actions are on track to meet timeframes.
3	Customer satisfaction with how Council transacts its business is positive	Balancing compliance and customer service Consistency and transparency Availability of information online Internal Council communications	Baseline customer survey Customer survey  Internal Surveys  Technical audit	Sept 2023  Nov 23 then annually  Oct 2023 then annually June 2024 then quarterly	Stable	Survey company has amalgamated 1 and 3 in their surveys.

4	Council processes are consistent and transparent	Consistency and transparency Quality systems	Review of contractors' outputs to ensure they are consistent with internal practices	Annually from Apr 2024	Improving	Contractor training has been undertaken and regular spot checking is in place. Where contractors are new, spot checks are completed on all, tapering off over three months.
---	--------------------------------------------------	-------------------------------------------------	--------------------------------------------------------------------------------------	------------------------	-----------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------

KEY	
Declining	High Risk or major issues to address – requires action
Stable	Progressing
Improving	On track

**Factors to consider**

**Legal and statutory requirements**

- 18 As stated in the background above, a 17a review is a requirement of the Local Government Act 2002. The resulting actions have been supported by Council, ELT and the relevant teams.

**Community views**

- 19 Customers, consultants, and other territorial authorities both inside and outside Southland were interviewed as part of the 17a report. This included some of the signatories to a letter of complaint received by the Mayor in November 2022.
- 20 The above external customer survey and approach was repeated in November 2023. The results were delivered to the 6 December Finance and Assurance committee meeting. This showed, some small improvements.
- 21 The business teams are confident that the ongoing growth in online information and guides, the increase in industry communication via all channels including face to face, and the increased capacity provided by contractors will support and ensure this outcome

**Costs and funding**

- 22 We have appointed a permanent customer and business continuous improvement lead who will support Council's journey to improving our systems and processes and making sure it is as easy as possible for our customers to do business with us. The temporary resource finished on 28 March 2024.
- 23 Costs associated with delivering the plan have been incorporated into the 2024/2025 Annual Plan

**Policy implications**

- 24 There are no policy implications.

**Analysis**

- 25 As staff have analysed and investigated ideas and opportunities it has become apparent that some of the dates do not reflect the work necessary to complete them or the conflicting time requests for other work due. Overall, staff are working hard both to make improvements and complete normal daily business. The re-addressing of some delivery dates will contribute to meeting both of these demands whilst prioritising.
- 26 The last recommended date for action completion is 30 September 2024.

## Analysis of Options

### Option 1 – Approve recommended date changes

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• Maintain focus and interest of people who have many other important calls on their time.</li><li>• Showing understanding that investigation has shown that greater levels of work are required to complete some actions</li></ul>	<ul style="list-style-type: none"><li>• Some staff might see this as an agreement to take more time with no consequences</li></ul>

### Option 2 – Decline recommended date changes

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• Staff may try harder to complete actions</li><li>• The importance of the actions in the plan to Council and our customers will be more apparent</li></ul>	<ul style="list-style-type: none"><li>• Other important activity will suffer</li><li>• Staff could become disinterested in completing actions</li><li>• Staff may feel not listened to or appreciated</li><li>• Employment of additional help may be seen as an alternative at a cost to ratepayers</li></ul>

## Assessment of significance

- 27 In terms of Council's significance policy this is not considered significant. The community would expect that Council will undertake whatever improvements are necessary to ensure positive outcomes. As such, any consultation with communities separately over this issue is not required.

## Recommended option

- 28 Approve recommended closure of items completed.

## Next steps

- 29 Continue to undertake the work required.

## Attachments

- A Finance Assurance Mtg - BIP Consolidated Action Plan (17A review)- 290524  
B ES-BIP-Risk Register







## Environmental Services Business Improvement Plan consolidated action list (29/05/24)

Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
<b>Changes to action plan layout 12/03/24:</b> Staff have reviewed the 'When By' dates and provided more accurate timeframes based on priority, capacity and size of the task. These are written in red bold. Actions completed since last F&A Committee meeting, 6 Dec are within priority order. Older actions are at the end of the action list Added 'Opportunity Heading', column 2 for clarity and quick understanding. Where an action contains distinct sub-actions these are shown as #a; #b etc. Sorted into priority order <b>Priority 1</b> (green) <b>Priority 2</b> (amber) <b>Priority 3</b> (grey), based on importance to customer and legislation											
23	Online Information Available  Simple Guides & Fact Sheets	23	Develop simple guides and fact sheets that explain the process for common activities/questions e.g. "How do I...".         <b>COMPLETE</b>	<u>Building</u> have reviewed and created the majority of their information online. These can now be found via the website search engine. Fact sheets and guides have been developed for use at Field Days and Home Shows. Specialised guides are also developed as the need is identified. E.g. 'Hits' on the website showed a big increase for customers looking for information on Tiny Homes'. A specialised guide was developed and is on the website and will be printed for Home Shows and Field Days  <u>Health</u> has completed their 'Hairdressing' and 'Food' information. 'Alcohol' and 'Health' were completed in March. Online registrations are being designed and will be online along with a review and improvement of templates. Updates will happen in line with the release of bylaw renewals.  <u>Planning</u> have researched the most required information for the industry by reviewing the last 6mths of RFS data and checking if online content is available. Website to be updated shortly with new links to information.  <u>Legal and Compliance</u> new team is documenting processes with Promapp, creating information for website and continuing with developing the team.	June 24	Simple guides  Customer Survey	Annually	EP	BS	EH	LC
20	Online Information Maintained	20a	Ensure links are pointing to the right information on SDC's website. <b>COMPLETE</b>	Digital communications in Council have updated the layout of the website based on research. Additional information is being included in the content to provide answers to customer questions, along with other useful links.		Customer Survey  Up to date website	Annually  Ongoing  Annually	EP	BS	EH	LC
		20b	Clarify responsibility for ensuring all existing website information is current and correct.	Business owners have been assigned to all website information with automated review dates and sign-off required.  The business will capture and review RFSs and general customer queries to ensure that content remains current and correct. An ongoing process for this is being designed.	12/4/24	Up to date website		EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	When by	Method of measurement	Frequency of measure-ment	Progress indicator (traffic light)				
							EP	BS	EH	LC	
			<b>COMPLETE</b>	<b>UPDATE as at 05/06/24</b>							
		20c	Continue to test website layout to ensure that information can be found in intuitive locations.  <b>COMPLETE</b>	Communications are introducing auditing tool and business analytics to help with ensuring content is current and correct.  Background data on customer searches will provide insights into usage. A plan is in place to continually test the website, owned by Communications. They use multiple 'audit and test' approaches. These include heatmap tests showing customer interaction and analytics data that identifies information usage trends. Testing online services and forms will be conducted using Industry and internal (non-regulatory services) staff. They be provided with scenarios and testing will be via mouse tracking software and observation, identifying new and improved content and improved linkages between content.	<b>12/4/24</b>	Up to date website  Test Plan in place  Benchmark audit completed		EP	BS	EH	LC
19	Engagement with Customers Communicate New Online Process Information	19	Develop a targeted communication plan about the new online processes being introduced.  Include what information customers are required to provide and where they can find help if they need it.  <b>COMPLETE.</b>	The communication plan includes ways to update customers on new online processes as they become available. A list of 'common and often requested processes' has been created for each team, and confirmed. L&C is still forming as a group, and are aware of what is required. The data from these lists will be used within the communication plan and for those creating the online information. This will allow teams to check what is required next and make progress on the right topics. Updating customers will primarily be actioned through a newsletter and e-newsletter for the group, to go out regularly to industry. It will include detail about any upcoming change, any approved change in Council's strategic direction and common issues picked up in applications and how they can be remedied.  The Council system 'e-Pathway' has been upgraded and is testing new capability that will allow greater levels of information for individual applications to be available to customers as well.	<b>24/4/24</b>	Communication Plan Customer friendly website Reduction in # of RFS & RFI		EP	BS	EH	LC
17	Administrative Support to free up technical resources	17	Investigate and implement strategies for administrative support for the team to complete administrative tasks and free up technical resources for technical tasks.	It has been assessed that no further administration support is required in Health, Building, Planning and at this point in Legal and Compliance. A strategy and approach were designed for teams to identify and progress requests for administrative support. This will be based on the identification of what parts of technical roles could be separated out as admin only and how this could be applied across all Environmental Services technical roles ongoing.	<b>24/4/24</b>	Support in place	N/A	EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
			COMPLETE	The focus now is also on identifying customer questions that could be answered by Customer Support, or via improved online information, thereby freeing up time for technical people.							
35	Customer Service Training	35	Source appropriate customer services training and implement based on identified needs. E.g. to improve balance between compliance and customer service.	The Customer and Delivery Manager has taken the lead on the development and delivery of the customer service training. This is being written now (Mar 24) and will be based on both the needs of the customer and the needs and skills of the staff.  Pilot completed 14/05/24, Rod has shared results with ELT and will now roll out across Council	Pilot by May 24  Training complete by Jul 24	Customer satisfaction survey	Ongoing	EP	BS	EH	LC
27	Process Improvement -Compliance Issue follow-ups	27	Implement clear process to capture follow ups to compliance issues.  Monitor follow up actions to ensure they are completed.  Training programme as required.	Compliance issues are captured in the Pathway system showing that a report has been produced and what corrective action is required. This is tracked through to completion and is reported on in team KPI's, ensuring tracking and follow-up.  The continuous improvement system approach is now introduced into Planning and Health, the same as for Building. Training and reminders have been completed, ensuring a clear, consistent process around follow up action, understanding and completion.  New processes have been documented in Legal and Compliance as well. This will inform their customer facing online information and will likely be supported and linked to the Enforcement Policy 2024 if approved. Implementation of Case Files is being worked through to link to RFS's.	29/3/24	Audit	Annually	EP	BS	EH	LC
30	Property Information stored in single location	30	Identify possible improvements to the process and/or IT systems required to ensure all information (including supplementary information) related to a consent is stored in a single location in a single system.	Some information has been automatically imported to SDC's Content Management system, by property address. Further work is required to standardise the naming of documents, identify missing records and transfer legacy system records across. This is a large piece of work.  The Information Management team and Building will work together to resolve how to capture all of the legacy information (some of this is old paper records that need to be scanned).  An agreed approach and timeline will be developed as per meeting on 10 <sup>th</sup> May 24	30/6/24	Paper to E LT	N/a	EP	BS	EH	LC
15	Customer Relationship Partner & Improving handling of	15a	Investigate pros and cons of introducing a customer relationship partner/ co-ordinator rather than using technical resources. This role could also support internal	This new role now exists and was created as part of the realignment of the leadership team in October last year. It reports to the GM Strategy and Partnerships and sits in this group.  The purpose of this role is to be a liaison/conduit for those customers (personal not businesses) who need to deal with multiple areas of council on an issue – to facilitate their experience positively to work through	30/6/24	Paper to ELT	N/A	EP	BS	EH	LC



Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	When by	Method of measurement	Frequency of measure-ment	Progress indicator (traffic light)				
							EP	BS	EH	LC	
	customer requests		planners for increased efficiency.  Consider other innovative ways of working and whether changing the operating model is warranted.	<b>UPDATE as at 05/06/24</b>  complex requests e.g. an example of this might be someone wanting to do a windfarm.  This will be one of the options considered when reviewing and improving the RFS process outcomes for customers.  New GM to arrive, then recruit for this role.							
		15b	Improve processes around handling customer requests that involve multiple parts of Council, with clear communication around what is expected of the customer and Council.	This is related to 15a conceptually - A review of processes will be undertaken starting with RFS (request for service)  Will work with Delivery Team to identify where inter council support is required and work through potential improvements.	30/9/24			EP	BS	EH	LC
26	Quality based system	26	Continuing the path of implementing a quality-based system for building control and health, using a modern approach to quality to improve processes for efficiency and consistency.	A quality-based approach is in place within Building Solutions.  Health are using 'Continuous improvement' templates, approaches, and associated improvements across their team though this is not a formal Quality Based system.  Customer and Business CI lead will be recruiting shortly, to increase and develop capability to support Council teams.  Longer term Southland District Council can decide if they wish to implement a formal Quality Assurance system such as ISO 17020 (Inspection Body Accreditation Program) across all relevant departments and seek accreditation. The lead and sponsor for this would be the Chief Executive.	30/9/24 <i>Once new processes have settled &amp; roles are recruited.</i>	System designed  Quality based system in place for Health & Building	Annually	EP	BS	EH	LC
32	Technology to improve efficiency and safety	32	Assess whether field-based devices are fit for purpose.  Introduce any improvements.	Discussion with staff has showed that the current technology works reasonably well by utilising various devices, though battery life (photographs) and coverage can sometimes cause issues.  Further interviews are being conducted with staff to provide a better assessment of current equipment ready for a full review that will be conducted by the Legal & Compliance team.	26/4/24	Paper to ELT if required	N/A	EP	BS	EH	LC
34	Remote Inspections	34	Investigate increased use of remote inspections.  <b>COMPLETE</b>	To date this is primarily photo inspections taking relative risks into account where appropriate.  Some LC staff have been trained in using Drones. Discussions with other councils as to what they do currently have been completed. Most recent discussion with One NZ indicates they will be able to provide country wide access by end of 2025.	30/9/24	Remote inspections using tech	Ongoing	EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
21	District Plan Readiness	21	Ensure satisfaction with protections and permissions in the District Plan in advance of the first regional plan. Communication, change, education. Steering committee satisfied with detail.  <b>COMPLETE</b>	Item 21 is no longer a Resource management (RMA) change from the 100-Day Action Plan implemented by the Central government. <i>Item 21: District Plan Readiness—Ensure satisfaction with the protections and permissions in the District Plan before the first regional plan. Communication, change, education.</i> Independent of central government changes, the SDC environmental policy team has been working on improving the readiness of the district plan and enhancing communication, change, and education within our communities. Some major achievements during 2024 are: <ul style="list-style-type: none"> <li>Implementation of an electronic version of the District Plan (ePlan)</li> <li>Increase the hours committed to the regulatory engagement process under RMA.</li> <li>Appointment of a dedicated staff to work on the creation of a Strategy for communication and engagement, in addition to monitoring and reporting to the Ministry of the Environment.</li> </ul>	02/05/24			EP	BS	EH	LC
5	Contractual Arrangements -Regional Opportunities	5	Explore potential for either joint procurement of individual contracts, or joint contracts with other Councils.  <b>COMPLETE</b>	SDC will seek to have shared contracts with other Councils where either can issue consents on behalf of the other. Waitaki District Council has now signed a contract with SDC.  There is a long-term opportunity to share resourcing with other Councils NZ wide. This has been discussed as part of the 'Simpli Group', who are users of the building consent system. Julie Conradi will stay across this.  Action is partially complete, and the team will continue checking with other Councils.	31/5/24	Contract register	N/A	EP	BS	EH	LC
9	Regional Partners Common systems & processes	9	Test the comfort level of regional partners to apply common systems and processes. Continue building cluster group approach. <i>See also Action Item #10</i>	There is a Southern Cluster for SEAL-(ICC, Gore, Police, FENZ, MOH) Group. This covers Food and Alcohol.  There is also an email group for 'Health Protect'.  To date, the ongoing cluster and email groups have been seen as sufficient by these groups, though the opportunity remains.	31/5/24  Ongoing	ELT sign off	N/A	EP	BS	EH	LC
10	Regional Bylaws	10	Do a stocktake of regional bylaws to assess level of differentiation.	Approach will be to agree partners to form a small team to assess the level of differentiation.  Acting GM Strategy to organise for stocktake to be undertaken.	31/5/24	Stocktake	N/A	EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action <small>Some actions now split into 'sub actions' to show different activities</small>	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
11	Regional Partners - Warrant Officers	11	Do a stocktake of warranted officers across the region. Hope to have information in time for next F&A meeting	Legislation allows a cross regional approach. Officers would be required to be warranted in those areas. 10/05 Met with Democracy Advisor, who is going to cross check with other councils regarding numbers of warranted officers to complete this item.	31/5/24	Stocktake Regional opportunities	N/A	EP	BS	EH	LC
12			Identify any further opportunities to take a regional approach.		30/6/24	Regional opportunities					
<b>COMPLETED ACTIONS</b> - These are actions completed PRIOR TO 6 DECEMBER 2023. More recent completed actions are above.											
1	Risk Based Approach	1	Schedule a Council workshop to assess Council's tolerance for risk. <b>COMPLETE</b>	A Council workshop was held where the Council's tolerance for risk was captured to feed into the risk-based approach being developed.	31/7/23	N/A	N/A	EP	BS	EH	LC
2	Risk Based Approach	2a	Develop appropriate risk-based approach and guidelines that ensures staff apply consistent practices with regard to risk.  <u>Customer Survey results</u> have been reviewed – Feb 24 <u>A Technical Audit plan</u> is now in place. <b>COMPLETE</b>	<u>Building</u> Building as an industry has a requirement under the building act to apply a specified approach to risk. The team have a robust competency-based system in place and keep an auditable track of all the work. This is used by Building to assign work based on competency.  Topics related to building, including risk are also discussed with the Building Industry Focus Group made up of builders, designers, surveyors etc.).  <u>A Technical Audit plan</u> is now in place to conduct audits quarterly to ensure that there are consistent approaches to risk. The first audit will be conducted during the month of June 2024.	20/9/23  Complete 16/2/24	Customer survey	Annual	EP	BS	EH	LC
		2b	<u>Customer Survey results</u> have been reviewed – Feb 24 Plus <u>Technical Audit plan</u> <b>COMPLETE</b>	<u>Planning</u> : - Have implemented a risk matrix based on the competency of staff and complexity/risk of work - (to have confidence of consistency without rework). All templates have been reviewed and standardised to assist staff and contractors in consistent decision-making.	June 24 For audit	Technical audit	Quarterly	EP	BS	EH	LC
		2c	<u>Customer Survey results</u> have been reviewed – Feb 24 Plus <u>Technical Audit plan</u> <b>COMPLETE</b>	<u>Health</u> : Staff are aware of the layers of risk and apply a graduated approach to the legislation, based on risk, skill and competency. E.g. Issuing licenses for a hairdressing salon would be lower risk than a restaurant.				EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action <small>Some actions now split into 'sub actions' to show different activities</small>	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
							EP	BS	EH	LC
		2d	A Technical Audit plan is now in place as per 2a. <b>COMPLETE</b>	<b>UPDATE as at 05/06/24</b> Legal and Compliance: A risk-based approach has been included as part of the set-up of the new group.			EP	BS	EH	LC
3	Customer Service Metrics	3a	Identify meaningful customer service metrics. Step 1 - Seek feedback on customer experience of the process.  <b>COMPLETE</b>	Customer Service Metrics identified as processing applications (building, resource planning and health) within statutory timeframes and responding to requests for service on time. This will be supported by the annual customer survey which commenced in December 23. The results of this survey have been reviewed and whilst it's not a new action point it highlighted the need to focus on keeping customers informed of any new or potential delays. Action on this is underway. Survey complete in Nov 23, results in Dec 23 Next survey will be Dec 24 and will include Legal and Compliance	31/9/23 1/3/24 Survey complete - Dec 23 then annual	Customer satisfaction survey Complaints and commendations  Annual  Monthly	EP	BS	EH	LC
		3b	Develop internal KPIs that reflect what's important to customers.  <b>COMPLETE</b>	KPI's have been agreed and dashboards are in place for key metrics. Legal and Compliance will be able to utilise current KPI dashboards as required. These include applications and percent meeting statutory timeframes and Requests for Service (RFS). We will continue to review and align the KPI's to what is important to our customers via the annual customer satisfaction survey.	Mar 24	Annual	EP	BS	EH	LC
4	SDC & Contractor Consistency	4a	Introduce change to ensure consistency between internal and external application processes and timeframes - staff and contractor <b>COMPLETE</b> Audits will be conducted in approximately 3 months-time by quality analyst. The approach and plan for these has been designed and will check the alignment across KPI's, guidelines and training, work outputs and contract details.	When vetting consent requests, teams apply a risk matrix approach to assess the level of risk and assign the right work to the individual or contractor with the right competency – in-house or external consultant.  Contractors have delegated authority to grant and consistency will be measured through audits.  For Planning there is a 'Registration of Interest' (ROI) out to specialist suppliers to assess whether a panel could provide the economies of scale to support specialised requests.	1/2/24	Customer survey Audit  Annual  Quarterly	EP	BS	EH	LC



Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
		4b	Focus on standard conditions and ways of working. Upskilling, training staff & embedding good practices in resource management  <b>COMPLETE</b>	Reviewed and standardised all templates to assist staff in consistent decision-making. Processes have been standardised and captured.  A new training strategy and plan is in place Training of staff and contractor planners is now complete and will be audited quarterly to ensure standardised approaches.  An audit plan has been designed and is in place as per 4a	8/3/24	Customer survey Audit	Annual  Quarterly	EP	BS	EH	LC
6	Risk Based Approach  Double checking applications	6	Review the current practice of requiring that all externally processed applications are checked internally before a building/resource consent is granted.  <b>COMPLETE</b>	The current practice of double-checking all externally processed applications has ceased.  <u>Planning</u> : Have new external contractor planners on board. Training and support is in place and outputs are being audited ongoing. Focus is on 3 months to complete a full handover to the contractors with training and reviews.  <u>Building</u> – The contractors are in place. Contractor staff have been audited to ensure their decision-making capability and process was correct. Training has been provided as required. Delegated authority has been assigned so that contractors can grant consents.  From Monday 22 Feb, these contractors began granting their own consents.  Building will do spot check audits to ensure accuracy and consistency.	30/11/23  22/2/24	Outcome of review	N/A	EP	BS	EH	LC
7	Contractual Arrangements	7	Alter contract conditions accordingly to clearly state SDC is reliant on the contractor's technical review.  <b>COMPLETE</b>	A new clause has been incorporated into two new contracts and will be included in all future consent processing contracts	30/6/23 Complete	Contract conditions	Ongoing	EP	BS	EH	LC
8	Contractual Arrangements	8	Alter the approach to procuring consent processing contracts to include a 3-year term, in line with the industry standard in this area.  <b>COMPLETE</b>	A new clause has been incorporated into two new contracts and will be included in all future consent processing contracts	31/7/23 15/7/23 Complete	Contract conditions	Ongoing	EP	BS	EH	LC
13	Professional Development	13	Develop a professional development programme for graduate planners.	A programme and training approach is now introduced. Each Planner has a competency record and upon successful completion of a specified number of different types of consents, they are signed off as being competent for each type.	31/8/23 29/2/24	Programme in place	N/A	EP	BS	EH	LC



Priority	Opportunity Heading	Sub Actions	Action  Some actions now split into 'sub actions' to show different activities	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
			COMPLETE	Not only does this provide required competency levels but also provides consistency, recognition of skill and a career path.							
14	Process Improvement	14	Identify where there is misalignment of processes for food and alcohol license applications and renewals.  COMPLETE	Automated workflow processes are now in place to ensure both are linked.	31/8/23	Alignment	N/A	EP	BS	EH	LC
16	Contractual Arrangements	16a	Identify opportunities to use more external resources for processing consent applications.  COMPLETE	Other Councils in the district, and SDC, work together to provide back-up as required.  There is a regular meeting between managers from each of the Councils.	31/11/23  15/12/23	Paper to ELT	N/A	EP	BS	EH	LC
		16b	Develop appropriate contracting arrangements as required. Resolve delegation permissions.  COMPLETE	Delegation permissions have been updated. The 'authority to grant' has been applied to contract clauses 17-19 of the services schedule	31/7/23			EP	BS	EH	LC
18	Engagement with Customers	18	Stocktake of existing SDC industry engagement strategies/plans  Incorporate into "one plan" with agreed actions.        COMPLETE	The Communications and Engagement strategy is complete. Implementation of the actions in the plan is underway.  Existing plans and strategies have been identified and incorporated into one plan. This includes new activities such as regional drop-ins and attendance at Field Days, Home-shows and similar relevant events. The Industry Newsletters as developed by Building Solutions have been expanded to include all of Environmental Services and will also be available online shortly.  The strategy and plan has been signed off by ELT. Implementation of the plan is underway as above, with some details yet to be finalised.	30/6/23 24/4/24  Ongoing	Engagement plan signed off by ELT  Customer survey	Annually	EP	BS	EH	LC
22	Process Improvement - RFS system review  One # per request	22a	Review whether RFS system is 'fit for purpose' and introduce agreed improvement        COMPLETE	The Request for Service (RFS) approach is part of the Council Pathway system. The RFS system has the functionality to support/ link similar requests. For example, a report of vermin in a roadside berm is reported. The RFS is assigned to both Health and Rooding.  The RFS system has been deemed 'fit for purpose' and Planning are now using it.  Legal and Compliance will utilise the RFS system.	21/3/24	One number per request	Annually	EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action <small>Some actions now split into 'sub actions' to show different activities</small>	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
		22b	Review and improve how customer requests that involve multiple parts of Council are handled. Updated system will aid the way that this works. <b>COMPLETE</b>	Some automated workflow processes exist and otherwise the Pathway system allows for assigning applications to multiple departments and joining up similar requests. Note that, as part of #15 – the use of alternatively using a Customer Relationship Partner, will be evaluated.	21/3/24	One number per request	Annually	EP	BS	EH	LC
24	After Hours Call Centre	24	Assess effectiveness of Council-wide after hours call centre contract performance. <b>COMPLETE</b>	Investigation has shown an overall excellent performance and are meeting all KPI's. Contract manager is working more intensively with the contractor in the short term.	30/9/23 Ongoing	Paper to ELT Required?	N/A	EP	BS	EH	LC
25	People Wellbeing	25	Instigate monthly in-person catch ups with remote and field-based staff to promote team culture. <b>COMPLETE</b>	There are eight regulatory staff in the district, working out of Te Anau. Regular weekly visits are rostered between team leaders from Building Solutions and the Environmental Health manager. Legal and Compliance will take these requirements into account if required.	Ongoing 7/3/24	Regular catch ups  Internal Staff Survey	N/A	EP	BS	EH	LC
29	Process Improvement -Single form of customer communication requests	29	Do a stocktake of queries emailed directly to planners and phone calls through the call centre including time taken to respond in each category and whether they are entered into the RFS system. Develop and implement a single form of effective communication requests. <b>COMPLETE</b>	Tracking of customer queries and phone calls had been inconsistent and incomplete in Planning. It has been agreed that the RFS system will be the system for managing customer requests for service as it is widely used. It can be monitored and reported on. Planning have now been trained on how and when to use RFS and are using this approach.	30/11/23  15/12/23	Stocktake  Customer satisfaction survey	Annually	EP	BS	EH	LC
29	Process Improvement -Single form of customer communication requests	29	Do a stocktake of queries emailed directly to planners and phone calls through the call centre including time taken to respond in each category and whether they are entered into the RFS system.	Tracking of customer queries and phone calls had been inconsistent and incomplete in Planning. It has been agreed that the RFS system will be the system for managing customer requests for service as it is widely used. It can be monitored and reported on. Planning have now been trained on how and when to use RFS and are using this approach.	30/11/23  15/12/23	Stocktake  Customer satisfaction survey	Annually	EP	BS	EH	LC

Priority	Opportunity Heading	Sub Actions	Action <small>Some actions now split into 'sub actions' to show different activities</small>	UPDATE as at 05/06/24	When by	Method of measurement	Frequency of measurement	Progress indicator (traffic light)			
								EP	BS	EH	LC
			Develop and implement a single form of effective communication requests. <b>COMPLETE</b>								
31	SDC Quality Manual	31	1. Replace the joint Quality Manual with an SDC Quality Manual that simplifies SDC procedures. 2. Reinforce SDC's commitment to building relationships with the regional TAs in other areas. <b>COMPLETE</b>	1. Quality Manual is complete. IANZ assessment and agreement is complete. 2. There are quarterly meetings set up across the regional TA's.	30/9/23	Manual is completed	N/A	EP	BS	EH	LC
33	Staff wellbeing Route-Planning	33	Develop a system to ensure route-planning of inspections, particularly in remote locations is efficient. <b>COMPLETE</b>	Training on effective use of the system and protections to stop human involvement making this system less effective is in place. Teams also use a Google Maps scheduler system and also find that Google Maps works well.	30/6/24 29/2/24	System in place	N/A	EP	BS	EH	LC
36	Engagement with Customers	36	Increase communication with Industry. To build trust, signal upcoming changes, even if dates and details are not yet announced - e.g. any changes to assessment processes, NPS implementations and approved changes in Council's strategic direction Industry will have questions on these topics that will also need to be addressed. <b>COMPLETE</b>	This has primarily been done by growing the building team's newsletter and creating one newsletter for the group to go out regularly to industry. It includes detail about any upcoming change, any approved change in Council's strategic direction and common issues picked up in applications and how they can be remedied. It also incorporates the information that is provided via the Health 'Industry updates', e.g. Updated Food Control Plans'. The newsletter will be available as an e-newsletter on the SDC website shortly. There are also new activities such as regional drop-ins, Field Days and Home Shows. At the recent Waimumu Field Day, the SDC stand became so busy with Planning questions that the rest of the Planning team was called out to assist. The Team Leader Environment Policy who is responsible for the Resource Management Act (RMA) policy has begun providing updates to the Industry community via the newsletter from Environmental Services.	30/6/23 29/2/24	Customer satisfaction survey		EP	BS	EH	LC

## Environmental services business Improvement plan – Risk register – June 2024

	Event	Consequences	Impact	Likelihood	Mitigations	Person Responsible	Post Mitigation Likelihood	Update as at 29 Feb 2024
1	Non-compliance with timeframes specified by RMA/LGA legislation is not seen by customers to improve quickly enough	Council fail next audit and could lose accreditation. Negative impact on customers and Southland economy. Reputational risk to Council Reduced confidence in skills and staff expertise Impact on staff well-being – job satisfaction, retention, mental health			New requests actioned to time & in parallel with backlog Utilise Contractors to provide additional resource Communication on expected timeframes advised to Industry – Delivery Team Meeting Establish and utilise ‘Industry Advisory Panels’ for Building Solutions and Resource Planning Alerted Health & Wellbeing Officer for Environmental Services regarding staff concerns	Adrian	8	Contractors in use consistently in Planning. All new applications are assigned for action immediately and the backlog is being reviewed and actioned. Significant improvement is expected in March/ April.  Building Solutions are using contractors to complete some building consent applications. Delegated authority has been assigned so that contractors can grant consents (with spot checking). The same contracting company is used to complete competency assessments for technical staff.  The Building team have had their first ‘Focus Group’ meeting with several of their industry professionals with another in 2weeks time. Discussion covered timeliness, direct communication and the industry want to learn more about processes so they can better understand the time taken and what is required for processing and inspections
2	Queries from customers are not responded to in a timely manner	Increased contacts Negative impact on customers and Council reputation Reduced confidence in skills and staff expertise Staff turnover			Provide information on the Website to answer the most common customer requests – also available to the Contact Centre Keep customers informed with regular updates.	Sam Marshall	12	Online information is being updated by all departments in liaison with the web team.  Future upgrade plan for Customer Services system will provide more opportunity to answer customer queries at first point of contact. This is scheduled for April/May.
3	External communications are not effective and lead to disillusionment in the community	Poor communications have negative impact on reputation of Council Customers lose trust in Council			Design and implement engagement plan Deliver the plan well Establish and seek feedback from Industry Advisory Panel ‘Real Time’ Informal surveys during customer calls, regional visits and other events on effectiveness Post call phone surveys to be implemented	Louise	12	Communications and Engagement Plan is complete and approved by ELT ‘Real Time’ feedback will be undertaken by Customer Services  The Building team have had their first ‘Focus Group’ meeting with several of our industry professionals with another in 2weeks time. Discussion covered timeliness, direct communication and the industry want to learn more about processes so they can better understand of time taken and what is required for processing and inspections
4	Staff do not have capacity to support the plan	Deadlines that impact the implementation of change are not met			Prioritise actions by urgency, effort required and capacity. Do priority first & quickly, then move to next.	Adrian	12	Actions prioritised and temporary resource is focusing on this for March. Re-evaluate end of March
5	Lack of capability/specialist resource to support the plan	Deadlines which impact the implementation of change not met			Resource assigned to make improvements in Planning Communication Implementation underway with Industry Online information is increasing quickly	Adrian	12	Specialist resource provided significant improvements in Planning department from a systems and people perspective
6	Consultant support to process applications is insufficient or inadequate to meet demand	Council fail next audit and lose accreditation. Negative impact on customers and Southland economy. Reputational risk to Council Reduced confidence in skills and staff expertise			Forecast likely demand & competency type by team against current staff & competency levels. Identify any gaps. Identify Consultant capacity and any gaps. Plan to mitigate gaps – e.g. Fast track recruitment; Support upskilling of Consultants	Adrian	8	Contractor support is in place and has enabled teams to improve the processing of applications to timeframes.  Plan is to be able to process most customer requests to the point that Contractor support is not/ or is seldom required

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	Event	Consequences	Impact	Likelihood	Mitigations	Person Responsible	Post Mitigation Likelihood	Update as at 29 Feb 2024
7	Additional spend is required to progress some actions	Budgets are overspent			Savings made through less use of consultants as performance improves	Anne/ Adrian	12	Use of contractors has enabled performance to improve and this will reduce costs through less customer requests for updates. Over time, use of contractors will reduce.
8	Lack of buy-in from staff across council	Some actions are not delivered or delivery is sub-optimal			Strong advocacy of new ELT and regulatory GM. Design internal stakeholder & communications plan Ensure effective cross Council communication	ELT/ Adrian/ Anne	10	New GM's have been involved in monitoring improvements and ensured that all staff understand the importance and their role in supporting the action plan
9	Internal communications are not effective and lead to disillusionment in the staff	Lack of buy in from affected staff leading to unwillingness to change			Ensure effective communication plan which includes regular face to face interaction with team members is in place	Louise/ Adrian	10	Engagement plan in place. New GM to visit teams regularly
10	Unrealistic expectations about how quickly changes can be embedded	Council become disillusioned with the organisation's ability/appetite for change			Set realistic dates for changes to be identified/implemented Ensure staffing levels & skills are adequate	ELT	12	Review actions and relative priorities. Reset plan

Post Mitigation Assessment	June 2023	Sept 2023	Dec 2023	March 2024	June 2024	Sept 2024
Declining	0	0	0	0	0	
Stable or Improving	7	6	6	10	10	
On track	0	1	1	0	0	

		Consequence				
		Negligible 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Likelihood	5 Almost certain	Moderate 5	High 10	Extreme 15	Extreme 20	Extreme 25
	4 Likely	Moderate 4	High 8	High 12	Extreme 16	Extreme 20
	3 Possible	Low 3	Moderate 6	High 9	High 12	Extreme 15
	2 Unlikely	Low 2	Moderate 4	Moderate 6	High 8	High 10
	1 Rare	Low 1	Low 2	Low 3	Moderate 4	Moderate 5



## Risk management - June 2024 quarterly update

**Record no:** R/24/3/22334

**Author:** Jane Edwards, Risk analyst

**Approved by:** Anne Robson, Group manager finance and assurance

☐ Decision

☒ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to:
  - a) submit the June 2024 Quarterly Risk Management report for consideration by the Finance and Assurance Committee (the committee)
  - b) seek recommendation to Council for the adoption of Council's proposed priority strategic risks, to become effective 1 July 2024.

### 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 2023 and these form the basis of the committee's quarterly risk report including the risk register.
- 4 The executive leadership team (ELT) jointly owns the current 11 priority risks for Council and is responsible for maintaining oversight of Council's risks, controls and treatments. The ELT has reviewed the status of the top priority risks for the June 2024 quarter and this report presents the current risks, with their assessment, any current and proposed mitigations, and their residual risk assessment.
- 5 The risk register for the June 2024 quarter is included as Attachment A.
- 6 In order that the ongoing risk management process remains relevant and continues to inform consistent and effective decision-making, the ELT is required by the RMF to undertake an annual review of its priority risks.
- 7 The review process took place over two workshops over the last quarter and confirmed the priority risk areas considered by ELT to have the potential to significantly impact Council's achievement of its current strategic objectives.
- 8 This report seeks recommendation from the committee that Council adopts the proposed priority strategic risks at its meeting 19 June 2024 with a proposed operational date of 1 July 2024.
- 9 The proposed priority strategic risks are presented as Attachment B for the committee's consideration.

- 10 The matrices used to assess the risks are included for information as Attachment C.

## **Recommendation**

**That the Finance and Assurance Committee:**

- a) receives the report titled “Risk management - June 2024 quarterly update”.
- 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 those risks currently assessed as of significant issue for the June 2024 quarter.
- e) agrees to recommend that Council adopt the proposed priority strategic risk areas as follows to become effective 1 July 2024:
  - i. adverse event – the risk that Council is unable to respond to the consequences of a natural or human-induced event impacting the District
  - ii. change – the risk that Council has inadequate adaptability to respond to a continuously changing environment
  - iii. climate response – the risk that Council fails to appropriately adapt to, or mitigate the effects of, a changing climate
  - iv. cyber security – the risk that Council’s systems are vulnerable to cyber-attack and/or error
  - v. decision-making – the risk of suboptimal decision-making by Council
  - vi. finance – the risk that Council fails to manage its financial sustainability impacting its long term ability to fund essential services and projects
  - vii. health, safety and wellbeing – the risk of health, safety and wellbeing harm to staff, contractors and community
  - viii. social licence – the risk that Council fails to maintain acceptable levels of satisfaction and social licence within the community
  - ix. strategic relationships – the risk that Council fails to appropriately maintain its local, regional and national relationships

## **Quarterly risk management update**

### **Background**

- 11 Eleven priority risks were identified by ELT workshops in April 2023 and adopted by Council in June 2023 and these have formed the basis of the quarterly risk report including the risk register. As a living document, the risk register will continue to be reviewed formally on an annual and as required basis.



- 12 The priority risks endorsed by Council are jointly owned by the ELT, who are responsible for undertaking a comprehensive review of the status of the risks, and any emerging operational risks, on a quarterly basis. This update includes evaluation of each risk, any current and proposed mitigations, and the residual risk assessment for each. ELT's review is incorporated into the risk management update report that is presented to the committee for consideration each quarter.
- 13 All priority risks are considered of equal importance to Council and are outlined in a single tiered risk register. This allows for fluid prioritisation throughout 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.
- 14 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.
- 15 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 stable.

### **Quarterly overview of Council's priority strategic risks**

- 16 The risk register update for the June 2024 quarter is attached as attachment A.
- 17 The risk register has 11 priority risks of which two are 'very high', five 'high', and four 'medium' rated post mitigation.
- 18 Eight risks are assessed as having a pre-mitigation risk threshold of very high. The residual threshold for two of these is assessed as remaining static at very high, five reducing to high, and one reducing to medium, as a result of the mitigations currently in place.
- 19 Three risks are assessed as having a pre-mitigation threshold of high. The residual threshold for all three risks is assessed as reducing to medium as a result of the mitigations currently in place.

### **Issues**

- 20 This section of the report is used to provide a summary of each risk for information purposes and to highlight any significant activity over the last quarter.

### **Change and reform**

- 21 This risk continues to be assessed as increasing this quarter.
- 22 The relationship with central government and the limitations on both Council's ability to influence and drive solutions; and its capacity to respond to decisions not of its choice, remains an ongoing heightened risk.
- 23 Council will need both continued agility and increased strength in its role as advocate for Southland to navigate the political and legislative changes ahead to achieve best outcomes for the District.

### **Long Term Plan (LTP)**

- 24 Following the requirement to reintroduce three waters costs into Council's 10-year budget, councils were given the option of an extra three months for settling on their LTPs. Council has

endorsed this option, with the intention of adopting its 2024/34 LTP on 29 May 2024. To note, this option allows Council to defer adoption until as late as September 2024 if required.

- 25 Despite the deadline being pushed out, there remains a tight turnaround to ensure delivery of the LTP, resulting in heightened risk of there being slippage in timeframes which could impact meeting Council's statutory deadlines. There is also risk around 'unknowns' popping up that may further impact timeframes.
- 26 Council could choose to defer adoption until September 2024 however this would result in funding and revenue deficits, along with the implication of going out with fewer and larger rates increases. There also remains risk that if the September 2024 deadline were missed, Council would be forced to defer adoption of the LTP for 12 months and develop an interim Annual Plan in the meantime.
- 27 There remains risk of the potential for negative community response to what is proposed in the LTP. Council has limited its ability to respond to correct any misinformation with the decision to not undertake community meetings or drop in sessions. Council may face criticism that it has not allowed adequate or appropriate opportunity to discuss proposals.

#### Three Waters

- 28 Following the repeal of previous water services policy and legislation, the new government's plan is to allow councils to choose how their water services will be delivered in the future.
- 29 Council could choose to continue with the status quo, or collaborate to create a financially independent council-controlled organisation (CCO). Both options will need consideration of what the most financially sustainable configuration is for Council given its debt position and low ratepayer base.
- 30 While options are being offered, it looks likely that central government preference will be that core delivery of water infrastructure is managed by CCOs. If Council chooses this route, consideration will need to be given to its ability to consolidate with its geographic neighbours, or whether there are benefits to be gained with other territorial authorities of a similar size/ratepayer base elsewhere in New Zealand.
- 31 If Council chooses to continue with the status quo, there is risk of increased intervention and/or scrutiny from central government.

#### Resource Management

- 32 Following the repeal of both the Natural and Built Environment Act and the Spatial Planning Act in December 2023, central government has recently given an update on the work to amend the Resource Management Act in a three phase approach.
- 33 Changes include more leniency in activities, and fast tracking of consenting legislation, which will have implications for Council's consenting processes. A key risk arising from these changes is the reduction in regulation of environmental protections.

#### Representation review

- 34 A representation review is currently underway which could result in changes to the structure of Council in the future. While there is the potential for process or legal risk impacting Council's reputation, the likelihood is considered low as there appears to be little appetite in the community for substantive change.

Review of internal structure

- 35 Over the quarter, recruitment for the position of Group Manager Strategy and Partnerships was completed with all executive positions anticipated to be in place next quarter. This will complete the work to review current internal structures and practices to ensure they are fit for purpose and continue to support delivery for Council and community.

**Climate change**

- 36 This risk continues to be assessed as stable this quarter.
- 37 Council continues to follow developments in climate change policy and statutory framework following the change in central government.
- 38 Public feedback has been sought on the proposed regional strategy phase one by Environment Southland via its LTP consultation. A special hearings panel is being held this quarter.
- 39 In tandem with the consultation process, the regional climate change working group has begun developing a regional strategy phase two framework for action which identifies opportunities for regional collaboration to achieve the collective climate change aspirations. Each council has agreed to develop their own plan of actions to support the implementation of the regional strategy.
- 40 A draft organisational climate action stocktake is currently being developed for ELT endorsement. This aims to support executive oversight of climate change workstreams and better enable effective risk management and reporting.
- 41 Staff have participated in workshops and surveyed to establish a common baseline understanding of climate change issues across Council. The group will lead development of an organisational climate change action plan.

**Compliance and fraud**

- 42 This risk continues to be assessed as stable.
- 43 Council continues to apply best information and the resource it has available to meet compliance timeframes and mitigate fraudulent activity.

Compliance

- 44 Over the quarter, regulatory services staff have noted a gradual slide in compliance obligations being met (e.g. a deterioration in how buildings are maintained, animals looked after) with an accompanying increase in community stating an inability to pay, or requesting payment plans be set up.
- 45 Staff continue to assess the requirements for compliance with changes following the change in government. There is potential that Council may be required to respond to changes in legislation with little direction and resulting costs that may not currently be budgeted for. While there is little value to be gained in moving forwards until clear planning direction is received, staff consider the organisation is well placed with the agility to respond quickly to the changes required of it. Once clarified by central government, the resourcing and information identified and in place for the previous reform agenda, will be able to be reconfigured to meet any new requirements made of it.

- 46 To note, while central government is currently removing barriers to consenting, there is risk that the public take the changes in legislation out of context. Strong messaging may be required to keep communities safe by ensuring that the public understand that compliance obligations are still required to be met.

Fraud

- 47 Staff have continued to monitor instances of external fraudulent activity to identify methods to protect the organisation.
- 48 The Fraud Policy is currently under review and a draft is proposed to be adopted by Council at its 19 June 2024 meeting. Once adopted, it will be recirculated to staff and the staff handbook and induction portal updated.
- 49 Over the quarter, the Counter Fraud Centre (CFC) has established a local government community of practice. Staff have contributed to discussions to identify the resources that might be developed by the CFC and Serious Fraud Office to support councils in fraud prevention measures and awareness.
- 50 Fraud awareness training (encompassing bribery, fraud and corruption), facilitated by Deloitte, is currently being finalised and will be rolled out to both targeted teams, and more broadly across the organisation.
- 51 Ongoing work in the procurement and contract management space continues to mitigate against the potential for fraudulent activity within and directed at the organisation.

**Cyber security**

- 52 This risk continues to be assessed as stable.
- 53 This risk continues to be managed to ensure the organisation is secure from, and prepared for, credible cyber threats.
- 54 Council continues to experience activity in cyber-attacks through sophisticated email phishing campaigns. Ongoing staff and governance training has seen consistent improvement in skill levels as evidenced by the decreased uptake in dummy phishing emails.
- 55 Further treatments and controls relating to this risk will be covered in a separate PE report to the committee from Information Services staff.

**Data and systems**

- 56 This risk continues to be assessed as stable.
- 57 There are no significant updates to report this quarter.

**Disaster event**

- 58 This risk continues to be assessed as increased.
- 59 This risk continues to be assessed as increased as gaps in the local and regional response to the flooding events in September 2023, and events at Bluecliffs, remain unresolved. The recent rail disruption at the Rangitara rail bridge, also emphasised the necessity to ensure that the District

has the contingency planning in place to both manage itself, and potentially give aid to others, in the event that it is cut off from external aid or support for a length of time.

60 These recent events highlighted issues that will need to be considered and responded to so that Council can be assured that an effective and coordinated regional response is available when it is required.

61 A key issue identified in the post event evaluation undertaken by both the IMT and EMS is ensuring clarity of roles and responsibilities within the shared service response to avoid the potential for inconsistent and complex information shared with the community.

62 At an internal level, consideration has been given to ensuring clarity of roles, clear communication channels and appropriate capacity is in place pre event. This aims to anticipate the need to undertake succession planning (both of shared EMS roles versus internal IMT roles) and to enable inhouse continuity of delivery.

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

63 This risk continues to be assessed as stable.

64 Over the quarter, regulatory staff have noted an increase in aggressive behaviours from members of the public towards Council, complaints directed within the community, and a corresponding increase in people writing in stating anxiety in response to rising costs.

65 This has had flow on impacts on stress and wellbeing issues for staff. Staff are giving consideration to the use of body cams, real time panic alarm systems, alongside risk perception training targeted for compliance roles and high risk teams.

66 While it will require investment from Council, there may be peace of mind and wellbeing benefits for those teams most at risk from violence and aggressive behaviours. Balance will be needed to ensure privacy constraints are considered alongside the benefits of these measures.

67 Contractor health and safety monitoring remains a focus with staff currently considering the level of exposure Council is willing to take with regards to the health and safety obligations of its contractors, subcontractors and volunteers. While Council's preference for utilising local contractors is supported, consideration is required to the level of liability Council is willing to take given, in some instances, it is the sole PCBU.

68 Development of the SHED dashboard continues. This will align organisational systems across Council allowing for visibility, ownership, and responsibility for health and safety due diligence.

### **Public health**

69 This risk continues to be assessed as stable.

70 There are no significant updates to report this quarter.

### **Relationships and reputation**

71 This risk continues to be assessed as stable.

- 72 While this risk is still currently assessed as stable, perception issues arising from the relationship between central and local government has the increased potential to impact Council's reputation and relationship with the community.
- 73 Since the general election, a key aim of central government has been to make it easier to 'get things done' ([www.beehive.govt.nz](http://www.beehive.govt.nz)). By removing barriers and fast tracking consenting processes, central government are, in theory, 'empowering' people. In contrast, local government by adhering to the compliance obligations imposed on it by central government, is at increased risk of being seen as 'depowering'.
- 74 Acknowledgement is also made of the potential impacts of the LTP development and conceivable rates increases. While councils across New Zealand are facing similar decisions, it remains that this risk may be impacting members of the community who may be faced with rating demands they are unable to meet. It will be important that Council considers how it uses the LTP, and the engagement opportunities it presents, to frame the way ahead in a positive, coherent, and realistic way to articulate to the community its abilities and constraints.

### **Resource and delivery**

- 75 This risk continues to be assessed as increased as there is uncertainty regarding the NZTA funding which will not be known until September 2024 which will impact on the 2024/25 works programme. This in addition to the late LTP process will also have a flow on effect to delivery.

### Procurement

- 76 Staff continue to consider different and increasingly flexible ways of procuring materials and services early to reduce risk. Ongoing work to simplify processes and let contractors know what potential work is ahead, and how to tender for it easily, has meant that Council remains viewed as a fair and reasonable client of choice.

### Project and programme delivery

- 77 Internal coordination of the scoping process has improved alignment within the organisation and has enabled project delivery to run smoothly. The project management team have noted, however, that an increased work programme, exacerbated by the LTP process, and coupled with external phasing constraints, has the potential to create delays to delivery with resultant budget increases.
- 78 An emerging risk resulting from the economic climate is that some local businesses and contractors may/are starting to reduce staff. To mitigate this and the flow on effect of them being unable to scale up at the right time to provide the services we require to deliver the works programme, having a visible pipeline of work and ability to share this with them is important.
- 79 Council could consider how timing implications might affect best outcomes. Shifting constraints around financial approvals could allow Council to position itself more effectively against others competing in the same market.

### Staffing

- 80 Although there has been some turnover in this area over the past year, Council has continued to attract a high calibre of experienced staff. However, a lag in the start dates of the new staff, does affect delivery. Risk mitigation work is progressing to broaden a 'grow your own approach'

within Council's project delivery area to both develop a talent pipeline for the future and to leverage the expertise of senior staff in a mentoring capacity. It is noted that in recent months labour market climate has changed resulting in an increase in the number of applications for advertised vacancies.

- 81 Ensuring Council's 'brand' remains relevant and attractive; effective succession planning; and use of contracted personnel/consultants remain key focus areas to ensure continued service delivery.

### **Strategy and direction**

- 82 This risk continues to be assessed as increased.
- 83 This status continues to be due to the ongoing uncertainties around the direction of the new government and the consequent implications for Council's strategic direction. It is noted that this brings both risk and opportunity for Council in terms of the choices it makes and direction it chooses.
- 84 There is risk that in waiting for central government direction, Council stalls or loses momentum in key projects and decision-making. Council will need to consider how it frames a coherent and realistic story about its ability and what it can continue to achieve.
- 85 At an internal level, there is risk that the shifting of targets, ad hoc reprioritisation or expansion of the work programme, could create increased complexities and inefficiencies, with the potential to impact Council's ability to respond effectively towards achieving its strategic goals.
- 86 It remains important that a clear line of sight is plumbed between Council's goals and its performance objectives to ensure organisational alignment.

### **Emergent risks**

- 87 Potential emergent risks have been considered as part of the annual review of Council's priority strategic risks and are discussed separately within this report.
- 88 Staff will continue to scan for emerging risks and escalate as appropriate.

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

- 89 As part of the risk management reporting process, the ELT undertakes a regular programme of in-depth analysis into each of the key risks identified by Council.
- 90 A workshop intended for the June 2024 committee meeting to facilitate discussion of Council's Disaster Event strategic risk has been postponed until the committee meets again in September 2024.

### **Annual priority risk review**

- 91 This report seeks the committee's recommendation to Council for the adoption of Council's proposed priority strategic risks, included as Attachment B, to become effective 1 July 2024
- 92 Council operates in a complex and uncertain environment in which risks to Council's overall strategic priorities is inherent. As such, Council's strategic risks are regularly reviewed to ensure

they are relevant and being managed effectively. As part of this process, two workshops with the ELT have been held over the last quarter.

- 93 The review objectives were to evaluate Council's current risks against the internal and external landscape to identify the top strategic risks facing Council and to improve the effectiveness of the risk management process by ensuring alignment with strategic objectives.
- 94 Outcomes of the review include the amalgamation and subsequent redefinition of a number of existing strategic risks, a new finance focused strategic risk, and the redefinition of the compliance strategic risk as an organisational/operational risk.
- 95 'Finance' has emerged as a new strategic risk area and management is now developing this risk and its residual risk assessment management process.
- 96 The review has included refinement of risk descriptions and reassessment of the pre mitigation threshold settings of each proposed strategic risk. Further work to assess the effectiveness of current controls, identification of further treatment options, and post mitigation thresholds will be undertaken over the next quarter and will be presented to the committee as part of the September 2024 quarter reporting.
- 97 Council's current strategic risks have been consolidated into nine strategic risks and three proposed supporting operational risks as set out in the table below:

CURRENT STRATEGIC RISKS		PROPOSED STRATEGIC RISKS	
		<b>1</b>	<b>Adverse event</b>  The risk that Council is unable to appropriately respond to the consequences of a natural or human-induced event impacting the District
<b>1</b>	<b>Change and reform</b>  Risk that Council has inadequate adaptability to respond to a continuously changing environment	<b>2</b>	<b>Change</b>  The risk that Council has inadequate adaptability to respond to a continuously changing environment
<b>2</b>	<b>Climate change</b>  Risk that Council fails to adapt to, or mitigate the effects of, climate change impacts	<b>3</b>	<b>Climate response</b>  The risk that Council fails to appropriately adapt to, or mitigate the effects of, a changing climate
<b>3</b>	<b>Compliance and fraud</b>  Risk that Council is unable to adapt to the impacts of fraud and increasing compliance standards on the organisation		<i>Compliance recategorised as operational risk</i>  <i>Fraud incorporated within 'Finance' and 'Compliance'</i>
<b>4</b>	<b>Cybersecurity</b>  Risk that Council's systems are vulnerable to cyber-attack and/or error	<b>4</b>	<b>Cybersecurity</b>  The risk that Council's systems are vulnerable to cyber-attack and/or error
		<b>5</b>	<b>Decision-making</b>



## Finance and Assurance Committee

5 June 2024

			The risk of suboptimal decision-making by Council
5	<b>Data and systems</b>  Risk of ineffective and inefficient use of information in Council's decision-making		<i>Incorporated under 'Decision-making'</i>
6	<b>Disaster event</b>  Risk that Council is unable to respond to the consequences of a natural or human-induced event impacting the District		<i>Renamed 'Adverse event'</i>
		6	<b>Finance</b>  The risk that Council fails to manage its financial sustainability impacting its long term ability to fund essential services and projects
7	<b>Health, safety and wellbeing</b>  Risk of health, safety and wellbeing harm to staff, contractors and community	7	<b>Health, safety and wellbeing</b>  The risk of health, safety and wellbeing harm to staff, contractors and community
8	<b>Public health</b>  Risk that Council exposes the community to a public health emergency		<i>Incorporated under Compliance/Adverse event/HSW</i>
9	<b>Relationships and reputation</b>  Risk that Council fails to manage its local, regional and national relationships  Risk that Council suffers reputational damage because of service delivery failure		<i>Incorporated under Strategic relationships/Social licence</i>
10	<b>Resource and delivery</b>  Risk of non-performance/delivery of committed outcomes and meeting expectations		<i>Incorporated under Social licence/Work programme</i>
		8	<b>Social licence</b>  The risk that Council fails to maintain acceptable levels of satisfaction and social licence within the community
11	<b>Strategy and direction</b>  Risk of poor or ineffective decision-making due to lack of strategic integration and alignment		<i>Incorporated under Decision-making</i>
		9	<b>Strategic relationships</b>  The risk that Council fails to appropriately maintain its local, regional and national relationships

DRAFT <i>Proposed operational risks</i>	
1	<i>Asset management</i>
2	<i>Compliance</i>
3	<i>Work programme</i>

- 98 For the committee to note: consideration of the three proposed operational risks is ongoing and this work will be presented to the committee once further work on Council's operational risk register is undertaken. In the interim, those strategic risks that are proposed to be recategorised as 'Operational Risks' will still need to address their organisational risk. It is intended that this will be done through their existing regular reports to Council to include specific reference to their risk level and risk management activity so that this can be reported to the committee for assurance purposes.

### Analysis of Options

- 99 The committee has two options on how it chooses to proceed:

#### Option 1 – that the committee endorses the proposed priority strategic risks for adoption by Council as outlined in Attachment B

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>this ensures clarity and focus is given to those risks deemed as most important to Council</li> <li>governance will have a clear indication of management's risk priorities</li> <li>the risk register will continue to give clarity to the community of Council's risk priorities</li> <li>continuing to set a non-ranked risk register means prioritisation can continue to be fluid for the reporting year</li> </ul>	<ul style="list-style-type: none"> <li>this approach is not consistent with the risk management framework requirements which states risks should be ranked by priority weighting</li> </ul>

#### Option 2 – that the committee proposes a different way forward

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>this will give clarity to the preference of governance</li> <li>management will have clear indication of the committee's risk priorities</li> </ul>	<ul style="list-style-type: none"> <li>this approach is not consistent with management's risk priorities</li> </ul>

### Recommendation

- 100 Staff recommend option 1 - that the committee endorses the proposed priority strategic risks for adoption by Council as set out in attachment B.

### **Next steps**

- 101 Following consideration by the committee, staff will present the proposed priority strategic risks to Council at its 19 June 2024 meeting seeking adoption with an operational date of 1 July 2024.

### **Attachments**

- A Risk register - Finance and Assurance Committee - June 2024 quarter
- B Annual risk review - proposed priority strategic risks 2024/25 FY
- C Risk management framework - risk matrices



## Quarterly risk register – Jun 24 quarter

### Finance and Assurance Committee

STRATEGIC RISK SUMMARY TABLE										
Change & reform	Climate change	Compliance and fraud	Cyber-security	Data & systems	Disaster event	Health, safety & wellbeing	Public health	Relationships & reputation	Resource & delivery	Strategy & direction
PRE TREATMENT THRESHOLD										
Very high	Very high	High	Very High	High	Very high	Very high	Very high	Very high	Very high	High
POST TREATMENT THRESHOLD										
Very high	High	Medium	Medium	Medium	High	High	High	High	Very high	Medium
RISK STATUS FOR THE CURRENT QUARTER IS ASSESSED AS:										
Increasing	Stable	Stable	Stable	Stable	Increasing	Stable	Stable	Stable	Increasing	Increasing
RISK LEAD										
Chief executive	Executive leadership team									Chief executive
ACTION OFFICER										
Chief executive	Climate change lead Infrastructure & Commercial Delivery Team	Building solutions manager Environmental planning manager Strategic manager water & waste Transactional project lead Environmental health manager	Manager information services	Manager information services	Communications manager Environmental planning manager Infrastructure & environmental services leadership team	Health & safety manager	Strategic manager water & waste Asset manager water & waste Environmental health manager	Executive leadership team Communications manager Governance legal manager Community leadership manager	Commercial infrastructure manager Project delivery manager	Executive 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
			Increasing
Risk management framework	Strategic	Risk register LINKS	Climate change      Strategy & direction Compliance
CATEGORY			
RISK LEAD	Chief executive	ACTION OFFICER	Executive leadership team
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:	Major	Likelihood:
	Very high		Highly likely
CURRENT MITIGATIONS	<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 working effectively with central government</li> <li>○ continued monitoring and participation where appropriate to influence the direction of new legislation</li> <li>○ visibility of central government's legislative/statutory changes provided through regular reporting and workshops with Council and/or committee</li> </ul> </li> </ul>		



	<ul style="list-style-type: none"> <li>increasing 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>increasing 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> <li>representation review to ensure communities in the District are fairly and effectively represented</li> </ul> </li> </ul>	
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b> Major	<b>Likelihood:</b> Highly likely
	Very high	
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>none reported for the Jun 24 quarter</li> </ul>	
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>staff forum Dec 23</li> </ul>	



Strategic risk		CLIMATE CHANGE			
DESCRIPTION	Risk that Council fails to adapt to, or mitigate the effects of, climate change impacts				STATUS
					Stable
Risk management framework	Health, safety & wellbeing	Strategic	Risk register	Change & reform	Relationships & reputation
CATEGORY	Regulatory & compliance	Social, cultural & environmental	LINKS	Disaster event	Compliance
RISK LEAD	Executive leadership team		ACTION OFFICER	Climate change lead	Infrastructure & Commercial Delivery Team
POTENTIAL RISK TRIGGERS	<p><u>External:</u></p> <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> <li>continued debate of validity of climate change science</li> </ul> </li> </ul> <p><u>Internal:</u></p> <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 and asset management that takes into account climate change impacts and contributes to adaptation and mitigation pathways</li> <li>ensuring continued compliance with appropriate national and regional plans</li> <li>consideration of climate change impacts in business cases, activity management plans and Council reports</li> <li>consideration of climate change in planning decisions, particularly in relation to spatial planning and the District Plan</li> <li>developing a regional climate change strategy in collaboration with regional partners</li> <li>measuring and reducing Council's greenhouse gas emissions</li> </ul> </li> <li>build knowledge</li> </ul>				



	<ul style="list-style-type: none"> <li>○ understand how climate change will impact Council operations and Southland District communities</li> <li>○ increase staff knowledge of climate change issues and how these relate to their work</li> <li>○ effective internal and external communication of climate change related issues</li> <li>● build capacity               <ul style="list-style-type: none"> <li>○ establishment of a staff climate change working group</li> <li>○ adequate borrowing capacity in place through the financial strategy to assist with recovery costs</li> <li>○ catastrophe 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
	<b>High</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>● development of a draft climate action plan that sets out appropriate climate change scenarios to use, governance for climate change, capability and capacity requirements. This will be informed by the regional climate change strategy currently being developed.</li> <li>● coastal adaption planning – July 24 Phase 2 work shop</li> <li>● consider climate change adaption and mitigation in spatial planning</li> <li>● council's emissions profile has been developed but further work will now need to be progressed to drive reductions</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>● Council's emissions profile completed.</li> <li>● Great South spatial forecasting of coastal inundation risk received</li> <li>● new internal and external coastal hazards information portals created and socialised internally and externally</li> <li>● Asset Management Policy updated</li> <li>● proposed regional climate change strategy phase one containing principles and aspirations endorsed for consultation by all Regional Climate Change Working Group members</li> </ul>		





Strategic risk		COMPLIANCE AND FRAUD				
DESCRIPTION	Risk that Council is unable to adapt to the impacts of fraud and increasing compliance standards on the organisation					STATUS
						Stable
Risk management framework	Financial	Strategic	Risk register	Public health	Service delivery	
CATEGORY	Regulatory & compliance		LINKS	Reputation		
RISK LEAD	Executive leadership team		ACTION OFFICER	Fraud: Transactional project lead	Compliance: Building solutions manager Environmental planning manager Strategic manager water & waste Environmental health manager	
POTENTIAL RISK TRIGGERS	<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>					
PRE TREATMENT THRESHOLD	Consequence: Catastrophic		Likelihood: Unlikely			
	High					
CURRENT MITIGATIONS	Fraud: <ul style="list-style-type: none"><li>effective governance, strategies and plans<ul style="list-style-type: none"><li>fraud policy, fraud officers, and fraud awareness training initiated</li></ul></li></ul>					



	<ul style="list-style-type: none"> <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 associated manual in place and training workshops initiated</li> <li>• stringent employment criteria and recruitment checks on potential employees</li> <li>• continued monitoring of case law and media reporting to learn from fraudulent activity elsewhere</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>• none reported for the Jun 24 quarter</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• none reported for the Jun 24 quarter</li> </ul>		



## Strategic risk CYBER SECURITY

DESCRIPTION	Risk that Council's systems are vulnerable to cyber-attack and/or error				STATUS
					Stable
Risk management framework	Financial	Regulatory & compliance	Risk register	Data and systems	Reputation
CATEGORY	Operational		LINKS	Disaster event	Service delivery
RISK LEAD	Executive 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, continued cyber security awareness training throughout the organisation</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, cyber incident management, collaboration.</li></ul></li><li>improve internal controls<ul style="list-style-type: none"><li>regular reporting to management and governance</li><li>phone systems, systems back up, role based controls in place, regular reporting to governance.</li></ul></li></ul>				



POST TREATMENT THRESHOLD	Consequence: Catastrophic	Likelihood: Rare
	Medium	
PROPOSED MITIGATIONS	<ul style="list-style-type: none"><li>Mobile Device management (MDM) has been pushed due to budget/resource constraints</li></ul>	
COMPLETED MITIGATIONS	<ul style="list-style-type: none"><li>cyber awareness training completed with Councillors completed Dec 23</li></ul>	



## Strategic risk DATA AND SYSTEMS

DESCRIPTION	Risk of ineffective and inefficient use of information in Council's decision-making			STATUS
				Stable
Risk management framework	Financial	Strategic	Risk register	Cyber security
CATEGORY	Operational		LINKS	
RISK LEAD	Executive leadership team		ACTION OFFICER	Business solutions manager
POTENTIAL RISK TRIGGERS	<p><u>Internal:</u></p> <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>improved integration between current and new systems</li> <li>data governance work programme focussing on data managements, security and classifications</li> <li>contract alignment</li> <li>staff training and reporting options</li> <li>implementation of metadata standards and asset management tool (IPS)</li> <li>established infrastructure design standards</li> </ul> </li> <li>effective communication <ul style="list-style-type: none"> <li>part of BAU with operational reporting to community boards</li> </ul> </li> </ul>			



POST TREATMENT THRESHOLD	Consequence: Moderate	Likelihood: Possible
	Medium	
PROPOSED MITIGATIONS	<ul style="list-style-type: none"><li>Council continues to develop the use of the metabase data analytics tool but there is still requirement to complete a gap analysis of all reporting requirements to streamline how data is stored and presented.</li></ul>	
COMPLETED MITIGATIONS	<ul style="list-style-type: none"><li>none reported for the Jun 24 quarter</li></ul>	



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
					Increasing
Risk management framework	Financial	Social, cultural & environmental	Risk register LINKS	Climate change Cyber security	Public health Relationships
CATEGORY					
RISK LEAD	Executive leadership team		ACTION OFFICERS	Infrastructure & commercial delivery team	Communications manager Environmental planning manager
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>○ organisational emergency response 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               <ul style="list-style-type: none"> <li>○ effective communication/roles/governance with documented processes</li> </ul> </li> <li>• infrastructure resilience               <ul style="list-style-type: none"> <li>○ identification of 'at risk' strategic sites with plans developed for their maintenance and return to normal</li> <li>○ criticality assessment and asset identification ratings</li> <li>○ appropriate capacity and competency in place to manage, monitor, operate and maintain critical infrastructure</li> <li>○ infrastructure strategy completed and in place</li> </ul> </li> </ul>		
<b>POST TREATMENT THRESHOLD</b>	<b>Consequence:</b>	Catastrophic	<b>Likelihood:</b> Unlikely
	<b>High</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• development of overarching and organisation-wide emergency response plan</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• none reported for the Jun 24 quarter</li> </ul>		





Strategic risk		HEALTH, SAFETY AND WELLBEING			
DESCRIPTION	Risk of health, safety and wellbeing harm to staff, contractors and community				STATUS
					Stable
Risk management framework	Health, safety & wellbeing	Operational	Risk register LINKS	Public health	Reputation
CATEGORY					
RISK LEAD	Executive 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>• business continuity and pandemic plans not adhered to</li></ul>				
PRE TREATMENT THRESHOLD	<b>Consequence:</b> Catastrophic		<b>Likelihood:</b> Highly likely		
	Very high				
CURRENT MITIGATIONS	<ul style="list-style-type: none"><li>○ effective governance, strategies and plans<ul style="list-style-type: none"><li>○ health and safety wellbeing policy and framework</li><li>○ health and safety strategic road map</li></ul></li></ul>				



	<ul style="list-style-type: none"> <li>○ health and safety risk management framework implemented across organisation</li> <li>○ pandemic business continuity plan in place and current</li> <li>○ ongoing training for governance and management on roles and responsibilities</li> <li>○ organisational culture               <ul style="list-style-type: none"> <li>○ wellbeing programme established</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> Unlikely
	<b>High</b>		
<b>PROPOSED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• none reported for Jun 24 quarter</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• basic gap analysis of all critical risks complete</li> <li>• health and safety governance training undertaken Sep 23</li> </ul>		



Strategic risk		PUBLIC HEALTH				
DESCRIPTION	Risk that Council exposes the community to a public health emergency					STATUS
						Stable
Risk management framework CATEGORY	Financial Operational	Regulatory & compliance Social, cultural & environmental Health, safety & wellbeing	Risk register LINKS	Compliance & fraud Disaster event	Health, safety & wellbeing	
RISK LEAD	Executive leadership team		ACTION OFFICERS	Strategic manager water & waste Asset manager water & waste Environmental health manager		
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>business continuity 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> </ul> </li> <li>effective governance, strategies and plans               <ul style="list-style-type: none"> <li>business continuity planning including contractors</li> <li>prioritisation of projects to ensure compliance is maintained</li> <li>collaborative approach with other southern councils</li> <li>sanitary assessment report, water safety plans, conditions assessments for assets</li> <li>review of public access to operational sites</li> </ul> </li> </ul>		
POST TREATMENT THRESHOLD	Consequence:	Catastrophic	Likelihood: Unlikely
	High		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> <li>none reported for Jun 24 quarter</li> </ul>		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> <li>three waters contract awarded and negotiations completed</li> <li>three waters automation contract tender completed</li> </ul>		



## 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				Stable
Risk management framework CATEGORY	Social & cultural	Strategic	Risk register LINKS	Change & reform Compliance & fraud Cyber security Disaster event	Health, safety & wellbeing Public health Resource & delivery Strategy & direction
RISK LEAD	Executive leadership team		ACTION OFFICER	Executive leadership team	
POTENTIAL RISK TRIGGERS	External <ul style="list-style-type: none"><li>political EQ</li></ul> Internal: <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><li>proactive steps taken at the start of each local government triennium to re-establish trust and relationships with community and stakeholders</li></ul></li></ul>				



	<ul style="list-style-type: none"> <li>○ relationship management between mayor/elected members, mayor/chief executive, executive leadership team/key staff</li> <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 and actions arising currently being implemented</li> <li>○ representation review to ensure communities in the District are fairly and effectively represented</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>• proposed iwi liaison role</li> <li>• establish internal mentoring and knowledge sharing workshops – establishment of internal 'leadership group'</li> </ul>		
<b>COMPLETED MITIGATIONS</b>	<ul style="list-style-type: none"> <li>• proactive steps taken at the start of each local government triennium to re-establish trust and relationships with community and stakeholders – District tour by elected members completed as part of induction plan</li> </ul>		



Strategic risk		RESOURCE AND DELIVERY	
DESCRIPTION	Risk of non-performance/delivery of committed outcomes and meeting expectations		STATUS
			Increasing
Risk management framework	Operational	Regulatory & compliance	Risk register
CATEGORY			LINKS
RISK LEAD	Executive leadership team	ACTION OFFICER	Reputation
POTENTIAL RISK TRIGGERS	<p>External:</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>Internal:</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>○ 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>○ secondments, internships and 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	<b>Consequence:</b> Major	<b>Likelihood:</b> Likely
	Very high	
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> <li>• investigate ways to develop employer brand</li> </ul>	
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> <li>• none reported for Jun 24 quarter</li> </ul>	





Strategic risk STRATEGY AND DIRECTION			
DESCRIPTION	Risk of poor or ineffective decision-making due to lack of strategic integration and alignment		STATUS Increasing
Risk management framework CATEGORY	Financial Strategic	Risk register LINKS	Change & reform
RISK LEAD	Chief executive	ACTION OFFICER	Executive 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> <li>• ineffective governance/management interface</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> <li>○ regular collaborative governance group meetings to progress alignment of strategic direction</li> </ul> </li> <li>• effective conduit between governance, management and organisation</li> <li>• long term formal commitment to collaboration between Council and key agencies</li> </ul>		
POST TREATMENT THRESHOLD	Consequence: Moderate	Likelihood: Possible	Medium



PROPOSED MITIGATIONS	<ul style="list-style-type: none"> <li>ongoing governance/management self-evaluation and review</li> </ul>
COMPLETED	<ul style="list-style-type: none"> <li>none reported for Jun 24 quarter</li> </ul>



## Annual risk review – 2024/25

Finance and Assurance Committee – 5 June 2024 meeting

PROPOSED PRIORITY STRATEGIC RISKS - FY 2024/25		
1	<b>Adverse event</b>	The risk that Council is unable to appropriately respond to the consequences of a natural or human-induced event impacting the District
2	<b>Change</b>	The risk that Council has inadequate adaptability to respond to a continuously changing environment
3	<b>Climate response</b>	The risk that Council fails to appropriately adapt to, or mitigate the effects of, a changing climate
4	<b>Cybersecurity</b>	The risk that Council's systems are vulnerable to cyber-attack and/or error
5	<b>Decision-making</b>	The risk of suboptimal decision-making by Council
6	<b>Finance</b>	The risk that Council fails to manage its financial sustainability impacting its long term ability to fund essential services and projects.
7	<b>Health, safety and wellbeing</b>	The risk of health, safety and wellbeing harm to staff, contractors and community
8	<b>Social licence</b>	The risk that Council fails to maintain acceptable levels of satisfaction and social licence within the community
9	<b>Strategic relationships</b>	The risk that Council fails to appropriately maintain its local, regional and national relationships

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## 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

Risk management framework – risk matrices  
5/12/2019

Southland District Council  
Te Rohe Pōtae o Murihiku

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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  Localised short-term reversible environmental, economic or social impact	Single community affected  Localised short-term reversible environmental, economic or social damage	Multiple communities affected  Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social or cultural)	Many communities affected  Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social or cultural)	Most or all communities OR  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

## Annual Report 2023/2024 timetable

**Record No:** R/24/5/35997

**Author:** Robyn Laidlaw, Corporate performance lead

**Approved by:** Anne Robson, Group manager finance and assurance

☐ Decision

☒ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to provide the committee with the key dates for the Annual Report 2023/24.

### Executive Summary

- 2 The Annual Report is a key reporting document for Council to the community, and reports on Council's performance against the 2023/24 Annual Plan.
- 3 The key dates for the completion of the Annual Report 2023/24 are attached to this report.
- 4 It is proposed to extend the adoption of the Annual Report past the normal deadline of 31 October due to the late adoption of the Long Term Plan on the 27 August 2024.
- 5 Section 47 of the Water Services Acts Repeal Act 2024 allows Council to extend the timeframe to complete and adopt, by resolution, its annual report for the 2023/24 financial year no later than 31 December 2024 where the authority decided to adopt its 2024/2034 Long Term Plan on or after 1 July 2024 but no later than 30 September 2024.
- 6 The indicative timetable has been prepared to enable adoption of the Annual Report by Council on its 11 December 2024 meeting date.
- 7 The Annual Report is required to be audited in accordance with section 99 of the Local Government Act 2002. Deloitte will undertake Council's audit for the year ending 30 June 2024 and have agreed to the dates included in this report.

## Recommendation

**That the Finance and Assurance Committee:**

- a) Receives the report titled “Annual Report 2023/2024 timetable” dated 30 May 2024.**
- 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 and recommends to Council the key dates of the Annual Report timeline as contained in attachment A.**
- e) endorses and recommends to Council the extension of the Annual Report adoption to the 11 December 2024 in line with section 47 of the Water Services Acts Repeal Act 2024**

## Background

- 8 Council is required to develop and adopt an Annual Report within four months of the end of a financial year. Following the return of the water assets and services to council in February 2024 an act repeal was put in place to allow councils to extend the finalisation of the Long Term Plan 2024-2034 – therefore extending the adoption period of the Annual Report for the 2023/24. This extension needs to be adopted by resolution at a Council meeting.
- 9 Council adopted the extended timetable for the completion of the Long Term Plan at the 29 May council meeting. This amended the date of the adoption to the 26 August 2024.
- 10 By extending the adoption date, the staff associated with the annual report are being utilised in the completion of the Long Term Plan. As such an adjustment is required to complete the Annual Report. Equally a review of the Annual Plan will need to be undertaken and brought back to the committee in the coming months.
- 11 The committee will be presented with the unaudited Annual Report in draft form at the 16 October 2024 meeting, for review and approval to release to Deloitte.
- 12 The audit of the Annual Report is planned to occur from 14 October to 15 November 2024.
- 13 On 4 December 2024 the Finance and Audit Committee will receive the final draft of the Annual Report for recommendation for adoption by Council on 11 December 2024.

## Issues

**Timeframes**



- 14 In achieving the timeline, staff from across Council will be working together. There is always risk associated with these projects however staff will continue to minimise these as much as possible to ensure a smooth delivery.
- 15 As noted above the timelines around the delivery of the Annual Plan will need to be discussed at a future meeting.

## **Factors to Consider**

### **Legal and Statutory Requirements**

- 16 Section 98 of the Local Government Act 2002 states that:
- (1) A local authority must prepare and adopt in respect of each financial year an Annual Report containing in respect of that year the information required by Part 3 of Schedule 10.
  - (2) The purposes of an Annual Report are—
    - (a) to compare the actual activities and the actual performance of the local authority in the year with the intended activities and the intended level of performance as set out in respect of the year in the Long Term Plan and the Annual Plan; and
    - (b) to promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.
  - (3) Each Annual Report must be completed and adopted, by resolution, within four months after the end of the financial year to which it relates.
- 17 Section 47 of the Water Services Acts Repeal Act 2024 allows Council to extend the timeframe to complete and adopt, by resolution, its annual report for the 2023/24 financial year no later than 31 December 2024 where the authority decided to adopt its 2024/2034 Long Term Plan on or after 1 July 2024 but no later than 30 September 2024.

### **Community Views**

- 18 As the Annual Report is a report on activities undertaken during the year, no consultation is required.

### **Costs and Funding**

- 19 In accordance with Section 14(1) of the Public Audit Act 2001, the Council's Annual Report must be audited by the Office of the Auditor-General. Deloitte is the authorised audit service provider on behalf of the Auditor-General.
- 20 Deloitte's proposal letter sets out the cost to conduct the audit and estimated disbursements. This proposal letter was accepted by the Committee at the 27 March 2024 meeting.

### **Policy Implications**

- 21 There are no policy implications identified.

### **Assessment of Significance**

- 22 The report is not significant in terms of Councils Significance and Engagement Policy

### **Next Steps**

- 23 The timeline will be presented to Council at its 19 June meeting for adoption

## **Attachments**

A      2024 Annual report timeline

Key Tasks	Department leading	Due Date
Endorsement of timetable by Finance and Assurance committee	Project team	Wednesday 5 June
Approval of timetable by Council	Project team	Wednesday 5 June
Interim audit completed	Project team	Monday 17/6/2024 to Friday 28/6/2024
Finance and Assurance Committee meeting to review draft unaudited Annual Report (word version) and approve release of the draft to Deloitte (Table revised)	Finance and Assurance committee	Wed 16/10/24
Deloitte onsite for audit (3 weeks - onsite to be confirmed)	Finance	Monday 14/10/24 to Friday 15/11/24
Finance and Assurance committee - recommend the final Annual Report for adoption by Council	Finance and Assurance committee	Wednesday 04/12/24
Adoption of full Annual Report summary document and Audit opinion	Council	Wednesday 11/12/24
Annual Report and summary document online version on website	Communications	Friday 20/12/24
Public Notice of full and summary document availability.	Communications	Friday 20/12/24



## Accounting policies for the year ended 30 June 2024

**Record No:** R/24/4/25670

**Author:** Teresa Morgan, Financial accountant

**Approved by:** Anne Robson, Group manager finance and assurance

☐ Decision

☒ Recommendation

☐ Information

### Purpose

- 1 To consider and recommend to Council the adoption of the accounting policies to be used to compile Council's Annual Report for the year ended 30 June 2024.

### Executive Summary

- 2 The draft accounting policies (attachment A) set the basis on which Council's Annual Report for the year ended 30 June 2024 will be prepared and the associated financial information compiled.
- 3 The accounting policies proposed for the 30 June 2024 Annual Report (attachment A) are based on those used for the 2023 Annual Report, amended for any changes to accounting standards, with any proposed changes noted in yellow highlight in attachment A.
- 4 The key change proposed is the disclosure of fees for audit firm's services – amendments to PBE IPSAS 1 which require entities to disclose the fees incurred for services received from its audit or review firms, and a description of each service which is effective for periods beginning on or after 1 January 2024. Council will be early adopting the audit fee disclosure amendment.
- 5 Staff may need to amend the policies adopted during the compilation of the Annual Report as staff clarify Council's position and further develop the understanding of the associated reporting and disclosure requirements. Any amendments will be included in the draft Annual Report to be brought to this committee for consideration on 4 December 2024, prior to adoption by Council.

## Recommendation

### That the Finance and Assurance Committee:

- a) **Receives the report titled “Accounting policies for the year ended 30 June 2024” dated 30 May 2024.**
- 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 deciding on this matter.**
- d) **Recommends to Council that the accounting policies as outlined in attachment A, including any amendments agreed at this meeting, be adopted for use in preparation of Council’s Annual Report for the year ended 30 June 2024.**

## Background

- 6 Councils are required by legislation to adopt an Annual Report every year. The Annual Report informs the reader about how Council did against what Council said it was going to do in the 2023/24 Annual Plan.
- 7 In arriving at the accounting policies proposed, council staff have used the 2022/23 Annual Report policies as the base, and reviewed for any changes to financial reporting standards.

### 1 Issues

- 8 The changes are summarised below and noted in yellow highlight in attachment A.

### 2 New accounting policy

- 9 There is an amendment to PBE IPSAS 1 regarding the disclosure of fees for audit firms’ services as disclosed in paragraph 10:
- 10 Disclosure of Fees for Audit Firms' Services – Amendments to PBE IPSAS1 requires entities to disclose the fees incurred for services received from its audit or review firm, and a description of each service, using the following specified categories:
  - Audit or review of the financial report
  - Other non-audit and non-review services:
    - Audit or Review Related Services
    - Other Assurance Services Taxation Services
    - Other Services

- 11 The above amendment has been issued by the External Reporting Board and is effective for reporting periods beginning on or after 1 January 2024. For Council the amendment would be effective for the financial year ending 30 June 2025, however Council staff are proposing early adoption. Given its minor nature, it is easily incorporated into the reporting this year.

### **Factors to consider**

#### **Legal and statutory requirements**

- 12 Section 98 of the Local Government Act 2002 requires Council to prepare and adopt an Annual Report.
- 13 Section 111 of the Local Government Act states that any information prepared must be in accordance with general accounting practice where the information is of a form or nature for which generally accepted accounting practice has developed standards.

#### **Community views**

#### **Costs and funding**

- 14 There are no direct cost implications of Council adopting accounting policies.

#### **Policy implications**

- 15 Council has by way of Section 6.1 of the Finance and Assurance Committee's terms of reference delegated to the committee to consider and make recommendations to Council in regards to accounting treatments, changes in generally accepted accounting practice and new accounting and reporting requirements.

### **Analysis of options**

#### **Option 1 – Recommends to Council the use of the accounting policies included in attachment A, including any amendments agreed at this meeting, for use in preparation of Council's 2023/2024 Annual Report**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>the Annual Report can continue to be prepared in line with the timetable.</li></ul>	<ul style="list-style-type: none"><li>there may not be sufficient time to provide the committee with any further information that is required, before the report is endorsed for release to Deloitte.</li></ul>

#### **Option 2 – Do not recommend accounting policies as presented**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>changes can be made to the accounting policies to incorporate the committee's requests.</li></ul>	<ul style="list-style-type: none"><li>the preparation of the Annual Report process may be held up depending on the time needed to provide the necessary information.</li></ul>

**Assessment of significance**

- 16 In terms of Council's Significance and Engagement Policy, the accounting policies which form part of the Annual Report are not considered significant.

**Recommended option**

- 17 Option one - Recommends to Council the use of the accounting policies included in attachment A, including any amendments agreed at this meeting, for use in preparation of Council's 2023/24 Annual Report.

**3 Next Steps**

- 18 Staff will work with the external expert to ensure that the accounting policies and disclosures in the draft Annual Report are ready for consideration by the Committee on 4 December 2024.
- 19 The accounting policies (incorporating any changes agreed at this meeting) will be reviewed by Deloitte as part of their audit of the Annual Report.
- 20 The accounting policies will be presented to Council as a component of the full Annual Report document for adoption in due course.

**Attachments**

- A Draft Accounting Policies for the year ended 30 June 2024



## Accounting policies

### Reporting entity

Southland District Council (referred to as “SDC” or “Council”) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operated in New Zealand. The relevant legislation governing Council’s operations includes the LGA and the Local Government (Rating) Act 2002. The primary objective of Council is to provide goods or services for the community or social benefit, rather than making a financial profit. Accordingly, SDC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Council provides local infrastructure, local public services and performs regulatory functions for the community. Council does not operate to make a financial return.

The financial statements of SDC are for the year ended 30 June 2024. The financial statements were authorised for issue by Council on **X December 2024**.

### Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LGFRP): Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE standards.

### Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of heritage assets, certain infrastructural assets, and biological assets.

### Functional and presentation currency

The financial statements are presented in New Zealand dollars (the functional currency of SDC) and all values are rounded to the nearest thousand dollars (\$000). As a result of rounding there may be slight discrepancies in subtotals.

### Basis of consolidation

Council financial statements represent the results of Council’s nine significant activity groups (detailed on pages **xxx-xxx**), including the Stewart Island Electrical Supply Authority (SIESA), as well as Council’s share of its joint ventures and associates (including WasteNet, Southland Regional Heritage committee, Emergency Management Southland, and Great South). SIESA is a business unit of Council, which generates and reticulates electricity to most of Stewart Island residents and industry.

The group financial statements represent the results of the ultimate parent, Southland District Council, and its controlled entity, Milford Community Trust.

Control is achieved when Council is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. Specifically, Council controls another entity if and only if Council has:

- power over the other entity,

- exposure, or rights, to variable benefits from its involvement with the other entity, or
- the ability to use its power over the other entity to affect the nature and amount of the benefits from its involvement with the other entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when Council has less than a majority of the voting or similar rights of another entity, Council considers all relevant facts and circumstances in assessing whether it has power over another entity.

Consolidation of a controlled entity begins when Council obtains control over the controlled entity and ceases when Council loses control of the entity. Assets, liabilities, revenue and expenses of a controlled entity acquired or disposed of during the year are included in the financial statements from the date Council gains control until the date Council ceases to control the controlled entity.

Surplus or deficit and each component of other comprehensive revenue and expense are attributed to the owners of the controlling entity and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies into line with Council's accounting policies. All intra-economic entity assets and liabilities, net assets/equity, revenue, expenses and cash flows relating to transactions between entities of the economic entity are eliminated in full on consolidation.

A change in the ownership interest of a controlled entity that does not result in a loss of control, is accounted for as an equity transaction.

If Council loses control over a controlled entity, it derecognises the assets (including goodwill) and liabilities, any non-controlling interests and other components of net assets/equity, while resulting gain or loss is recognised

in surplus or deficit. Any investment retained in the former controlled entity is recognised at fair value.

#### **New amendments applied**

##### *Disclosure of Fees for Audit Firms' Services – Amendments to PBE IPSAS1*

Disclosure of Fees for Audit Firms' Services – Amendments to PBE IPSAS1 requires entities to disclose the fees incurred for services received from its audit or review firm, and a description of each service, using the following specified categories:

- Audit or review of the financial report
- Other non-audit and non-review services:
  - Audit or Review Related Services
  - Other Assurance Services Taxation Services
  - Other Services

#### **Specific accounting policies**

##### **a) Revenue**

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are:

##### **Rates:**

- general rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue
- rates arising from late payment penalties are recognised as revenue when rates become due
- revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis

- rates remissions are recognised as a reduction in rates revenue when Council has received an application that satisfies its rates remission policy.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from electricity charges is recognised on an accrual basis based on usage. Unbilled usage as a result of unread meters at year end is accrued on an average usage basis.

Interest is recognised using the effective interest method.

Subsidies from Waka Kotahi NZ Transport Agency and grants from other government agencies are recognised as revenue upon entitlement, which is typically when conditions pertaining to eligible expenditure have been fulfilled.

Other monetary grants and bequests are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Fees for disposing of waste at Council's landfill are recognised as waste disposed by users.

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (eg land used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (eg as the funds are spent for a nominate purpose).

Development and financial contributions are recognised at the later of the point when Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Otherwise, development and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Dividends are recognised when the right to receive payment has been established.

#### **b) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **c) Grant expenditure**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as

expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of SDC's decision.

**d) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

**e) Leases**

***Operating leases***

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

**f) Equity**

Equity is the community's interest in SDC as measured by total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that Council makes of its accumulated surpluses. The components of equity are:

- accumulated funds
- Council-created reserves (general reserve, separate account balances and rates appropriation balance)
- special reserves (managed by allocation committees)
- asset revaluation reserves

- fair value through other comprehensive revenue and expense reserve.

Reserves represent a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Council created reserves may be altered without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

Special reserves are subject to specific conditions accepted as binding by Council, which may not be revised by Council without reference to the courts or third party. Transfers from these reserves may be made only for specified purposes or when certain conditions are met.

**g) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

**h) Receivables**

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council apply the simplified ECL model of recognising lifetime ECL for receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for



forward looking factors specific to the debtors and the economic environment.

Rates are “written-off”:

- when remitted in accordance with the Council’s rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery.

#### i) Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis, are measured at the lower of cost or current replacement cost.

The write down from cost to current replacement cost is recognised in the Statement of Comprehensive Revenue and Expense.

#### j) Financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); or
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the carrying value of the financial asset at initial recognition, unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit. The classification of a

financial asset depends on its cash flow characteristics and the Council’s management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal outstanding, and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within

a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD.

However, the Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

#### Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in surplus or deficit as a grant expense.

#### Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

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**Subsequent measurement of financial assets at FVTOCRE**

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. The Council do not hold any debt instruments in this category.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

Council's investments in this category include: Civic Assurance (formerly the New Zealand Local Government Insurance Corporation Limited) and Milford Sound Tourism Limited.

**Subsequent measurement of financial assets at FVTSD**

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit. Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Instruments in this category include the Council's investment fund portfolio (comprising of listed shares, bonds, and units in investment funds) and LGFA borrower notes.

**Expected credit loss allowance (ECL)**

The Council recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council's historical experience and informed credit assessment and including forward looking information.

The Council considers a financial asset to be in default when the financial asset is more than 180 days past due. The Council may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

**k) Impairment of financial assets**

At each balance sheet date SDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised through the surplus or deficit.

**l) Goods and services tax (GST)**

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

#### **m) Property, Plant and Equipment**

Property, plant and equipment consist of:

- *infrastructure assets*

Infrastructure assets are the fixed utility systems owned by SDC. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

- *operational assets*

These include land, buildings, improvements, library books, plant and equipment and motor vehicles.

- *restricted assets*

Restricted assets are parks and reserves owned by the Council, which cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

- *recognition*

Property, plant and equipment is shown at cost for all asset categories other than infrastructure and heritage assets, which are at valuation; less accumulated depreciation and impairment losses.

- *additions*

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction it is recognised at fair value as at the date of acquisition.

- *disposals*

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

- *subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

- *depreciation*

Depreciation is provided on a straight-line (SL) or on a diminishing value (DV) basis. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Estimated economic life		Depreciation	
Asset category	(years)	Percent	Method
<i>Operational assets</i>			
Improvements	4-25	4.00% - 21.00%	SL or DV
Buildings	10-100	1.00% - 10.00%	SL or DV
Light vehicles	4-8	14.40% - 21.60%	SL or DV
Heavy vehicles	4-8	12.00% - 21.60%	DV
Other plant	2-25	4.00% - 60.00%	SL or DV
Furniture and fittings	3-13	8.50% - 30.00%	SL
Office equipment	7-8	13.50% - 14.00%	SL
Computer equipment	2-7	13.50% - 40.00%	SL
Other equipment	3-14	7.00% - 30.00%	SL or DV
Library books	10	10.00%	SL
<i>Infrastructural Assets</i>			
Electrical generation plant	1-100	4.00% - 60.00%	SL or DV
Sealed roads	5-80	1.25% - 20.00%	SL
Unsealed roads	4-5	20.00% - 25.00%	SL
Bridges	70-100	1.00% - 1.43%	SL
Footpaths	30-60	1.67% - 3.33%	SL
Streetlighting	20-40	2.50% - 5.00%	SL
Cycle trail	10-99	1.01% - 10.00%	SL
Sewerage schemes	5-100	1.00% - 20.00%	SL
Stormwater schemes	80-100	1.00% - 1.25%	SL
Water supply schemes	5-100	1.00% - 20.00%	SL
Marine assets	5-50	2.00% - 20.00%	SL
Transfer stations	10	10.00%	SL
Landfill sites	10-40	10.00%	SL
Resource Consent - Sewerage	25	4.00%	SL
Resource Consent - Water	10-15	6.66-10%	SL

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

#### *Revaluations*

Roads, bridges, footpaths, cycle trails, streetlights, water treatment systems, sewerage treatment systems and stormwater systems are revalued on an annual basis. Council-owned heritage assets include artworks, war memorials, viaducts and railway memorabilia. Artworks are revalued every three - five years.

All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed each balance date to ensure that those values are not materially different to fair value. The valuation basis for the different asset categories are described in more detail below.

#### *Land and buildings*

The deemed cost of land and buildings were established by registered valuers from Quotable Value in accordance with the requirements of the Institute of Chartered Accountants of New Zealand Standards, as at 30 June 1993. Purchases made since 30 June 1993 are recorded at cost.

Endowment lands are vested in Council for specific purposes for the benefit of various communities. These vestings have been made under various pieces of legislation which restrict both the use of any revenue and any possible dispositions.

#### *Other infrastructural assets*

All other infrastructural assets (electrical generation plant and marine assets) are valued at their deemed cost, based on a revaluation of assets undertaken by appropriately qualified personnel from Royds Garden Limited in 1993.

#### *Library books*

Books have been valued by SDC staff on a depreciated replacement cost basis, using New Zealand Library Association guidelines, as at 30 June 1993 representing deemed cost. Additions to library book stocks since 30 June 1993 are recorded at cost.



*Heritage assets*

The only assets to be included under this category are art works owned by the Council, which have been recorded at fair value in accordance with NZ IAS 16. Due to the nature of the item, art works are revalued on a three to five-yearly cycle and not depreciated.

Other assets, which would normally be classified under heritage assets, for example war memorials, have been included under “other assets”.

*Other assets*

Other assets (ie plant and vehicles) are shown at historic cost or depreciated replacement cost, less a provision for depreciation. Additions and deletions to other assets since 30 June 1993 are recorded at cost.

*Accounting for revaluations*

SDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset.

Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

**n) Work in progress**

Assets under construction are not depreciated. Work in progress is recognised at cost less impairment. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

**o) Intangible assets**

- software acquisition and development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

- amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Estimated economic life		Depreciation	
Asset category	(years)	Percent	Method
Computer software	2-10	10.00% - 40.00%	SL

- Emissions Trading Scheme*

Council has approximately 1,384 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (‘ETS’). The implication of this for the financial accounts is twofold:

Should the land be deforested (ie the land is changed from forestry to some other purpose), a deforestation penalty will arise.

Given the deforestation restriction, compensation units are being provided from the government.

The deforestation contingency is not recognised as a liability on the statement of financial position as there is no current intention of changing the land use subject to the ETS.

However, the estimated liability that would arise should deforestation occur has been estimated in the notes to the accounts.

Compensation units received are recognised based on the market value at balance date (30 June). They are recognised as income in the financial statements. They are not amortised, but are tested for impairment annually.

Emissions Trading Units are revalued annually at 30 June.

The difference between initial value or the previous revaluation, and disposal or revaluation value of the units, is recognised in other comprehensive revenue and expense.

**p) Forestry assets**

Forestry assets are revalued independently annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cashflows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are recognised in the surplus or deficit when incurred.

**q) Impairment of property, plant and equipment and intangible assets**

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

- *value in use for non-cash generating assets*

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, or a service unit approach. The most appropriate approach used to measure the value in use depends on the nature and impairment and availability of information.

- *value in use for cash generating assets*

Cash generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash generating assets and cash generating units is the present value of expected future cashflows.

**r) Employee benefits**

*Short term benefits*

Employee benefits that SDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

*Long term benefits*

- *long service leave and retirement leave*

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated by Council staff. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cashflows.

- *superannuation schemes*

Defined contribution schemes - Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

- *presentation of employee entitlements*

Annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected

to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

**s) Payables and deferred revenue**

Short term payables are recorded at the amount payable.

**t) Provisions**

SDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires SDC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received.

When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss

incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however, if SDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

#### *Landfill post-closure costs*

SDC, as an operator, has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at their landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

#### **u) Internal borrowings**

Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

#### **v) External borrowings**

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowing's balance.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

#### **w) Borrower notes**

Borrower notes are subordinated convertible debt instruments that the Council subscribes for an amount equal to 2.5% of the total borrowing from LGFA.

LGFA will redeem borrower notes plus interest, when the Council's related borrowings are repaid or no longer owed to LGFA.

The fair value of borrower notes is calculated using the discounted cash flow method. The significant input used in the fair value measurement of borrower notes is the forward interest rate yield.

#### **x) Investments in joint arrangements**

Under PBE IPSAS 37 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Council has both joint operations and joint ventures.

Council determined that the investment in the following entity meets the definition of "joint operation" and should be accounted for using the proportionate consolidation method (refer note 25):



- WasteNet (31% share)

#### *Joint operations*

Council recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in [note 25](#).

#### *Joint ventures*

Interests in joint ventures are accounted for using the equity method (see (X) below), after initially being recognised at cost in the consolidated balance sheet.

#### **y) Investments in associates and joint ventures**

Council determined that the investments in the following entities meets the definition of “associate” and should be accounted for using the equity method ([refer note 26](#)):

- Southland Regional Heritage Committee
- Emergency Management Southland
- Southland Regional Development Agency (trading as Great South)

An associate is an entity over which SDC has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

SDC's investment in its associates and joint ventures is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, an investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in Council's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

SDC's share of an associate's or joint venture's surplus or deficit is recognised in the statement of financial performance. Any change in the associate or joint venture's other comprehensive revenue and expense is presented as part of Council's other comprehensive revenue and expense. The cumulative movements are adjusted against the carrying amount of the investment. In addition, when there has been a change recognised directly in the net assets/equity of the associate or joint venture, Council recognises its share of any changes, when applicable, in the statement of changes in net assets/equity. Unrealised gains and losses resulting from transactions between Council and the associate or joint venture are eliminated to the extent of Council's interest in the associate or joint venture.

The aggregate of the SDC's share of surplus or deficit of associates or joint ventures is shown on the face of the statement of financial performance. This is the surplus attributable to equity holders of the associate or joint venture and therefore is surplus after tax and non-controlling interests in the controlled entities of the associates and joint ventures.

The financial statements of the associate or joint venture are prepared for the same reporting period as Council. When necessary, adjustments are made to bring the accounting policies in line with those of Council. After application of the equity method, Council determines whether it is

necessary to recognise an impairment loss on Council's investment in its associate or joint venture.

Council determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case Council calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of surplus of an associate and joint venture" in the statement of financial performance.

Goodwill included in the carrying amount of the investment in associate is not tested for impairment separately; rather the entire carrying amount of the investment is tested as a single asset. When Council's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture, Council measures and recognises any remaining investment at its fair value, and accounts for the remaining investments in accordance with PBE IPSAS 29. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in surplus or deficit.

**z) Critical accounting estimates and assumptions**

In preparing these financial statements SDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a

material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Infrastructural assets*

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset. For example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground.
- estimating any obsolescence or surplus capacity of an asset;
- estimating the replacement cost of the asset. The replace cost is derived from recent construction contracts; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then SDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense.

To minimise this risk SDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

Asset inspections, deterioration and condition modelling are also carried out regularly as part of SDC's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

**aa) Critical judgements in applying SDC's accounting policies**

Management has exercised the following critical judgements in applying SDC's accounting policies for the period ended 30 June 2024:

*Classification of property*

SDC owns a number of properties that are maintained primarily to provide housing to pensioners. The receipt of rental income from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of SDC's social housing policy and are accounted for as property, plant and equipment rather than as investment property.

**bb) Statement of cashflows**

Operating activities include cash and cash equivalents (as defined in (g)) received from all SDC's income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of SDC.

**cc) Rounding**

Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

**dd) Budget figures**

The budget figures are those approved by SDC in its 2023/2024 Annual Plan. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and are

consistent with the accounting policies adopted by SDC for the preparation of financial statements.

**ee) Standards issued and not yet effective that have not been early adopted**

There have been no changes in the accounting policies for year ended 30 June 2024 that have not been early adopted.





## Proposed Internal Audit Programme

**Record no:** R/24/5/35532

**Author:** Anne Robson, Group manager finance and assurance

**Approved by:** Cameron McIntosh, Chief executive

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to seek approval for the proposed internal audit programme.

### Executive summary

- 2 The committee appointed Deloitte as Council's Internal Auditor in 2019. 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 comprising of six separate audits.
- 3 The three-year timeframe was impacted by Covid-19, along with other work priorities at Council, and as a consequence, an extension to the contract with Deloitte was approved by the committee in June 2022 which agreed to see the remaining two audits of asset management and information integrity completed. Subsequently Deloitte was also appointed as Council's auditors and permission was then needed for Deloitte to continue to undertake internal audit work.
- 4 The Office of the Auditor General (OAG) approved the continuance of Deloitte as internal auditor as long as the work to be undertaken was of a nature that could be considered extended assurance. They subsequently approved the asset management and information integrity audits programmes planned to be completed.
- 5 Currently, Deloitte have scoped and are ready to undertake the Counter Corruption Initiatives review and training which covers of the Audit NZ audit point around bribery and corruption. Staff are finalising dates so both staff and elected members have the opportunity to understand how to identify and handle issues in this area should they arise.
- 6 Council staff are also proposing to include a further three pieces of work in the internal audit programme being an audit of the Stewart Island Visitor Levy, a review of the current document management system and a review of the request for service system. The OAG has previously approved the audit of the Stewart Island Visitor Levy but would need to be approached regarding the reviews.

## Recommendation

**That the Finance and Assurance Committee:**

- a) **receives the report titled “Proposed Internal Audit Programme”.**
- 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 to the addition of the following works to the internal audit programme being**
  - **an audit of the Stewart Island/Rakiura Visitor Levy,**
  - **a review of the current document management system**
  - **a review of the request for service system**
- e) **Subject to resolution (d) request staff contact the Office of the Auditor General for approval for Deloitte to complete the review of the current document management system and a review of the request for service system**
- f) **Agrees to the increase in Deloitte audit fees for each piece of work from \$15000 plus GST to \$18000 plus GST to be funded from existing Internal audit budgets. Any changes to this will be requested as the scope for each audit is prepared.**

## Background

- 7 In 2019, the committee agreed to appoint David Seath from Deloitte as Council’s internal auditor for a period of three years ending on 30 June 2022. A further extension was granted by the committee in June 2022 to complete the remaining audits of asset management and information integrity.
- 8 The three-year timeframe was impacted by Covid-19, along with other work priorities at Council, and in consequence, an extension to the contract with Deloitte was approved by the committee in June 2022 which agreed to see the remaining two audits of asset management and information integrity completed. Subsequently Deloitte was also appointed as Councils auditors and permission was then needed for Deloitte to continue to undertake internal audits.
- 9 The Office of the Auditor General (OAG) approved the continuance of Deloitte as internal auditor as long as the work to be undertaken was of a nature that could be considered extended assurance. They subsequently approved the asset management and information integrity audits.

- 10 Currently, Deloitte have scoped and are ready to undertake the Counter Corruption Initiatives review and training which covers of the Audit NZ audit point around bribery and corruption. Staff are finalising dates so both staff and elected members have the opportunity to understand how to identify and handle issues in this area should they arise.
- 11 Council staff are also proposing to include a further three pieces of work in the internal audit programme being an audit of the Stewart Island Visitor Levy, a review of the current document management system and a review of the request for service system. This is to meet recommendations of external reviews undertaken and requests made.
- 12 The OAG has previously approved the audit of the Stewart Island Visitor Levy but would need to be approached regarding the reviews of the current document system and the request for service system.

## **Issues**

### **Additional work:**

- 13 Since the original work programme was developed and agreed by the committee, a further three additional pieces of work have been identified by management as requiring auditing be undertaken:

- Stewart Island/Rakiura visitor levy funds

Council has the right to audit its agreements with the approved operators who collect levies on Council's behalf to give assurance that the monies collected are true, correct and complete. Council has never undertaken such an audit however further to consultation undertaken over a change to the levy amount it was raised again and proposed that Deloitte undertake.

- Request for Services (RFS)

As part of the Environmental Services 17A review and general feedback the Executive Leadership Team are proposing a review of the Request for Service system looking for system improvements

- Current Document Management System

The twelve point action plan included in this agenda recommends the review of the current document management system to identify gaps and determine what improvements are required.

### **Continuation of Deloitte as internal audit provider**

- 14 Staff recommend concluding the above stated work using David Seath, Deloitte's internal audit director. Council has benefitted from the structured programme where the experience gained by Deloitte of Council's business and how it operates, is built on and incorporated into subsequent audits.
- 15 As such, it would be beneficial for Council to round out the complete programme of audits and realise the gains of the work done to date and the experience gathered to finish, particularly for the additional last pieces of work.

- 16 For the committee to note is that the current fees per basic audit were set in 2019. Deloitte have asked to increase from \$15,000 plus GST and disbursements, to \$18,000 plus GST and disbursements. Scoping may indicate further work required but this will be reported on to the committee if this eventuates.

### **Factors to consider**

#### **Legal and statutory requirements**

- 17 Section 101 of the Local Government Act 2002, financial management, notes in section 1(g), that a local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

#### **Community views**

- 18 No community views have been sought on this issue however the community expects that Council runs efficiently and effectively. The internal audit function contributes to this by seeking assurance that Council has the appropriate controls, governance and risk management processes in place.

#### **Costs and funding**

- 19 Council's budget for Internal Audit services is \$30,000 annually plus disbursements, this has remained consistent for the three years of the current audit plan. As stated in the Issues section above, Deloitte have requested to increase from \$15,000 plus GST and disbursements, to \$18,000 plus GST and disbursements given they set the current fee in 2019.
- 20 Council is able to meet the proposed \$36,000 of fees plus disbursements from the 2024/25 LTP proposed budget to undertake two pieces of work in 24/25.
- 21 Additionally, Council has monies from the current 23/24 budget for internal audits that can be carried forward to undertake up to an additional two pieces of work.

#### **Policy implications**

- 22 As part of the committee's terms of reference, Council has delegated to the Finance & Audit committee the responsibility of ensuring that it has appropriate financial, risk management and internal control systems in place. As part of the control measures to achieve this, Council has delegated to the committee the responsibility to oversee Internal Audit functions.
- 23 The original letting of the contract was done in terms of Council's procurement policy including ensuring purchases are made in an open, fair and transparent manner, that the service delivers best value for money and that there is open and effective competition.

### **Analysis**

#### **Options considered**

- 24 The committee has two options to consider :
- 25 Option 1- approve, subject to amendments at the meeting, Deloitte progressing the completion of the existing and additional internal audits proposed in this report
- 26 Option 2 – propose a different way forward

## Analysis of Options

### Option 1 – approve, subject to amendments at the meeting, Deloitte progressing the completion of the existing and additional internal audits proposed in this report

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• Deloitte knows Council's business and how it operates which can ensure efficiencies in auditing as well as improve the quality of the audits</li><li>• enables a further period of audits to be completed efficiently given</li></ul>	<ul style="list-style-type: none"><li>• if the committee wants to have a change in auditor, continuing to utilise Deloitte will not achieve this</li></ul>

### Option 2 – propose a different way forward

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• if the committee wants to apply new views and approaches when looking at Council's systems and processes, appointing a new auditor could potentially achieve this</li></ul>	<ul style="list-style-type: none"><li>• requires more staff administration time to go back to the market to appoint a new auditor</li><li>• highly likely to further delay the completion of the remaining internal audit programme</li></ul>

## Assessment of significance

- 27 This matter is not considered significant under Councils significance and engagement policy.

## Recommended option

- 28 The recommended option is Option 1 – approve, subject to amendments at the meeting, Deloitte progressing the completion of the existing and additional internal audits proposed in this report.

## Next steps

- 29 Staff will advise Deloitte of the outcome of the committee meeting and proceed to scope the work required to complete the internal audit programme.
- 30 Once the work is completed, Council will go back out to the market to procure a new audit provider to move forward with.

## Attachments

There are no attachments for this report.



## 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.

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:

#### **C8.1 Annual Insurance Renewal (for the year 1 July 2024 to 30 June 2025)**

#### **C8.2 Cyber security update - March 2024 to May 2024**

#### **C8.3 Follow up audit action points**

#### **C8.4 Information System Update**

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
Annual Insurance Renewal (for the year 1 July 2024 to 30 June 2025)	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.  Annual Insurance Renewal.	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.

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
Cyber security update - March 2024 to May 2024	<p>s7(2)(e) - the withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>Disclosure of operational security information which could lead to financial data breaches, personal information, infrastructure vulnerabilities and other data breaches. This information could be used for improper gain..</p> <p>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.</p> <p>Disclosure of operational security information which could lead to financial data breaches, personal information, infrastructure vulnerabilities and other data breaches. This information could be used for improper gain..</p>	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.
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
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.
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
Information System Update	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.