



F13/13 – D21/6841

17 June 2021

AUDIT & RISK COMMITTEE MEETING

Notice is hereby given that the **Audit & Risk Committee Meeting of Council** will be held in the **Council Chambers, Stratford District Council, Miranda Street, Stratford** on **Tuesday 22 June 2021** at **1.30pm**.

Timetable for 22 June 2021 is as follows:

9.45am	Morning tea for Councillors
10.00am	Workshop for Councillors - Organisational Risk - Risk documents
1.00pm	Lunch for Councillors
1.30pm	Audit and Risk Committee Meeting (<i>deferred from 18 May 2021</i>)
2.45pm	Afternoon tea for Councillors
3.00pm	Policy and Services Committee Meeting
4.00pm (approx.)	Extraordinary Meeting – to adopt the 2021-2031 Long Term Plan

Yours faithfully



Sven Hanne
CHIEF EXECUTIVE

2021 - Agenda - Audit & Risk - June (22/06/2021)

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AUDIT & RISK COMMITTEE MEETING
TUESDAY 22 JUNE 2021 AT 1.30 PM

A G E N D A

1. **WELCOME**
2. **APOLOGIES**
3. **ANNOUNCEMENTS**
4. **DECLARATION OF MEMBERS INTEREST**
Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.
5. **ATTENDANCE SCHEDULE**
Attendance schedule for 2021 Audit and Risk Committee meetings.
6. **PROGRAMME OF WORKS**
D21/6382 (Page 8)

RECOMMENDATION

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

/_____
Moved/Seconded

7. **CONFIRMATION OF MINUTES**
 - 7.1 **Audit and Risk Committee Meeting Minutes – 16 March 2021**
D21/9431 (Pages 9-19)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 16 March 2021 be confirmed, with any amendments, as a true and accurate record.

/_____
Moved/Seconded

8. **MATTERS OUTSTANDING**
D18/27474 (Page 20)

RECOMMENDATION

THAT the matters outstanding be received.

/_____
Moved/Seconded

9. DECISION REPORT – SENSITIVE EXPENDITURE POLICY
D21/15747 (Pages 21-31)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Committee endorses the new Sensitive Expenditure Policy for approval by the Policy and Services Committee, with any amendments proposed by this Committee.

Recommended Reason

Audit New Zealand have strongly recommended that Council has a Sensitive Expenditure Policy in place. The Audit and Risk Committee has a role in reviewing policies which address Council risks.

Moved/Seconded

10. DECISION REPORT – INTERNAL AUDIT PLAN 2021
D21/15839 (Pages 32-40)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Internal Audit Plan 2021 be approved.

Recommended Reason

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

Moved/Seconded

11. INFORMATION REPORT – HEALTH AND SAFETY REPORT
D21/15781 (Pages 41-44)

RECOMMENDATION

THAT the report be received.

Moved/Seconded

12. **INFORMATION REPORT – RISK REVIEW**

D21/15578

(Pages 45-66)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

/_____
Moved/Seconded

13. **INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT**

D21/14266

(Pages 67-78)

RECOMMENDATION

THAT the report be received.

/_____
Moved/Seconded

14. **INFORMATION REPORT – STAFF WELLBEING**

D21/15782

(Pages 79-99)

RECOMMENDATION

THAT the report be received.

Recommended Reason

The report provides an update to the Audit and Risk Committee on staff wellbeing.

/_____
Moved/Seconded

15. **INFORMATION REPORT – CIVIL DEFENCE PROGRESS AND READYNESS REPORT**

D21/15788

(Pages 100-144)

RECOMMENDATION

THAT the report be received.

Recommended Reason

It is a function of this committee to stay abreast of Council's readiness and ability to meet its requirements and obligations as laid out in the Taranaki Civil Defence Group's constituting agreement.

/_____
Moved/Seconded

16. CORRESPONDENCE

- [PWC – Proposal for targeted indirect tax evaluation \(Pages 145-151\)](#)
- [Audit NZ – Report to Council on the Audit of Stratford District Council’s Consultation Document for its 2021-2031 Long Term Plan \(Pages 152-174\)](#)

17. GENERAL BUSINESS

18. QUESTIONS



Health and Safety Message

In the event of an emergency, please follow the instructions of Council Staff.

Please exit through main entrance.

Once you reach the footpath outside please turn left and walk towards the Bell tower congregating on lawn outside the Council Building.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Stay indoors till the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

Attendance schedule for 2021 Audit and Risk Committee meetings.

<u>Date</u>	<u>19/03/2021</u>	<u>18/05/2021</u>	<u>22/06/2021</u>	<u>20/07/2021</u>	<u>21/09/2021</u>	<u>16/11/2021</u>	<u>Attendance</u>	<u>Percentage</u>
Meeting	A	D	A	A	A	A		
Neil Volzke	✓							
Grant Boyde	✓							
Rick Coplestone								
Peter Dalziel	✓							
Jono Erwood	✓							
Amanda Harris								
Alan Jamieson	✓							
Vaughan Jones								
Min McKay	✓							
John Sandford	✓							
Gloria Webby	✓							
Philip Jones (Chair)	✓							

Key	
A	Audit & Risk Meeting
	Non committee member
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sickness
(AV)	Meeting held by Audio Visual Link
D	Deferred

Audit and Risk Committee - Programme of Works

	May-21	Jul-21	Sep-21	Nov-21	Mar-22	May-22	Jul-22	Sep-22	Nov-22	Mar-23	May-23	
Standing Items	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report
Annual Items	-Civil Defence Readiness -Approve Internal Audit Plan	- Review of Insurances (include summary of risk modelling report)	-Annual Report update -Internal Audit Report (outcomes)	-Committee Self-Review	-Cyber Risk prevention update	-Civil Defence Readiness	- Review of Insurances	-Annual Report update	-Committee Self-Review	-Cyber Risk prevention update	-Civil Defence Readiness	
One-Off Items	- Staff wellbeing survey *Workshop to be held on Risk Policy, Framework and Appetite Statement	-Review Risk Management Policy, Risk Appetite Statement, and Risk Management Framework - Tax Audit Plan and scope - Review Treasury Policy	- Workshop: Committee Self-Review	-Tax audit report								

MINUTES OF THE AUDIT & RISK COMMITTEE MEETING OF THE STRATFORD DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, STRATFORD DISTRICT COUNCIL ON TUESDAY 16 MARCH 2021 AT 2PM

7.1

PRESENT

P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors J M S Erwood, P S Dalziel and M McKay.

IN ATTENDANCE

The Chief Executive – Mr S Hanne, the Director Community Services – Ms K Whareaitu, the Director Corporate Services – Mrs T Radich, the Director Environmental Services – Mr B Sutherland, the Director Assets – Mrs V Araba, Councillors G W Boyde, G M Webby, and W J Sandford, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety and Emergency Management Advisor – Mr M Bestall (*part meeting*), the Corporate Accountant – Mrs Christine Craig, the IT Manager – Mr Brendan Coles (*part meeting*), the Services Engineering Advisor – Mr Mike Oien (*part meeting*), the Communications Manager – Ms Gemma Gibson and two members of the media (Taranaki Daily News & Stratford Press).

1. WELCOME

The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting.

2. APOLOGIES

No apologies were received.

3. ANNOUNCEMENTS

No announcements were made.

4. DECLARATION OF MEMBERS INTEREST

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

5. **ATTENDANCE SCHEDULE**

The attendance schedule for Audit and Risk Committee meetings was attached.

6. **PROGRAMME OF WORKS**

D21/6382 Page 8

RECOMMENDATION

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2022 be received.

ERWOOD/McKAY
Carried
A&R/21/1

Questions/Points of clarification:

- The Director Corporate Services clarified that the Treasury Policy Review would be removed from the Programme of Works for the May Audit and Risk Committee meeting as it was adopted following the A&P Association loan approval.
- The Chief Executive was comfortable with the Chair's suggestion that the Financial Strategy be reviewed at the July meeting.

7. **CONFIRMATION OF MINUTES**

7.1 **Audit and Risk Committee Meeting Minutes – 1 December 2020**
D20/35439 (Pages 9-15)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 1 December 2020 be confirmed, with any amendments, as a true and accurate record.

JAMIESON/VOLZKE
Carried
A&R/21/2

The Chair thanked Mr Hanne for his assistance at this meeting which Mr Jones chaired by audio-visual link (Zoom).

7.1

8. MATTERS OUTSTANDING

D18/27474

(Page 16)

RECOMMENDATION

THAT the matters outstanding be received.

JONES/McKAY
Carried
A&R/21/3

7.1

Questions/Points of clarification:

- The Chair removed the Infrastructure Strategy from Matters Outstanding.
- Mrs Radich confirmed that the scope of the Tax Review would be brought to the July Audit and Risk Committee meeting and then outcomes of the review be reported back to the committee in November 2021.
- Mr Hanne clarified, with reference to workload and staff stress, that the staff wellbeing survey would be out shortly and a report back is planned for the May Audit and Risk Committee meeting.

9. INFORMATION REPORT – HEALTH AND SAFETY REPORT

D20/35439

(Pages 9-15)

RECOMMENDATION

THAT the report be received.

ERWOOD/McKAY
Carried
A&R/21/4

The Health & Safety and Emergency Management Advisor noted that corrective actions have taken place following the investigation of the chlorine leak at the TSB Pool. Mr Hanne was recognised for his assistance on the day of the leak.

Questions/Points of clarification:

- Councillor Dalziel would like to see data or indicators on staff turnover, sick leave etc in relation to staff wellbeing.
- The Chair sought comments from the Chief Executive. Mr Hanne clarified that specific employment matters should remain a management or operational issue. The staff wellbeing survey will trend data and this will be utilised to report back at a high level. He noted his hesitancy to comment on leave in a public environment.
- Councillor Dalziel considered that there were risks involved for the less obvious area of staff wellbeing and that as governors, elected members were accountable. He welcomed a dashboard view of the data.

- Mr Bestall clarified that data could be provided but questioned how this information would be used.
- Mr Hanne noted that EAP referrals was an indicator however the reasons why an employee accesses (or does not access) the service were not always clear. Resignation data was a reasonable indicator however.
- The Chair sought clarification on paragraph 2.5 of the report where it was noted that contractors were doing their best, as opposed to taking all practicable steps. Mr Bestall clarified that contractors were doing their best to do the right thing – an improvement on previous attitudes to health and safety, revealed during auditing. The Chair clarified that as PCBU, Council must ensure contractors are doing what they said they would do and see evidence of this.
- Mr Bestall confirmed that a trespass notice has now been served to a pool patron.

The Health & Safety and Emergency Management Advisor left the meeting at 2.22pm.

10. INFORMATION REPORT – CYBER RISK PREVENTION UPDATE

D21/7313

(Pages 21-27)

RECOMMENDATION

THAT the report be received.

RECOMMENDED REASON

The report provides the Audit and Risk Committee with information on how cyber risk is currently being managed and outlines further work that can be done to reduce cyber risk.

JAMIESON/McKAY

Carried
A&R/21/5

Questions/Points of clarification:

- Councillor Boyde noted his concerns around the breach of contract and asked how often network account checks were being conducted. The IT Manager clarified that the Council was currently considering the contract, which is up for review in two years, and a variation may be sought. Mr Coles noted that the cloud service provider was a major provider of Council's systems and support and the contract breach had resulted in a loss of trust.
- The Chair asked what the risks were regarding the breach. Mr Hanne clarified that Council was not given the opportunity to preapprove a data centre before data was put into it and that this was revealed quite by chance. The providers view is that they have provided a service whereas Mr Coles view is that the provider has skipped a step in the process.
- Councillor Boyde noted that having enabled accounts remaining operational following must have raised red flags. Mr Coles agreed adding that he conducts frequent audits in this area.

- Councillor Boyde asked whether, where data is breached, this is covered by insurance. Mr Coles clarified that insurance did not cover a data breach and that as data is Council's biggest asset, it is therefore its biggest risk.
- The Chair noted that the provider in question also provides services to other local authorities and asked whether Mr Coles had had any contact with others. Mr Coles confirmed that he was currently focused in-house.
- Mr Coles clarified that the provider supplies two separate contracts to this Council – an ERP financial rating system and the managed services contract, which is due for renewal in two years. The provider has agreed to some changes in environmental design which would open the contract up for negotiation in the future.
- Councillor Dalziel sought clarification on whether the recent intrusion of the global Microsoft exchange had had consequences for this Council. Mr Coles confirmed that a patch was applied within hours of the vulnerability being notified.
- Councillor Erwood sought clarification on the cost of cyber insurance. Mrs Radich confirmed that cyber insurance premiums cost Council \$5,000 this year.
- The Chair was interested to know how Council is protected from ransom ware attacks. Mr Coles clarified that there were multiple levels of protection including anti-virus software and an app locker on servers while only approved software is permitted to run on servers (this protection is implemented at a policy level).
- Mr Coles clarified that five campaigns of phishing testing exercises are carried out annually.

The IT Manager left the meeting at 2.42pm.

11. INFORMATION REPORT – RISK REVIEW

D21/7044

(Pages 28-50)

RECOMMENDATION

THAT the report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

JONES/DALZIEL

Carried

A&R/21/6

Questions/Points of clarification:

- Following questions from Councillor Dalziel regarding the scoring of catastrophic events and the design of the risk matrix, Mrs Radich confirmed that the Risk Policy, to be reviewed in July, will look at measuring impact and likelihood.

- There was much discussion around the risk of government reforms in the areas of 3 waters, fresh water and the Resource Management Act review as examples, and the impact of these reforms on local authorities and ultimately, the risk being increased costs to the ratepayer.
- The Director Environmental Services agreed to review the weighting in relation to risk 54 BCA Accreditation.
- It was agreed to workshop the Risk Policy review before the Audit and Risk Committee meeting in May followed by adoption of the policy in July.

12. INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT

D21/7303

(Pages 51-56)

RECOMMENDATION

THAT the report be received.

ERWOOD/DALZIEL
Carried
A&R/21/7

Questions/Points of clarification:

- The District Mayor commented that the approval process whereby the Chair of this committee and himself approve breaches of Council's Investment Policy, this has been working well thus far.
- The Chair noted that there was a general feeling of nervousness amongst councils around the ability to deliver entire capital works programmes where additional central government funded projects were taking precedence due to tight delivery timeframes. Mr Jones advised that Council may wish to develop a template in this area.
- The Deputy Mayor noted that elected members had asked such questions at Council level and were satisfied with the assurances given. Mrs Radich clarified that Council updates are provided to the Policy and Services Committee.
- The Chair sought clarification on whether Council was satisfied that the risks were identified and managed regarding capital works. Mr Hanne noted that of the projects which had received central government funding – roading is complete, the bike park is progressing, the pool has started and planning of the second trunk main is progressing. While there is a risk that these projects displace others, the availability of resources has been relatively positive.

13. INFORMATION REPORT – WATER SUPPLY – HEAVY METALS MONITORING

D21/6867

(Pages 57-62)

RECOMMENDATION

THAT the report be received.

Recommended Reason

The Audit and Risk Committee has a responsibility to monitor Council's management of risk, of which Council's practice of heavy metals monitoring in drinking water supplies is one.

VOLZKE/JONES
Carried
A&R/21/8

7.1

The Director Assets noted the following points:

- A correction to paragraph 4.1, "*That heavy metals ... even in minor quantities can cause developmental issues*".
- That Appendix 2 has been corrected and tabled.

Questions/Points of clarification:

- The District Mayor acknowledged staff for bringing this report to Council. Following the Dunedin City Council experience, it is appropriate that Council provides assurances to the public and that monitoring is brought forward. The Mayor welcomes the results of the monitoring being reported to the Policy and Services Committee.

The Services Engineering Advisor left the meeting at 3.19pm.

14. INFORMATION REPORT – LONG TERM PLAN – ASSUMPTIONS & RISKS

D21/6973

(Pages 63-86)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Audit and Risk Committee considers the assumptions made in preparation of the Long Term Plan 2021-31, and whether the risks that may result from making these assumptions are being managed adequately.

Recommended Reason

The Committee has a responsibility to monitor Council's risk management processes.

DALZIEL/McKAY
Carried
A&R/21/9

Questions/Points of clarification:

- Councillor Erwood sought an explanation of the Asset Condition Assessment graph on page 68. The Director Assets will provide this separately to elected members.
- Councillor Dalziel acknowledged the report writers and suggested that the freshwater regulations and carbon zero which will have an impact on the Council farm, should also be included.
- Mrs Radich clarified that Audit NZ have reviewed the document and suggested changes.

**15. INFORMATION REPORT – BUILDING CONSENT AUTHORITY
ACCREDITATION REPORT**

D21/6864

(Pages 87-90)

RECOMMENDATION

THAT the report be received.

Recommended Reason

As an accredited Building Consent Authority the Stratford District Council must ensure its procedures and practices for building consent matters meet legal requirements.

JAMIESON/ERWOOD

Carried

A&R/21/10

The Director – Environmental Services noted that the Quality Assurance Manual will be finished by the end of next week.

Questions/Points of clarification:

- Councillor McKay sought clarification on whether Council continued to process commercial building consents. Mr Sutherland confirmed that Council are using consultants for complex consents and commercial consents generally fell into this category.
- The Deputy Mayor sought clarification on whether Council was still meeting its (processing) obligations. Mr Sutherland confirmed that Council remains by and large compliant with the 20 working day processing timeframe.
- Councillor Sandford sought clarification on whether ratepayers were picking up the additional costs incurred with the use of consultants. Mr Sutherland clarified that costs depended on the type of application being presented. He added that Council would not be able to keep up with the workload otherwise.
- The Chair asked if the risks of using consultants had been considered. Mr Sutherland noted that one of the risks of using consultants was that the organisation had no direct control over their activities however this had to be balanced with the complexity of the work being carried out. Mr Hanne added that the higher risk work was outsourced. Also, Council have less control over the timeframes as consultants tended to have multiple clients although this was not an issue at present and Council continues to meet its 20 working day timeframes. Mr Sutherland noted that this timeframe needs close management however.

7.1

16. **INFORMATION REPORT – ANNUAL REPORT 2019/20 –
PROGRESS ON AUDIT ISSUES**

D21/6662

(Pages 91-95)

RECOMMENDATION

THAT the report be received.

JONES/VOLZKE

Carried

A&R/21/11

Recommended Reason

This report informs the Audit and Risk Committee of the issues identified in the final Audit New Zealand Management Report for the 2019/20 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Questions/Points of clarification:

- Councillor Dalziel sought an update on the reconciliation between RAMM and the fixed asset register – an outstanding audit issue which had been around for some time.
- The Chair clarified that the issue could be removed if this committee collectively agreed to do so. As background, the Chair clarified that the issue is that the accounting standard requires Council to record the cost of replacement level. The problem with RAMM is that it is designed as a roading asset management system which does not record some information but records other information. RAMM cannot perform as a fixed asset register. To get around this, Council could revalue its roading assets every year – the RAMM data provides some information but does not hold the valuation data required for the exercise. There are advantages and downsides, for instance, the amount of work required on an annual basis is greater given this is a significant piece of work to go through each line item.
- The Chair clarified that, depending on data quality and whether the data is current, peer-reviewed and run, a revaluation would take a solid week. Every three years, that work might be two weeks for one person. The Chair spoke to his experience of carrying out a water revaluation in recent years.
- The District Mayor sought clarification on the implications of taking action, beyond the balance sheet. Mrs Craig noted that RAMM records different data for a different purpose. Mrs Radich noted depreciation.
- Mr Hanne clarified that all councils must run a RAMM system to be eligible for Waka Kotahi NZ Transport Agency funding. Some councils have tried to step away from it, unsuccessfully.
- Councillor Dalziel asked if all councils face this problem? The Chair clarified that this is the first council considering this recommendation. Other council's maintain a roading fixed asset register (for financials) as well as RAMM.

RECOMMENDATION

THAT the Audit and Risk Committee recommends to Council that the general ledger is not reconciled to the RAM database and that the Chief Executive bring a report to the appropriate Audit and Risk Committee providing the assurance that the carrying value of the roading asset is fairly valued.

JONES/VOLZKE
Carried
A&R/21/12

7.1

- Councillor Dalziel sought clarification on why Council could not reconcile the general ledger and the asset management system on a monthly basis. Mrs Craig clarified that the generally invoices are inputted as they come in but some of the bigger projects get capitalised upon completion – this is a simple accounting process. Audit NZ are however satisfied with Council’s solution to balance as at 30 June. The Chair recommends that a quarterly balance is best and a six monthly balance is gold standard for a larger council with more resourcing. An annual balance in this case is satisfactory.
- The District Mayor likened the situation to Audit NZ asking Council to do all of its year end journals on a monthly basis – a truck load of work for no benefit.

17. AUDIT NZ CORRESPONDENCE

- Audit NZ – Audit Engagement Letter (Pages 96-113)
- Audit NZ – Report to Council on the Audit of Stratford District Council For the Year Ended 30 June 2020 (Pages 114-143)

The following points were noted:

- That the District Mayor has signed the Audit engagement letter.
- The first stage of the LTP has been completed.
- Mrs Radich expects that the LTP consultation document will be adopted at next Tuesday’s council meeting.

18. GENERAL BUSINESS

No general business was discussed.

19. QUESTIONS

No questions were asked.

The meeting closed at 3.50pm.

*Audit & Risk Committee 16/03/21
D21/9431*

P Jones
CHAIRMAN

Confirmed this 18th day of May 2021.

N Volzke
DISTRICT MAYOR

7.1

AUDIT & RISK COMMITTEE MATTERS OUTSTANDING INDEX

REF NO.	ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE
	Tax Review – external tax auditor or reference group	6 October 2020	Tiffany Radich	Audit proposed for late June 2021 (refer to correspondence section for scope of work).	
	Risk assessment – workload and stress on staff (in current environment)	1 December 2020	Sven Hanne	Staff survey results to inform report to committee May 2021.	Report 22 June 2021

DECISION REPORT



F19/13 – D21/15747

TO: Audit and Risk Committee

FROM: Director – Corporate Services

DATE: 22 June 2021

SUBJECT: **ENDORSE NEW SENSITIVE EXPENDITURE POLICY**

9

RECOMMENDATIONS

1. **THAT** the report be received.
2. **THAT** the Committee endorses the new Sensitive Expenditure Policy for approval by the Policy and Services Committee, with any amendments proposed by this Committee.

Recommended Reason

Audit New Zealand have strongly recommended that Council has a Sensitive Expenditure Policy in place. The Audit and Risk Committee has a role in reviewing policies which address Council risks.

Moved/Seconded

1. **PURPOSE OF REPORT**

- 1.1 For the Committee to review the draft Sensitive Expenditure Policy that has been recently developed and endorse the policy, which will then go to the Policy and Services Committee for approval.

2. **EXECUTIVE SUMMARY**

- 2.1 The Sensitive Expenditure Policy is a collation of a number of existing Council policies and guidance material, and has been developed using the guidance of the Controller and Auditor General 2020 report: *Controlling sensitive expenditure: Guidance for Public Organisations*.
- 2.2 The purpose of the policy being to “*ensure sensitive expenditure is appropriately controlled*”, and “*ensure that all Council expenditure is undertaken in ways that are transparent, appropriate to the circumstances, and provide value for money for ratepayers.*”

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
	✓		

4. **BACKGROUND**

- 4.1 The Council does not currently have a specific Sensitive Expenditure Policy.
- 4.2 Audit New Zealand have recommended that Council develop such a policy on numerous occasions, however in the past Council staff have considered that issues of expenditure, particularly where there are areas of risk, have been covered adequately in other Council policies such as the Procurement Policy, Credit Card Policy, Fraud and Corruption Policy and internal policies such as the Human Resources Policy, IT Acceptable Use Policy etc.
- 4.3 It is considered best practice that public organisations have a Sensitive Expenditure Policy which collates all the areas of expenditure that may be considered sensitive, particularly from the perception of the public, under the one umbrella policy.
- 4.4 Therefore, Council staff have prepared a draft policy for the Audit and Risk Committee to review, make any improvements to or amendments where required, and endorse, to then go to the Policy and Services Committee for approval.

5. **CONSULTATIVE PROCESS**5.1 **Public Consultation - Section 82**

No public consultation has been undertaken.

5.2 **Māori Consultation - Section 81**

No iwi consultation has been undertaken.

6. **RISK ANALYSIS**

Refer to the Council Risk Register - available on the Council website.

- Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of

eventuating?

- Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks.
- Is there a legal opinion needed?

6.1 This report covers the following risks on the Council risk register:

- Risk 19 – Internal Financial Controls
- Risk 25 – Procurement Contracts

7. **DECISION MAKING PROCESS - SECTION 79**

7.1 **Direction**

	Explain
Is there a strong link to Council's strategic direction, Long Term Plan/District Plan?	No
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	Not applicable

7.2 **Data**

- Do we have complete data, and relevant statistics, on the proposal(s)?
- Do we have reasonably reliable data on the proposals?
- What assumptions have had to be built in?

Refer to the attached draft Sensitive Expenditure Policy. Guidance is also available from the Office of the Auditor General's for public organisations on controlling sensitive expenditure at: <https://oag.parliament.nz/2020/sensitive-expenditure>

7.3 **Significance**

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?	No	
Is it:	No	
• considered a strategic asset; or	No	
• above the financial thresholds in the Significance Policy; or	No	
• impacting on a CCO stakeholding; or	No	
• a change in level of service; or	No	
• creating a high level of	No	

controversy; or		
• possible that it could have a high impact on the community?	No	

In terms of the Council’s Significance Policy, is this proposal of high, medium, or low significance?		
HIGH	MEDIUM	LOW
		✓

7.4 **Options**

An assessment of costs and benefits for each option must be completed. Use the criteria below in your assessment.

1. What options are available?
2. For **each** option:
 - explain what the costs and benefits of each option are in terms of the present and future needs of the district;
 - outline if there are any sustainability issues; and
 - explain if the outcomes meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions?
3. After completing these, consider which option you wish to recommend to Council, and explain:
 - how this option is the most cost effective option for households and businesses;
 - if there are any trade-offs; and
 - what interdependencies exist.

Option 1: Endorse the draft Sensitive Expenditure Policy, to then go to the next Policy and Services Committee for approval.

Option 2: Endorse the draft Sensitive Expenditure Policy, with improvements and/or amendments, to then go to the next Policy and Services Committee for approval.

Option 3: Do not endorse the current draft policy as it is presented, with or without any amendments.

7.5 **Financial**

- | |
|---|
| <ul style="list-style-type: none"> • Is there an impact on funding and debt levels? • Will work be undertaken within the current budget? • What budget has expenditure come from? • How will the proposal be funded? eg. rates, reserves, grants etc. |
|---|

There are no direct implications on funding and debt levels as a result of approving the recommendation within this report, nor will there be any affect on budgeted expenditure.

7.6 **Prioritisation & Trade-off**

- Have you taken into consideration the:
- Council's capacity to deliver;
 - contractor's capacity to deliver; and
 - consequence of deferral?

The Council has adequate capacity to deliver on the recommendation within this report.

7.7 **Legal Issues**

- Is there a legal opinion needed?
- Are there legal issues?

A legal opinion is not considered necessary.

7.8 **Policy Issues - Section 80**

- Are there any policy issues?
- Does your recommendation conflict with Council Policies?

All policies that have fed into this new policy will be amended to instead refer to the Sensitive Expenditure policy, rather than duplicating the policy guidance which could potentially result in misalignment between the policies. This will be done once the final Sensitive Expenditure policy is adopted by Council.

Attachment:

Draft Sensitive Expenditure Policy



Tiffany Radich
DIRECTOR – CORPORATE SERVICES



Approved by:
Sven Hanne
CHIEF EXECUTIVE

DATE: 10 May 2021

STRATFORD DISTRICT COUNCIL

POLICY: <u>SENSITIVE EXPENDITURE POLICY</u>	
DEPARTMENT: Corporate Services	RESPONSIBILITY:
SECTION:	<ul style="list-style-type: none"> • Director – Corporate Services
REVIEW DATE: New	NEXT REVIEW: May 2024
VERSION:	APPROVAL DATE: TBC

PURPOSE

The purpose of this policy is to ensure ‘sensitive expenditure’ is appropriately controlled. It addresses issues referred to in the Controller & Auditor-General’s good practice guide, “Controlling sensitive expenditure: Guide for public organisations” (October 2020). The purpose is to ensure that all Council expenditure is undertaken in ways that are transparent, appropriate to the circumstances, and provide value for money for ratepayers.

SCOPE

This is a new policy that is to come into effect from June 2021.

This policy applies to expenditure by staff and elected members that is reimbursed or paid for by the Stratford District Council.

DEFINITIONS

For the purposes of this policy, unless otherwise stated, the following definitions shall apply:

Term	Definition
Sensitive Expenditure	Sensitive expenditure is any spending by Council that could be seen to be giving private benefit to a staff member, their family, or friends. It risks harming Council’s reputation – for example, if the expenditure could lead to concerns that the spending is inappropriate or lacks a legitimate business reason. Even a small amount can raise concerns if it appears to be improper. In plain English, it is expenditure that could be perceived as a wasteful or extravagant use of ratepayer funds.
Public Money	Funds/Money collected by either central or local government

PRINCIPLES

As councils are dealing with “public money”, expenditure should be subject to the highest standards of probity and financial prudence, expected of a public entity. These expectations are higher than those that exist in the private sector.

- (a) Expenditure decisions should be made with these principles applied together and no one principle should be treated as more important than another:
- Have a justifiable business purpose.
 - Preserve impartiality.
 - Be made with integrity.
 - Be moderate and conservative when viewed from the stand point of the public and having regard to the circumstances.
 - Be made transparently.
 - Be appropriate in all respects and made with the proper authority.
- (b) Sensitive expenditure approvals should:
- Be given only when there is a justified business purpose.
 - Where practical, be given before expenditure is incurred.
 - Be within delegated authority and statutory limits.
 - Be subject to budget provision.
 - Be given by a person in a more senior position, and who will not personally benefit.

TRAVEL

Travel may be required by Council staff to attend meetings, conferences, or offered to staff as part of the learning and development opportunities Council provides. Consideration should be made in the first instance to online, technology enabled alternatives as an alternative to travel. The following principles / guidelines apply:

- If travel by air is required, the employee is expected to take the cheapest option unless flexibility in travel times or dates is required.
- It is expected that travel will be on the same day of any course or meeting if it is deemed possible for the employee to reach the destination on time. However if same day travel is not practical then travel to the destination the night before, or return travel the next day may be more appropriate, convenient and result in lower flight costs with any additional costs for accommodation to be approved by the Director or CEO.
- Any extension to travel, such as an extra day or night, will be at the employee's expense and leave will be required to be taken.
- Council will not pay for check-in baggage for overnight travel as carry-on luggage is considered sufficient for most staff members' needs. For stays longer than two nights, one item of check-in baggage may be covered by Council at the staff members request.
- There may be occasions where travel by car is more appropriate, or the only way to go. Car-pooling should always be considered and use of Council owned vehicles (rather than rentals) will generally be more economic.
- The use of private vehicles for Council business is not encouraged and all employees must make use of the available Council pool vehicles in the first instance. Where a Council vehicle is not available, then mileage reimbursement will be granted at the Inland Revenue Department mileage rates for statutory bodies and local authorities covered by the Fees and Travelling Allowances Act 1951 and prior approval from the staff member's direct manager and the fleet manager is required.
- Overseas travel must always be approved by the Chief Executive and economy fares taken in all cases.
- Where no additional expense is incurred by Council, airpoints earned may be credited to employee's accounts. In this situation, there is no loss to Council, the airpoints are generally of minimal worth, and this is some form of recognition of the impact of travelling for work on individuals private time.
- Koru Club membership will not be paid for by Council.

- Council employees are expected to obey all parking and speeding rules and laws. Consequently any fines incurred by Council employees will not be paid for or reimbursed by Council. Any costs billed directly to Council will be on-charged.

Travel must be booked and authorised by completing the Training Form (D18/35224).

MEALS/ALCOHOL

- When travelling on Council business, depending on the time away from Stratford, employees may have breakfast, lunch and an evening meal provided.
- Cost of such meals should not be excessive. A maximum of \$25 for breakfast, \$30 for lunch, and \$50 for dinner should be used as guidance.
- Morning or afternoon tea are considered a personal expense and will not be paid for or reimbursed.
- After hours drinking is permitted with meals and on other appropriate occasions such as at Council functions, conferences and entertaining clients and guests. Except in special circumstances no more than one glass of wine or beer per person per day on travel should be consumed at the Council's expense.
- The use of mini bars for either drinks or snacks will not be paid for or reimbursed.
- Tipping is not a recognised practice or requirement in New Zealand or Australia and will be regarded as a personal expense if made. It will not be paid for or reimbursed.

ACCOMMODATION

- Accommodation should be booked in a safe, clean facility that does not exceed the mid-range pricing for that location. This will vary from location to location and could be influenced by where the conference/meeting is being held and what else is happening in that town or city at the time.
- If the conference/meeting is being held at a place that offers accommodation, preference should be given to that venue as accommodation to avoid the staff member from incurring additional expense and time travelling between the accommodation and meeting venue.

CREDIT CARDS

Credit cards can provide a more efficient, convenient method of making low-value purchases. There are also situations where payment in advance by credit card is a requirement by some vendors, e.g travel bookings, conferences.

- Credit cards will be issued to Council officers at the discretion of the Chief Executive.
- The credit limit on each card may be up to \$10,000 - the limit is to be authorised by the Chief Executive at the time of application. The maximum limit for each transaction is \$2,500, but may be waived by the Chief Executive prior to incurring the expenditure.
- All credit card expenditure must be supported by original GST acceptable documentation that states the transaction date, amount paid, and description of items purchased. If the transaction is less than \$50, a till receipt is acceptable.
- Expenditure must be consistent with Council's Procurement Policy.
- All officers who are issued a credit card must sign the Credit Card Use Declaration as agreement to Council's Credit Card Policy and Sensitive Expenditure Policy.

SALE OF SURPLUS ASSETS TO STAFF AND ELECTED MEMBERS

- Department Managers should investigate the likely market value of any asset considered surplus to requirements, in a manner appropriate to the asset value and significance.
- Assets must not be disposed of directly to an individual Council employee or elected member. However, an internal tender process may be initiated by the Department Manager in control of the particular asset.
- The objective of the tender approach will be to gain the highest disposal price at the lowest cost to Council. A reserve price that is comparable to current fair market value must be set by the Department Manager.
- The maximum estimated asset value for an internal tender process is \$20,000. The Chief Executive must authorise the disposal of any asset internally where the estimated asset value exceeds \$1,000.

INFORMATION SYSTEMS

- Personal use of Council's information systems is allowed providing it is reasonable and appropriate and does not impact on staff productivity.
- Reasonable and appropriate personal use is allowable on Council supplied mobile devices, as it is considered burdensome for staff that are required to have Council phones to carry around more than one phone. Restrictions apply as follows:
 - Personal use must not cause Council any additional costs or impact staff productivity.
 - Mobile devices must not be used for private purposes while overseas, and work use must be limited unless the use has been authorised by the Director and the IT Manager is notified.

CLOTHING

- Staff will not be entitled to expenses (e.g. dry cleaning) related to work clothing provided for normal business activity.

FINANCING SOCIAL CLUB ACTIVITIES

- Council will make annual contributions (of up to \$500) to the Social Club to host an event(s) or initiative(s). The decision on how the contribution is to be spent is to be made by the Social Club Committee.

PRESENTATIONS TO ELECTED MEMBERS AND STAFF

- Expenditure on farewells and recognition of long service will be made in accordance with the Presentations to Elected Members and Staff Policy. Any other presentations or functions will be at the discretion of the Chief Executive (staff) and District Mayor (elected members).
- Other gifts may be made with specific pre-approval by the Chief Executive.

FUNCTIONS

Occasionally, the Council will organise functions for staff and elected members that are paid for by Council. This includes staff breakfasts and Christmas functions. Council will generally use Council owned facilities, and catering should not be more than \$50 per person. Availability of alcohol will be limited.

Catering for staff during work hours, such as for staff meetings or training purposes, may be used where meetings are at least 2 hours, and a Director has approved beforehand. The cost should not exceed \$10 per person for morning teas, or \$15 per person for lunch for in-house catered meals.

GIFTS

Receiving Gifts

It is important to avoid any suggestion of potential bribe or inducement arising from the acceptance of gifts to employees from companies or individuals. Public office has a level of accountability that is different from the private sector.

In all cases where gifts are accepted, the staff member must fill in the gift register (D20/2532).

Staff must disclose details of any gifts accepted with a value of over \$50, in all cases, to their Director, or to the CEO (if a Director). This must be followed up by an acknowledgement in writing thanking the person, with the Director (or CEO) copied in, and the acknowledgement filed in Content Manager within a week of receiving the gift.

In no case should a gift of cash of any amount be accepted, this includes cash equivalents such as bank transfers, credit, cheques, and vouchers.

Where the gift relates to the perceived performance of a Department or a Team of employees, it is best if it can be shared amongst everyone. There is no problem with accepting gifts such as calendars, diaries, appointment books, low value food items such as chocolates, morning teas etc as these items are common, low-value items used by businesses to acknowledge the business relationship and these items are generally expected to be utilised in the staff member's work environment.

Giving Gifts

Council staff may give gifts – such as a thank you for a speech or presentation, or when giving gifts is customary (for koha, refer to the additional guidance below). However, giving gifts presents significant risks, including that:

- the value or nature of a gift is inappropriate or excessive to the occasion or the reason for giving it;
- the gift is given in explicit or implicit expectation of favour in return; and
- the gift is given in substitution for legitimate payment or remuneration.

Koha is a gift, token, or contribution given on appropriate occasions including:

- tangihanga;
- attendance at an event/meeting;
- for use on or for a marae; and
- kaumātua support for pōwhiri, mihi whakatau meetings, blessings or other events.

The probity issue associated with koha is that it is discretionary and usually un-receipted expenditure. Any koha given must be approved in advance by the Chief Executive and must not exceed \$1,000.

There must be clear documentation of the date the koha was given, the amount, description of event or purpose, and the name of the individual person (and organisation) the koha was given to.

Donations can include any money given out by a Council staff member that does not directly result in a service or good being received.

- Grant funding must be made in line with Council's Community Relationships Policy and approved budgets.
- Donations for work or goods provided are to be in line or less than the market value of the goods or services provided.

Employee / Elected Member Expense Reimbursements

Claims should be made using the *Claim for Expenses* form and must comply with this Policy and should:

- Clearly explain the business purpose for the expenditure - where this is not clear from supplier documentation a written statement should be included
- Be accompanied by original supporting documentation such as tax invoices (credit card statements are not adequate).
- Be submitted soon after expenditure is incurred.
- Include a description, date and amounts where receipts are not available for minor expenditure (eg. parking meters).

Severance Payments

A severance payment is any payment that is made in addition to the employee's contractual entitlements as part of an agreement to end their employment. Severance payments are made to help resolve an unsatisfactory employment situation or might be agreed to bring the employee's employment to an end for other reasons.

The amount of any severance payment must be reasonable, although this is, by necessity, an imprecise requirement. Settlements larger than an award in comparable cases decided by the Employment Relations Authority or the courts will be given greater scrutiny, and the public organisation will need to have good reasons for the amount. Good reasons for a comparatively higher payment might include the seniority of the employee, the effect of any publicity on all the people involved, the sensitivity of the dispute, and the value of certainty and speed of resolution. These factors can justify a higher settlement because the outcome is more advantageous than a judicial outcome.

A Council's Annual Report must:

- state the amount of any severance payments made in the year to any person who vacated office as Chief Executive of the Council;
- the number of employees of the Council to whom severance payments were made in the year; and
- the amount of every such severance payment.

References	Location
Credit Card Policy	D19/10
HR Policy	D19/9905
Asset Disposal Policy	D19/3278
IT Acceptable Use Policy	D17/18445[v1]
Wellbeing Strategy	D20/22832
Presentations to Elected Members and Staff Policy	D19/22992

DECISION REPORT



F19/13/04 – D21/15839

TO: Audit and Risk Committee
FROM: Corporate Accountant
DATE: 22 June 2021
SUBJECT: INTERNAL AUDIT PLAN 2021

10

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Internal Audit Plan 2021 be approved.

Recommended Reason

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

Moved/Seconded

1. PURPOSE OF REPORT

The purpose of this report is to present the proposed internal audit programme for 2020/21 for approval by the Audit and Risk Committee. Following the audit, a further report will be presented to this Committee with the audit findings and recommendations.

2. EXECUTIVE SUMMARY

The Audit and Risk Committee have in its Terms of Reference, adopted in February 2020, an obligation to “*Agree the internal audit programme, review the findings of internal audits, and to monitor management response and implementation of their recommendations.*”

This report provides the Committee with the opportunity to action the obligations above.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
	✓		

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 (section 101 of the Local Government Act 2002 - “the Act”). The internal audit process is a mechanism by which senior management and elected members can get some form of assurance that the Council is managing its assets prudently.

4. **BACKGROUND****Internal Audit Plan 2021**

A plan has been prepared for approval by the Audit and Risk Committee. The plan is attached to this report for Committee review and approval, subject to any amendments.

The 2019/20 internal audit was also completed in-house, by staff, rather than external consultants. All efforts have been made to ensure that the staff member auditing each risk is not involved in any way with the management of the risk. This method is beneficial for two reasons. Firstly, it increases staff awareness of different areas of council, and can potentially assist in better identifying improvements in processes and documentation. Secondly, it will achieve cost savings from not having to outsource the services of an internal auditor.

The risks proposed to be reviewed are as follows:

- Risk 2 - Incorrect Planning Advice - IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.
- Risk 3 – Statutory Reporting Commitment - IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and received attention from the Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.
- Risk 5 - Issue Regulatory Licence or Decision - Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.

- Risk 14 - Uncontrolled access to Physical and Digital Records - IF there is uncontrolled or unauthorised access to archives, THEN records / files could go missing, privacy breached, possible legislative breaches.
- Risk 23 – Outstanding Debt - IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.
- Risk 25 – Procurement contracts - IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.
- Risk 29 – Public Events - IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged.
- Risk 32 – Lone Worker - IF a staff member is seriously injured or killed during field inspections / visits, THEN possible health and safety breaches, death or serious injury.
- Risk 73 – Water Supply network is contaminated - IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.
- Risk 79 – Bribery and Corruption - IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.

Procedures have been developed for each risk being audited, to focus on a specific aspect of the risk – refer to the attached Internal Audit Plan.

5. **CONSULTATIVE PROCESS**

5.1 **Public Consultation - Section 82**

Public consultation is not required.

5.2 **Māori Consultation - Section 81**

As Māori are not directly or separately affected, consultation is not considered necessary.

6. **RISK ANALYSIS**

Refer to the Council Risk Register - available on the Council website.

- Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of eventuating?
- Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks.
- Is there a legal opinion needed?

- 6.1 This report directly relates to Council's Risk Register, to ensure that risks are relevant and appropriate, and sufficient mitigating factors are in place to reduce any potential risk to council.

Potential internal audit risks:

- The auditors are not independent of the processes they are auditing.
- The auditors are not competent enough to perform the audit.
- Audit work does not appropriately reflect the risks of an organisation.

The internal audit plan addresses these risks by ensuring that there is an independent auditor from another part of the organisation conducting the audit. Ten risks have been selected from the council risk register that are considered topical at present.

7. **DECISION MAKING PROCESS - SECTION 79**

7.1 **Direction**

	Explain
Is there a strong link to Council's strategic direction, Long Term Plan/District Plan?	No
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	Ensuring protection of Council financial, infrastructure, and people assets

7.2 **Data**

- | |
|--|
| <ul style="list-style-type: none"> • Do we have complete data, and relevant statistics, on the proposal(s)? • Do we have reasonably reliable data on the proposals? • What assumptions have had to be built in? |
|--|

Refer to the attached Internal Audit Plan.

7.3 **Significance**

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?	No	
Is it:	No	
• considered a strategic asset; or	No	
• above the financial thresholds in the Significance Policy; or	No	
• impacting on a CCO stakeholding; or	No	
• a change in level of service; or	No	
• creating a high level of controversy; or	No	

<ul style="list-style-type: none"> possible that it could have a high impact on the community? 	No	
---	----	--

In terms of the Council’s Significance Policy, is this proposal of high, medium, or low significance?		
HIGH	MEDIUM	LOW
		✓

7.4 **Options**

<p>An assessment of costs and benefits for each option must be completed. Use the criteria below in your assessment.</p> <ol style="list-style-type: none"> What options are available? For each option: <ul style="list-style-type: none"> explain what the costs and benefits of each option are in terms of the present and future needs of the district; outline if there are any sustainability issues; and explain if the outcomes meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions? After completing these, consider which option you wish to recommend to Council, and explain: <ul style="list-style-type: none"> how this option is the most cost effective option for households and businesses; if there are any trade-offs; and what interdependencies exist.
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The Committee has the following three options for consideration:

- Option 1:** Approve Internal Audit Plan 2020/21.
- Option 2:** Approve Internal Audit Plan 2020/21 with amendments.
- Option 3:** Recommend council staff not proceed with the Internal Audit 2020/21.

7.5 **Financial**

<ul style="list-style-type: none"> Is there an impact on funding and debt levels? Will work be undertaken within the current budget? What budget has expenditure come from? How will the proposal be funded? eg. rates, reserves, grants etc.

As this audit is undertaken by existing staff, there is no additional cost.

7.6 **Prioritisation & Trade-off**

<p>Have you taken into consideration the:</p> <ul style="list-style-type: none"> Council’s capacity to deliver; contractor’s capacity to deliver; and consequence of deferral?

There are no prioritisation or trade-off issues.

7.7 **Legal Issues**

- | |
|--|
| <ul style="list-style-type: none">• Is there a legal opinion needed?• Are there legal issues? |
|--|

There are no legal issues.

7.8 **Policy Issues - Section 80**

- | |
|---|
| <ul style="list-style-type: none">• Are there any policy issues?• Does your recommendation conflict with Council Policies? |
|---|

There are no policy issues.

Attachments:

Appendix 1 - Internal Audit Plan 2020/21 of risks to be reviewed

Appendix 2 - Internal Audit Plan – Purpose, Objective, Framework, Expected Outcomes and Timeframe



Christine Craig
CORPORATE ACCOUNTANT



Tiffany Radich
DIRECTOR – CORPORATE SERVICES



Approved by:
Sven Hanne
CHIEF EXECUTIVE

DATE: 10 May 2021

INTERNAL AUDIT PLAN - RISKS TO BE REVIEWED
RISKS FROM COUNCIL'S RISK REGISTER

D21/11842

	Risk category	Risk subject	Risk description	Risk score raw	Control description	Residual risk score	Why this risk is to be reviewed	What auditor will be looking for	How will it be audited	Role and staff member responsible for activity
2	Compliance and Legislation	Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	3 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	1 Low	To ensure that there is no situation where a decision relating to a resource consent can be challenged in the future due to council providing incorrect information, or following incorrect processes.	Check that all staff responsible for the issuing of any resource consents for council are fully trained, that decisions are in line with the relevant legislation / policies / bylaws, and that all consent application documentation is of good quality.	<ul style="list-style-type: none"> - Review current documented processes around the receipt, processing and issuing of resource consents. Ensure they are robust, easy to follow and compliant. How are conflicts of interest dealt with? How are complaints dealt with? - Review three resource consents issued since July 2020. - Is application accompanied by an assessment for environmental effects? - Was written consent obtained from all affected parties? - If notification was required, was it made within 10 working days? And then a decision required within 4 months. - If no notification required, a decision should be made within 20 working days. - If the application was approved with conditions - were those conditions reasonable and necessary as per the district plan? - Were all decisions made at the right delegated level? - Were the fees charged in relation to the resource consent in line with Council's 2020/21 fees and charges schedule? 	Planner, Quality Assurance Officers and Director Environmental Services
3	Compliance and Legislation	Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and received attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	8 High	Quality assurance, Resourcing levels maintained, Regular Policy Schedule review by CEO. Regular review of Bylaw timetable maintained in Content Manager.	3 Moderate	To ensure council is correctly recording and reporting on all Department of Internal Affairs complaints.	That each complaint received by Council for water, wastewater and stormwater issues is recorded correctly, to ensure full compliance with legislation.	Check all waters complaints received over a three month period to ensure full compliance with legislation, and that categories are correct to enable collection and reporting of this data.	Customer Services Team Leader and Services Asset Manager
5	Compliance and Legislation	Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	3 Moderate	Quality assurance, Ongoing training / awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	1 Low	To ensure council is acting legally at all times when issuing licences or decisions.	That decisions issued meets all requirements in accordance with the relevant legislation, policy or bylaws.	<ul style="list-style-type: none"> - Review documented process for issuing alcohol and food licences. - Review two alcohol licences issued since July 2020 to ensure correct procedures were followed. - Review two food licences issued since July 2020 to ensure correct procedures were followed. - Review one licence where the application was received since July 2020 and declined, to ensure correct procedures were followed. 	Environmental Health Manager
14	Data and Information	Uncontrolled access to Physical and Digital Records	IF there is uncontrolled or unauthorised access to archives, THEN records / files could go missing, privacy breached, possible legislative breaches.	2 Moderate	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	1 Low	To ensure there is no uncontrolled or unauthorised access to council's archives room.	That no-one enters the archives room unless authorised by the IM Specialist.	<ul style="list-style-type: none"> - Review procedures for accessing Archives room. - Do a check on a 4 week period to see who requests access to the archives room, that the procedures are followed for each, and then document the sample checks carried out. 	IM Specialist
23	Financial	Outstanding Debt	IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.	3 Moderate	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all ratepayers on direct debit.	1 Low	To ensure council is invoicing building and resource consent revenue in a timely manner.	That all consent revenue is charged during or at the end of each month, and invoices issued immediately afterwards.	Select a 2 month period and ensure that all consent revenue is recognised during or at the end of each month, and invoices issued immediately afterwards.	Planner, Quality Assurance Officers, Director Environmental Services and Revenue Manager
25	Financial	Procurement contracts	IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.	6 High	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	1 Low	To ensure that all procurement contracts comply with the relevant policies to make sure that quotes are obtained / tenders received, as relevant, for various contract values.	That quotes / tenders are obtained as per council's Procurement Policy.	Select 3 contracts awarded since July 2020 (one each of >\$250,000, \$100,000-\$250,000, and \$20,000 to \$100,000), to ensure the procurement policy and processes were followed correctly, for either quotes or tender, depending on the respective value of each contract. Check that documentation is on hand to evidence this.	Relevant contract managers
29	Health, Safety and Wellbeing	Public Events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged.	4 High	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated. Hazard identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff.	2 Moderate	To ensure that for any outside council event that council is holding, consideration has been given as to what will be physically happening and what we are doing to mitigate the risk of that activity.	Check there are procedures in place at each public event to ensure staff and members of the public are safe from hazards and risks, and all staff are aware of the procedures.	Check 2 public events - a Prospero Market and an event at the pool, to ensure that hazards had been appropriately identified, and ensure that health and safety training has been provided to all staff at each location, and that all health and safety procedures were followed.	Community Development staff, Aquatic Services Team Leader

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32	Health, Safety and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections / visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance. Ongoing training / Awareness of HSE requirements and responsibilities. Better use of council data / knowledge base on dangerous or insanitary sites before staff member deploys to site. Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate	To ensure that council is acting responsibly regarding staff as follows: a) together with contractors at the water treatment plant, so that council will not be subject to any external investigation and penalties or fines, which could compromise council's ability to continue to provide safe and potable drinking water, and would remain untreated, therefore risking the health and lives of the water users b) at the swimming pool, to make sure that Worksafe and ACC are not required for any external investigations.	To see if the water treatment plant staff and contractors and all pool staff are aware of all HSE requirements, including what to do in the event of an emergency when working alone. Check if there is a register of what staff and / or contractors are on site at any one time.	Review the procedures for ensuring staff are safe while at the water treatment plants and swimming pool are appropriate and adequate. Check that all staff are aware of the procedures when working alone, including the use of the NEC phone system (where applicable), and communicating with peers and supervisor. For the water treatment plant, there must be a return time in place, and Smartrak is the last line of defence so needs to be monitored to ensure that there is a robust protocol in place for this. Document what training has been provided for staff and contractors at the water treatment plant and all pool staff, in relation to health and safety while working alone. Check that there is a register of such persons, held on site at all times, to be completed daily, and available for inspection at any time.	Plant Technician, Services Asset Manager and Aquatic Services Team Leader
73	Health, Safety and Wellbeing	Water supply network is Contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	8 High	Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.	8 High	To ensure that the water supply network is maintained to the required drinking water standards, with no likelihood of contamination.	All staff that handle chemicals need to be approved handlers which should also ensure that chemicals are labelled and stored correctly.	Check there is a register that records all council staff who will handle chemicals at the water treatment plant, and their relevant qualifications. Check the procedures for testing the water both untreated at source, and treated water before tap and that the process comply with best practice. Ensure that all chemicals are labelled and stored correctly	Plant Technician and Services Asset Manager
79	Financial	Bribery and Corruption	IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	4 High	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	3 Moderate	To ensure council has procedures in place to deal with and report on conflicts of interest and gifts received by staff.	Compliance with council's Procurement Policy for conflicts of interest, and council's HR Policy rules are adhered to when offered a gift.	Review the gift register to ensure that all gifts are treated correctly on receipt or offer of a gift, as per Council's Human Resources Policy. Pick 5 random Council staff and ask them what the procedures are if they receive a gift from someone in connection with their work and document their answers, and compare to Council policy.	All staff

APPENDIX 2**Stratford District Council Internal Audit Plan 2020/21****1. Purpose**

The purpose of this Internal Audit Plan is to give effect to the Internal Audit for the 2020/21 financial year and establish a framework for the audit.

2. Objective

Regular internal audits ensure that the Council has procedures in place to manage its risks effectively and that Council staff are following those procedures. The audit will be carried out by existing staff, independent of the risk to be reviewed.

3. Framework

The internal audit will be based around the Council's Risk Register in Vault¹ which comprises Health and Safety, Legislation and Compliance, Financial, Operational, and Reputational risks. There are currently over 70 individual risks in Vault that have been identified by Council staff and approved by the Audit and Risk Committee.

It would be costly and ineffective to review all risks in one internal audit - rather a random selection of two risks from the top in the register in addition to a review of other risks, including two ad hoc risks identified. The Corporate Accountant has selected the risks to be audited randomly and has taken them to the Senior Leadership Team meeting for approval. The risks to be audited are to be presented to the May 2021 Audit and Risk Committee meeting for final approval.

4. Expected Outcomes

The internal auditors will be presented with details of their respective risk² to be audited, and develop and conduct specific audit tests. They will also be asked to provide feedback on each of the areas below:

1. How effective is the treatment option (risk mitigation strategy),
2. Are the treatment options being regularly observed by Council staff, and
3. What other risks have been identified during the audit that should be brought to management attention.

5. Timeframe

It is proposed that the audit work commence in May 2021 and results are finalised by 30 June 2021 and presented to the Audit and Risk Committee in September 2021.

¹ Stratford District Council's online risk management software platform.

² Including what the risk is, the effect it would have on Stratford District Council, Council's assumption of impact and likelihood and treatment options to mitigate the effects of the risk.

INFORMATION REPORT



TO: Audit and Risk Committee

F19/13-D21/15781

FROM: Health and Safety/Emergency Management Advisor

DATE: 22 June 2021

SUBJECT: REPORT FOR THE AUDIT & RISK COMMITTEE

RECOMMENDATION

THAT the report be received.

Moved/Seconded

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This report presents a summary of the three monthly progress and any highlights for the main areas of activity within for the period to 30 April 2021.

1. **HIGHLIGHTS**

No major injuries to date with staff or contractors.

2. **EXECUTIVE SUMMARY**

2.1 This report provides an overview of Council's health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the three months ending 30 April 2021.

2.2 Results of data analysed since 28 February 2021 show that there have been a total of 23 events logged in Vault. This includes 13 pool events that are now being logged in Vault.

Incidents (28 February 2021 – 30 April 2021)

	Period 28 February 2021- 30 April 2021	YTD (1 January 2021 – 31 December 2021)
Events	23	45
<i>Of which:</i>		
Injury	0	0
ACC Claims	0	0
Notifiable	0	1
Near Miss	0	2
Observations	1	2
Type of Incident		
Slips/Trips/Falls (no injury)	2	
Sprains/Strains	2	
Cuts/Abrasions/ Bleeding nose	7	
Bruising	1	
Near Miss	0	
Aggressive/Abusive Customer		
Vehicle Damage	-	
Insect Stings	-	
Plant/Equipment	2	
Other	9	
Level of Treatment		
No Treatment	12	
First Aid	11	
Medical Centre	-	
Hospital	-	
Level of Investigation		
No Investigation	19	
Formal Investigation	3	
WorkSafe Investigation	-	
Health and Wellbeing		
Workstation Assessments	1	
EAP Referrals	1	
Health Monitoring Assessments	-	
Health and Safety Committee Meeting	0	
Site Reviews	1	

2.3 Incidents

Reporting of incidents remained steady over the period with again a large number of nose bleeds and trips reported from the TSB pool complex. The variety of incidents however has caused interest and questions amongst our staff as to where does their duty of care begin and end? Examples of members of the public having diabetic events and feeling faint to an elderly person falling from their mobility scooter en route to a council held event are but a few of the different events that have needed to be dealt with recently and have been great reminders that emergency plans must be in place along with first-aiders and kits.

2.4 Civil Defence

Todd Velvin has been appointed the Taranaki Civil Defence regional manager, a position he has held as for last three months stepping in after Craig Campbell- Smart moved on to become regional group recovery manager. Staff training in civil defence functions continues to vary and is very much based on whether staff can be released from their business as usual roles. The Taranaki Emergency Management Office is currently undergoing major renovations including earthquake strengthening and is due to be completed on 21 July.

Rural Support Trust Facilitator Training was held recently focussing on the Transitioning of Taranaki to A Volcanic Future. It looked at Mouna Taranaki and the likely impacts of an eruption as well as actions farmers can take now to mitigate some of the impacts.

2.5 Contractors

Completion of the pre-qualification of local contractors continues to be a focus for the advisor. It is important in a small community that Council is seen as supporting local but the reality is that even after nearly six years of the new Act being in force, some contractors seem unable to understand what the requirements are of having a health and safety system in place and worse, not knowing the ramifications if they have not.

2.6 Investigations

There were three formal investigations. The main investigation was centred on a second chlorine leak at the pool. This time it was confirmed that foreign material had entered the system through contaminated cylinders. Unlike last time, the leak was a lot smaller and contained immediately by trained staff on site. Emergency shut off valves have also been purchased to ensure no more leaks. These valves can be also transferred to the new complex once it is operational.

The second and third investigations were contractor related with the same contractor involved in both incidents. Corrective actions include training for the crew and supply detection equipment to all crews. The second incident was several weeks later on a council job that involved a burst water main. The main had to be uncovered resulting in partial collapse of a trench and the subsequent injury to one of the contractor's staff. The contractor has received treatment and resumed normal duties the following day.

2.7 Site Reviews

Only the one review has been carried out with nothing outstanding.

2.8 Wellbeing

Wellbeing continues to be a topic everybody is talking about lately in and out of Council. This committee agenda contains a separate report on the findings from Council's most recent wellbeing survey and associated actions.

The advisor and several staff members were fortunate enough to attend a wellbeing conference that was held in New Plymouth where mental, physical and financial wellbeing were discussed and now at the forefront of considerations all businesses must employ whilst discharging their duty of care.

Skin checks will be taking next place month and align with the physical wellbeing – Te Taha Tinana – of our implementation plan.



M Bestall
HEALTH AND SAFETY/ CIVIL DEFENCE ADVISOR



Approved by:
Sven Hanne
CHIEF EXECUTIVE

DATE: 10 May 2021

INFORMATION REPORT



TO: Audit and Risk Committee

F19/13 – D21/15578

FROM: Director – Corporate Services

DATE: 22 June 2021

SUBJECT: RISK REVIEW

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

Moved/Seconded

1. PURPOSE OF REPORT

This report is part of the Committee’s regular Programme of Works. It includes a review of any changes made to the Council’s Risk Register, and informs the Committee of any incidents in relation to the Top Ten Council risks since the last Audit and Risk Committee meeting, held in March 2021.

2. EXECUTIVE SUMMARY

The Council maintains a Risk Register within the online risk management software program *Vault*. The risk register is reviewed weekly by the Senior Leadership Team (“SLT”) to ensure such things as the risk scores are appropriate, control measures are adequate, and that we have captured all real risks to Council.

Changes to the risk register are discussed and agreed to by SLT before coming into effect. In the past quarter, one new risk was added to the risk register – “Failure of a Financial Investment”.

As changes are made to the register with new additions, amalgamation of risks, and changes to the risk ratings, there may also be changes to what is deemed to be a Top Ten Council risk. There have been no changes to the Top Ten Risk Register since the last Committee meeting. However, there has been a change to *Risk 54 – Building Consent Authority Accreditation*”.

In relation to incidents or real threats that have occurred specifically relating to the Top Ten Risks, just one has been identified and reported on in this report.

3. LOCAL GOVERNMENT ACT 2002: SECTION 10

How is the subject of this report applicable to the purpose of the Act?

- Is it for the provision of good quality local infrastructure? If so, why?; **OR**
- Is it for the performance of a good quality regulatory function? If so, why?; **OR**
- Is it for the performance of a good quality local public service? **AND**
- Is it in a way that is most cost-effective to businesses and households? If so, why?

Good quality means, infrastructure, services, and performance that are efficient and effective, and appropriate to present and anticipated future circumstances.

Local public service means, a service provided for the community which is for the benefit of the District.

Active management and monitoring of council risks will enable more stable provision of public services for the community, and an improved ability to respond to risk events.

4. BACKGROUND

The Risk Register was first presented to the Audit and Risk Committee at the June 2018 meeting and subsequently adopted by Council. It followed the approval of the Council's *Risk Management Policy* and *Risk Management Framework*, which details how the Council will manage and monitor risk.

The *Risk Management Framework* reads:

“Risk management happens every day and everywhere at the Stratford District Council. It is a key business process and a key leadership competency. Business as usual, initiatives and opportunities all require us to take risks. It is important to understand what those risks are, so that we can make informed decisions in areas of uncertainty.”

The Risk Register also includes control measures to mitigate the likelihood of a risk occurring, and/or the impact of an adverse event.

“The outcomes and benefits expected from applying effective risk management are:

- *Improved achievement of the Stratford District Council's strategic direction, objectives and priorities.*
- *Reduced risks – significant risks are identified and managed and early warning of problems and emerging risks are addressed, with appropriate design and operation of internal controls.*
- *Improved decisions – decisions are made after analysis of risk.*
- *Improved planning and resource allocation – risks are prioritised and included in business planning so that resources are better managed.*
- *Increased accountability and transparency – clarity of key risks and the responsibility and accountability for their management.”*

The Top Ten Risk Register is solely for risks where the combination of severity and probability of occurrence gives a raw risk score rating of “very high”. These risks are monitored more regularly and in more depth than the other risks by SLT.

5. INFORMATION SUMMARY

5.1 New Risks identified and added to the Risk Register

There were no new risks added to the Risk Register since March 2021.

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	Low	1-Low	1-Low	4-Moderate	5-High

5.2 Changes to the Top Ten Risks

The control measure for **Risk 11 – Server Failure** has been updated from:

Restore from backup, backups stored off-site. Fail-over for Melbourne data centre replicates to Sydney data centre.

To:

Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.

Risk 54 – Building Consent Authority (BCA) Accreditation

Although not a top ten risk - since the last Audit and Risk Committee meeting, Council officers have reconsidered the score for risk 54 which relates to Building Consent Authority Accreditation. The Building Control team have been working through a series of recommendations made by International Accreditation New Zealand relating to our Building Consent Authority. These recommendations are aimed at minimising the risk of losing accreditation as a Building Consent Authority. Most of this work is now completed but some items are still in progress and so the Director – Environmental Services recommends an increase of the residual risk from 1-low (rare/serious) to 3-moderate (unlikely/serious).

5.3 Incidents or Threats in relation to the Top Ten Risks

Risk 32 – Lone Worker

A risk has been identified with the Water Services Team Leader at the Stratford water treatment plant who is often working at the plant on his own. Further work is being done in this area to protect the staff member in a Council workplace, including investigation into cameras and personal alarm systems.

6 STRATEGIC ALIGNMENT

6.1 Direction

Direction has been taken from the Council's *Risk Management Policy* and *Risk Management Framework*, both of which have been approved by the Audit and Risk Committee.

6.2 Annual Plan and Long Term Plan

Not applicable.

6.3 District Plan

Not applicable.

6.4 Legal Implications

Not applicable.

6.5 Policy Implications

No changes are proposed to the *Risk Management Policy*.

Attachments:

Appendix 1 – Top Ten Risk Register

Appendix 2 – Council Risk Register



Tiffany Radich

DIRECTOR – CORPORATE SERVICES



Approved by:

Sven Hanne

CHIEF EXECUTIVE

DATE: 10 May 2021

APPENDIX 1

Top Ten Risk Register

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate

APPENDIX 1

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data/knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S. 47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High

APPENDIX 1

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

APPENDIX 2

Stratford District Council Risk Register - Detailed

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
1	Compliance and Legislation	Legislation Changes	IF changes to legislation or case law occur and are not implemented by staff, THEN council may be acting illegally and in breach of legislation.	4 High	Regular review and update Legislative Compliance Register. Staff training and attending relevant industry conferences. Regular policy review to ensure policies and procedures are in line with legislation changes.	2 Moderate
2	Compliance and Legislation	Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	3 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	1 Low
3	Compliance and Legislation	Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and receive attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	3 Moderate	Quality assurance. Resourcing levels maintained. Schedule of dates and commitments is regularly maintained and updated by Quality Assurance officer. Regular review and update of Legislative Compliance Register.	1 Low
4	Compliance and Legislation	Bylaws and Policies	IF Council fails to keep Policies and Bylaws up to date, THEN the Policies and Bylaws may become unenforceable and irrelevant, and council could be acting illegally, or the policy is not fit for purpose.	8 High	Quality assurance, Resourcing levels maintained, Regular Policy Schedule review by CEO. Regular review of Bylaw timetable maintained in Content Manager.	3 Moderate
5	Compliance and Legislation	Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	1 Low

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
6	Compliance and Legislation	Three Waters - Non-Compliance	IF Council does not comply with its obligations under legislation (i.e. Resource Management Act, NZ Drinking Water Standards, Health and Safety at Work Act) THEN administrative fines and penalties may result, in addition to reputational damage if publicised.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with legislative requirements through regular update of Legislative Compliance Register. Subscribe to regular email updates from local government and relevant industry bodies, council listserv to ensure staff are notified of legislation changes.	2 Moderate
7	Compliance and Legislation	Property and Parks - Non-Compliance	IF Council does not comply with its obligations under legislation (eg. Resource Management Act 1991, Building Act 2004, Health and Safety at Work Act 2015) THEN administrative fines and penalties may result, and reputational damage.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with all legislative requirements impacting on property and park assets. Ensure maintenance contracts have robust out-clauses that cover a range of situations where non-compliance or unsatisfactory work is identified. Council has secured public liability insurance and statutory liability insurance.	Low
8	Compliance and Legislation	Annual Report Adoption and Publication	IF the Council's Annual Report is not adopted by 31 October and made publically available by 30 November, THEN there will be additional audit scrutiny and reputational damage within local government. Loss of community trust - the community is unable to assess Council performance in a timely manner.	2 Moderate	Set annual report timetable to ensure statutory deadline is met. Good project management by key staff. Keep updated of possible changes to legislation and plan accordingly. Good communication to all staff, and establish rapport with Audit NZ and respond in a timely manner to all queries.	1 Low
84	Compliance and Legislation	Tax Compliance Breach	IF the Council files incorrect or misleading tax returns (specifically GST, FBT and PAYE), then it may be liable for financial penalties, IRD audit scrutiny, and lack of auditor confidence.	4 High	Ensure staff are properly trained and stay up to date with tax legislation and current topical issues. All tax returns should be reviewed and signed off by someone other than the preparer of the tax return. All property purchases and sales should be reviewed by Finance specifically to check correct GST treatment. FBT on motor vehicles and private use should be reviewed at least annually. All entertainers and individual contractors must be reviewed for correct withholding tax treatment.	3 Moderate
9	Compliance and Legislation	LTP/Annual Plan	IF LTP/Annual Plan is not adopted by 30 June THEN council cannot set rates, statutory breach reported to Minister, unable to commence service delivery, additional audit scrutiny	8 High	Set a timetable to ensure statutory deadline is met. Good project management. Good quality data is provided. Keep abreast of possible changes to legislation and plan accordingly. Good communication to all staff and liaison with Audit NZ.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
10	Data and Information	Systems Down - Natural Disaster	IF there is a natural disaster THEN systems may be down temporarily, reduction in worker productivity, unable to respond to customers, data unavailable, potential permanent loss of data.	8 High	Backups done daily and stored off-site. Most critical data is in the cloud, data centre is overseas so workers can access system remotely from anywhere. Civil Defence will make hardware available for emergency response.	3 Moderate
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
13	Data and Information	Communication to data centre	IF there is a loss of communication to the Data Centre (due to IT failure, power failure, or other damage to link) THEN systems downtime will cause temporary disruption. Council staff will be unable to access data and complete work and respond to customers satisfactorily.	4 High	Can access private link or an internet link - reroute the traffic. Backup generator if power supply lost.	3 Moderate
14	Data and Information	Uncontrolled access to Physical and Digital Records	IF there is uncontrolled or unauthorised access to archives, THEN records/ files could go missing, privacy breached, possible legislative breaches.	2 Moderate	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	1 Low
15	Data and Information	Records Handling	IF hard copy protected records are handled in a way that could cause damage, degradation or misorganisation, THEN this could lead to loss of protected records, non-compliance with legislation and potential financial penalties.	3 Moderate	Access to archives is limited to trained staff. Ensure the Information Management Specialist is fully trained in all areas of protected records management. Maintain a register of archived records, and a process by which records will be archived. Storage area must be restricted and temperature controlled.	Low
16	Data and Information	Unapproved online platforms used	IF unapproved online platforms are used for Council business, THEN Council sensitive information and individual private details could be hacked and made available publically.	3 Moderate	All Council information should only be stored on platforms that are approved by IT and gone through proper procedures and checks by IT.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
17	Financial	Roading Annual Work Programme	IF non-availability of labour and plant or weather events affect ability to complete annual programme of work, THEN risk of spend being under budget (over-rating) and unable to access NZTA claims originally budgeted for, and services being unavailable to the public.	3 Moderate	Encourage maintenance contractor to sub-contract out work if they do not have sufficient resources in-house. Ensure there is a clear understanding between Council and Contractor of completion timeframes, as per the Contract. Outsource work to another contractor - this has to be considered carefully due to contract obligations and commitments.	2 Moderate
18	Financial	Accessing Funding	IF incorrect assessment is made to determine required maintenance funding, all funding options are not sought, or insufficient funding is made available THEN Council may miss out on funding and Council has to fully fund projects.	3 Moderate	Ensure funding assessments are carried out by sufficiently experienced personnel and strong cases are made for funding. A system should be established to regularly monitor all available funding for council projects.	1 Low
19	Financial	Internal Financial Controls	IF internal financial controls are compromised and ineffective, THEN possible fraud, budget blowout, delayed service	6 High	Good quality controls. Implement annual external and internal audit recommendations. Adhere to Procurement and Delegations Policy. Communications of internal controls to all staff. Recommend internal audit conducted every year. Annual leave not to accrue > 2 years. Electronic signature images not to be relied upon.	1 Low
20	Financial	Creditor Payments	IF creditors are not paid correctly or on time THEN goods and services delayed, increased costs, reputational damage and possible fraud.	2 Moderate	Ongoing training of competent staff and appropriate staffing levels. Adhere to Procurement Policy. Good planning and time management Creditor statement reconciliations. Cash and treasury management.	Low
21	Financial	Assessment of Rates	IF rates are assessed incorrectly or inaccurately THEN ratepayers could legally challenge the rates assessment and Council could be forced into a legal battle.	4 High	Resourcing and training of competent staff. Test EOY prior to June. Have Civica rectify errors prior to 30 June. Re-test EOY after errors corrected. Check FIS and Rates Resolution align and legal advice taken.	2 Moderate
22	Financial	Rates Invoices Processing	IF rates invoices are not sent out accurately and on time THEN cashflow delayed, legal obligation not met. Can result in reputational damage with ratepayer community.	3 Moderate	Resourcing and training of competent staff. Clear accountability for rates invoicing and appropriate training in systems given. Timetables for processing and posting to be clarified ahead of due dates. Good communication with NZ Post.	2 Moderate
23	Financial	Outstanding Debt	IF debts are not collected in a timely manner THEN cashflow delayed or is impacted on and bad debt may need to be written off resulting in expense to Council.	3 Moderate	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all ratepayers on direct debit.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
24	Financial	Direct Debits	IF direct debits are not processed correctly, and on the due date, THEN cash flow delayed, and may result in public distrust of Council's direct debit process resulting in a reduction in ratepayers who choose to pay by direct debit.	2 Moderate	Direct debit processing treated as a daily priority done early as possible in the day. If any IT issues get onto it as soon as possible. Ensure at least 2 staff are trained in processing the direct debits.	1 Low
25	Financial	Procurement contracts	IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.	6 High	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	1 Low
26	Financial	Credit Risk	IF Council is unable to increase borrowing to fund urgent capital or operational expenditure, or is unable to renew borrowing once it matures, or is called to repay a loan if covenants are breached THEN projects will not proceed, council may have to cease operations, possible replacement of councillors.	8 High	Regularly monitor debt covenants and cashflow forecasts reported monthly to Policy and Services Committee, and quarterly to Audit and Risk Committee.	4 Moderate
27	Financial	Significant Population Reduction	IF there is a significant population reduction, resulting in loss of ratepayer base and reduction in property values - THEN this could result in higher rates for others and significant cost reductions may be required.	5 High	Ensure variable costs are clearly identifiable, and therefore able to be isolated and adjusted if ratepayer base reduced. Council actions to align with council mission and vision to make Stratford a great place to live.	4 Moderate
28	Financial	Interest Costs	IF financing costs increase THEN this results in increased costs to council and budget being exceeded or increase to rates.	4 Moderate	Treasury management programme in place to ensure interest rate maturity risk profile is spread evenly over the next 5 plus years. Could investigate longer term swap options. Borrowings and investments must be maintained within treasury policy covenants. Regular reporting to Policy and Services committee meeting.	2 Moderate
62	Financial	New Regulations require Significant Investment	IF new environmental regulations or legislation imposed on councils requires a significant increase in capital expenditure, THEN ability to finance investment could be compromised and rates increases could breach limits.	6 High	Attempt to keep debt and expenditure low and achieve cost efficiencies regularly so that council can weather any necessary investment in order to be compliant with changing legislative environment.	4 High

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
63	Financial	Theft by Contractors	IF contractors have unrestricted access to council property and/or information, THEN there is an opportunity for theft and consequently loss of Council assets.	4 Moderate	All contractors must go through a pre-qualification process. Visitors to Council buildings must sign in. Access to the building has now been restricted with the use of fobs. Protected records are stored in a safe or locked storage room.	2 Moderate
74	Financial	Inadequate financial provision to fund asset replacement	IF there is inadequate financial provision in reserves to fund the replacement of assets, THEN the Council may have to borrow more than expected, or asset replacement may need to be delayed which may affect service level performance.	3 Moderate	Ensure annual depreciation is based on accurate fixed asset values (replacement cost) and accurate useful lives. Assets should not, unless necessary, be replaced before the end of their useful life.	1 Low
79	Financial	Bribery and Corruption	IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	4 High	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	3 Moderate
81	Financial	Management Override of Internal Controls	IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets /funds and incorrect/misleading financial statements.	4 High	Audit and Risk Committee oversight. Internal and External audits annually. Fraud Policy awareness training for all staff at least three yearly. Regular review of policies to ensure in line with best practice. SLT to undergo ethics training. Prior to new employment, full reference checking of at least one recent, direct manager (particularly for financial and management roles). Zero tolerance for any bullying type behaviour.	3 Moderate
85	Financial	Failure of a Financial Investment	IF a Council financial investment fails or devalues significantly, Council's assets reduce, resulting in lower revenues in future and potentially higher rates increases.	12 Very High	Ensure security is taken over assets where applicable, regular reporting requirements and audits are met where applicable, and adhere to Treasury Management Policy at all times unless approved by Audit and Risk Committee.	8 High
29	Health, Safety, and Wellbeing	Public Events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged	4 High	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated Hazard Identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
31	Health, Safety, and Wellbeing	Abusive Customers	IF abusive customers come into any of the Council's service centres, THEN there is the risk that council staff or the general public could be harmed or exposed to violence.	4 High	Staff have personal alert alarms if in danger, customer service training and policies on how to deal with situations so they do not escalate. Security cameras in place. Fob access required to access staff office area. Mayor's office is secured by glass entry way.	2 Moderate
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data /knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
34	Health, Safety, and Wellbeing	Food / Health Safety	IF Council doesn't adequately respond to a complaint and a member of the public falls ill or dies, THEN Council is at risk of legal proceedings under the Food Act/Health Act.	4 High	Quality assurance standards and process in place and adhered to by staff. Ongoing training/awareness of HSE requirements and responsibilities. Ensure Food safety bylaw is regularly reviewed.	2 Moderate
35	Health, Safety, and Wellbeing	Parking control	In the process of administering the Parking function, IF a member of the public is injured or vehicle is damaged, THEN possible death or serious injury could result.	4 High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Body cameras to be worn by compliance officer when out on duty.	2 Moderate
36	Health, Safety, and Wellbeing	Council Vehicle accident	IF a staff member has an accident in a council vehicle, THEN this could result in possible death or serious injury and damage to motor vehicle asset.	4 High	All staff must have a full drivers licence, all staff are aware of procedures if there is an accident. Staff driver training to be provided to regular drivers. GPS and mobile phone tracking.	3 Moderate
37	Health, Safety, and Wellbeing	Staff under Stress	IF staff are affected by personal issues or by work pressures and experiencing high levels of stress, THEN work performance may decline and/or fatigue, illness, unsafe work practices may result.	7 High	New Wellbeing Strategy implemented and regularly monitored by the Health and Safety Committee. Managers are responsible for being aware of the wellbeing of their direct reports. There are various options available for relieving the pressure of staff who are overworked including increasing staff or reallocating work - regular wellbeing newsletters emailed out to all staff by H&S officer. EAP service is widely communicated to all staff. All critical staff have a backup option available so they can take annual leave for at least a week at a time.	3 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
38	Health, Safety, and Wellbeing	Exposure to Hazardous Substances	IF staff are affected by exposure to hazardous substances eg chemicals, liquids, fumes and other toxic substances THEN there are possible risks to staff health and wellbeing.	6 High	All hazardous substances are correctly labelled and stored according to best practice safety procedures and guidelines. Training is mandatory for all staff working with hazardous substances. Use appropriate PPE gear at all times in the vicinity of the hazardous substances. Regular health checks for staff. Regular testing of hazardous substances and chemicals LABELLING and STORAGE be carried out RANDOMLY. The Stratford Water Treatment Plant has site licences for the storage of chemicals, these must be kept up to date. Fire extinguishers are on site, all signage is current and covers off on all of the chemicals held on site, labels are all correct and current. We currently have 5 authorised handlers. Ixom also do site audits when their representative is in the immediate area.	3 Moderate
39	Health, Safety, and Wellbeing	Playground Equipment Failure	IF Playground equipment, or other recreational equipment fails THEN a member of the public could be seriously injured or killed.	8 High	Biennial playground inspection report and quarterly compliance checks by contractor to bring any issues to attention of council staff.	3 Moderate
40	Health, Safety, and Wellbeing	Swimming Pool Accident	IF a member of the public has an accident in the water or a medical emergency at the Stratford Pool, THEN this could result in possible death or serious injury.	4 High	Training and qualifications are mandatory for lifeguards, children and elderly are monitored by lifeguard/s at all times. More staff brought on at busier periods.	3 Moderate
41	Health, Safety, and Wellbeing	Workplace Bullying or Harrassment	IF Bullying and harrassment in the workplace occurs THEN it can have an impact on the health and wellbeing of staff subject to the bullying and other staff witnessing the behavior. This may impact on staff productivity and the ability of Council to attract good quality candidates.	4 High	Top down culture against bullying and harassment of any kind, policy is followed through by management, staff are aware of the reporting process. The reporting process to deal with bullying and harassment is fair, transparent, confidential and dealt with in a timely manner.	3 Moderate
61	Health, Safety, and Wellbeing	Asbestos Related Work	IF council buildings are contaminated with asbestos, THEN there is the possibility of asbestos exposure to staff and the public and increased risk of asbestosis and other lung and pleural disorders.	4 Moderate	Asbestos protocols need to be developed in line with the asbestos regulations. Community needs to be made aware of Asbestos disposal guidelines. Staff involved in building compliance or construction work should be appropriately trained in handling of asbestos materials.	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
66	Health, Safety, and Wellbeing	Dog Attack	IF a dog attacks a member of the public and the dog control team have been slow or negligent in responding to complaints, THEN the the council may be liable for costs, and the public safety may be compromised.	4 High	Compliance officer to respond immediately to dog complaints. Ensure all dogs in the district are registered and the dog bylaw is complied with. Dogs are microchipped. Ensure dog pound is secure and access is restricted.	1 Low
67	Health, Safety, and Wellbeing	Muscular discomfort - Ergonomics	IF muscular pain or discomfort or eye strain occurs as a result of the work environment and setting, THEN this will impact on staff health and wellbeing and long term comfort at work.	2 Moderate	Apply ACC Habit At Work guidelines. Workstation assessments should be carried out to reduce the likelihood of onset of long term discomfort and pain conditions.	1 Low
68	Health, Safety, and Wellbeing	Armed Robbery	IF there is an armed robbery at any of council's services centres, THEN there is the potential for death or serious harm.	8 High	Establish emergency procedures, including use of panic buttons. Security cameras in place. Ensure staff are trained to deal with potential threat. Design / limit access to building so that threats are minimised.	4 Moderate
69	Health, Safety, and Wellbeing	Employee Substance Abuse	IF staff are affected by drugs or alcohol while at work, THEN there is an increased risk of an accident or injury, property damage, and reduced work performance.	8 High	Ensure staff are aware of drug and alcohol policy. Initial drug testing done prior to employment to filter out regular users. Utilise EAP.	2 Moderate
70	Health, Safety, and Wellbeing	Dangerous Roads due to weather events	IF there are dangerous road conditions that are not managed and communicated to the public appropriately, THEN there is a higher potential for car accidents and possible road fatalities.	2 Moderate	Ensure standard operating procedures are in place for potential weather events that may cause damage to the roads. This should include timely social media communications, installation of temporary barriers, cordons and signage in affected areas.	1 Low
73	Health, Safety, and Wellbeing	Water supply network is Contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	8 High	Implement regular (at least annually), systematic routine testing of raw AND treated water for a range of heavy metals. Backflow preventors to be installed for high risk properties. Relevant staff must be trained and qualified in the use of chemicals.	8 High
80	Health, Safety, and Wellbeing	Fatigue Management	IF Fatigue affects an employee, as a result of working extraordinary hours, THEN the employee may have limited functionality which could result in personal injury or injury to others. It could also lead to stress and long term mental illness if it is reoccurring and could mean Council is in breach of the Health and Safety Act.	3 Moderate	Ensure employees take regular, quality rest breaks during the working day, in line with the Employment Relations Act (HR Policy requires this). Ensure all staff know their responsibilities in terms of managing fatigue. Ensure shift workers rostered times are manageable. The Vehicle Use Policy has limits on driving a Council vehicle after exceeding max number of work hours. Contractor fatigue management to be reported and monitored through regular contractor meetings.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
83	Health, Safety, and Wellbeing	Aerodrome - Unsafe Conditions	IF the Council fails to carry out its legislative responsibilities to ensure aircraft movements are restricted or prohibited in unsafe conditions/areas of the Aerodrome, THEN lives could be put at risk and property damaged.	4 High	Establish operational procedures specific to this risk, and regularly monitor compliance. Council has Airport Owner and Operators Liability insurance cover of up to \$10m for all related costs Council is legally obligated to pay for property damage or bodily injury including death.	2 Moderate
42	Operational	Payroll Processing	IF Staff are not paid correctly or on time THEN staff may become disgruntled and distrustful of their employer, work standards could drop and employment laws could be breached.	3 Moderate	Training of practices and legislation. Staff competent and levels appropriate. Good planning for staff leave in the finance team and time management. External notification of updates and changes. More than one staff member should be fully functional in payroll. Ensure facility available to access cash if Council is short.	1 Low
43	Operational	Roading - other work clashing	IF there is work being carried out by others on/in road reserve, e.g. Broadspectrum, THEN council may not be able to complete its own work programme.	3 Moderate	Co-ordination of planned works with other contractors in the area when planning physical works.	2 Moderate
44	Operational	Road Closures - unplanned	IF there are un-planned road closures due to collapse of culvert/bridges/landslides and so forth e.g. Wingrove Rd culvert collapse THEN access in/out of district could be lost and people could be injured as a result.	4 High	Asset criticality review to identify critical roading assets and increase monitoring activities. Ensure quality workmanship and contractors are aware of their obligations to report and repair any damages to roads. Resources diverted from other planned projects to remediate repairs to enable the road to be re-opened.	3 Moderate
45	Operational	Contractor - Damage to Property	IF maintenance contractor damages council or private property while carrying out contracted work, THEN council could be liable for damages and additional expenditure.	4 High	Stringent Operational procedures: Daily reporting of compliance. Regular liaison with contractor and regulators to monitor performance to ensure compliance. Contractor pre-approval process. Council has material damage insurance policy, excess \$5k.	3 Moderate
46	Operational	Other Contractors in Network Corridor	IF work by others in Network Corridor results in damage to components of the 3 waters infrastructure THEN services to the public may cease or become unreliable or compromised.	3 Moderate	Co-ordination between services before major projects begin. Ensure all works have Corridor Access Requests.	1 Low

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
47	Operational	Attracting Qualified Staff	IF Council is unable to attract suitably qualified personnel, THEN services may become under threat and may cease.	4 Moderate	Internal training and succession planning programs. Ensure market wages are offered for all high demand positions. Recruit off shore option should be available for high-demand positions. Make greater use of consultants if necessary and/or shared services with neighbouring Councils. Make Stratford District Council a great place to work - measure staff engagement and respond to any issues expediently.	2 Moderate
48	Operational	Maintenance Contractor fails to deliver	IF maintenance contractor fails to deliver contractual service necessitating termination of contract and re-tendering, THEN assets may become under threat, unreliable, or unable to meet community needs.	4 High	Careful assessment of tender to ensure contract price viable for contractor to deliver level of service. Regular liaison with contractor to monitor performance and ensure compliance. Contractor pre-approval process must not be bypassed.	3 Moderate
49	Operational	Property design /construction information	IF Council does not have adequate information on original design or construction of asset, THEN there is a greater potential for failure of future work and unsafe future construction.	3 Moderate	Carry out regular condition assessment of assets. Reassess use of asset or redesign to suit.	1 Low
50	Operational	Key Person risk	IF a key person in the organisation could not work for a significant period of time THEN this could affect council's ability to perform core functions and duties.	4 High	Ensure Promapp is up to date with all staff day to day processes, if known absence ahead of time ensure an appropriate training plan in place. Make use of local consultants where appropriate. Connect with colleagues from neighbouring three councils to share resource if needed.	2 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
65	Operational	Biosecurity threat risk	IF there is a biosecurity threat to animals, or plant life THEN this could affect the economic wellbeing of the district and the ability of council to financially meet community needs.	4 High	Ensure council takes a proactive approach to working with Biosecurity NZ, MPI, TRC and the community where a threat is identified.	2 Moderate
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
76	Operational	Heavy/Extreme Rainfall incidents	IF the Stratford District experiences heavy rainfall continually over a period THEN roads may flood, restricting accessibility, landslips and mudslides may restrict road access and cause property damage, productive land areas may flood reducing functions, Stormwater, Wastewater and Water Supply assets may fail from overburdening, and overflows from Wastewater system may result in untreated water entering the Patea River.	8 High	Asset Management Plans and Incident Control Response Plans to document critical asset areas and response plan in the event of heavy rainfall incidents.	3 Moderate
77	Operational	Terrorist Attack	IF a terrorist attack occurred in Stratford, THEN loss of life, property damage, and business discontinuity may result.	4 Moderate	Develop Lockdown procedures for all Council public sites i.e. Library, I-Site, Council Office, TSB Pool. Be alert and aware of potential threats, work closely with Police and establish plan to minimize damage to people and property.	4 Moderate
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

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82	Operational	Failure of a Significant Contractor	IF a Contractor's financial situation deteriorates and impacts on their ability to deliver on a procurement contract, THEN the project may be left unfinished, Council may lose out on funds already spent, and may have to put contract out for tender again - resulting in project delays and additional cost.	4 High	Due Diligence required for all significant contracts that are required to go out for tender. Refer process in Procurement Manual (D19/33336), and Due Diligence Checklist (D18/35114).	2 Moderate
33	Reputational and Conduct	Animal Welfare	IF an animal that has been impounded is injured or dies due to maltreatment, THEN this could result in animal welfare agency scrutiny, possible court and legal costs, and reputational damage.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Vet Care/Assessments. Ensure notification is given to new animals being impounded so that compliance officer ensures the animals are being cared for and regularly fed and have access to water. Monthly farm meetings to bring up any animal welfare issues. Property Manager to regularly visit farm and make visual assessment of cow welfare.	2 Moderate
53	Reputational and Conduct	Release of incorrect or confidential information	IF incorrect or confidential information was given out through social media, media releases, staff actions at the services desks, LGOIMA requests, council meetings, and/or functions THEN risk of damaged reputation, ratepayer distrust and actions from Local Government ministry and/or Privacy Commissioner.	8 High	All Media releases are to be checked off by Dir – Community Services, and signed off by CEO or Mayor. Social Media Policy in place for clear guidance of social media use. Front counter training needs and communication guidelines established - a resource centre (knowledge base) maintained for FAQ's from public. Consider implementing a Privacy Impact Assessment for how council handles personal information.	2 Moderate
54	Reputational and Conduct	Building Consent Authority (BCA) Accreditation	IF Council loses BCA accreditation, THEN council cannot perform its building control function and there is no approval process for construction work and building compliance for the Stratford district.	4 High	Ensure best practice processes and procedures are in place and staff numbers and skill levels in the building consents team are appropriate. IAANZ audit recommendations to be taken on board. QA process implemented.	1 Low
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate

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Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
56	Reputational and Conduct	Building Consent location	IF Council issues consent and/or code compliance and the location of the building or structure that council signs off on is found to be in the wrong location THEN reputation damage could result and legal action may be taken against Council.	4 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. Engage professional surveyor if considered high risk. Council has public liability insurance.	1 Low
57	Reputational and Conduct	Online Passwords	IF online passwords are shared or used inappropriately, THEN there is the risk that staff can access or hack Council owned systems and release sensitive information.	4 High	Ensure that where a staff member leaves and they have access to logins accessible online that the passwords are changed and access ceases. Limit use of online accounts.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
59	Reputational and Conduct	CCO and other Out-sourced Functions	IF Council's non-core activities (farm, aerodrome) or CCO (Percy Thomson Trust) operate in a way that has potential for non-compliance with the law or potential for financial loss THEN there may be legal, financial, environmental and health implications.	4 High	Ensure regular meetings between council staff and external operators are held and there is good reporting and monitoring of key risks and KPI's by council staff. CCO's must report six-monthly to Council. Farm Business plan is prepared annually, separate to the Annual Plan, which contains all other council operations.	3 Moderate
60	Reputational and Conduct	Elected Members Communication	IF elected members disclose incorrect or confidential information to the public or talk about council negatively, THEN this could damage the reputation and public trust of elected members and council staff.	6 High	Ensure elected members have a good awareness and understanding of the SDC Code of Conduct. Induction for new councillors should be thorough and cover communication with the public, in private, and at Council meetings.	3 Moderate

APPENDIX 2

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High
75	Reputational and Conduct	Council employees abuse members of the public	IF Council employees, during the course of their Council duties abuse members of the public, particularly children, THEN the Council may suffer significant reputational damage and potentially be taken to court.	8 High	All staff in a public facing role, particularly where they must deal with children, must be police vetted before they commence work. Exception is where the role is urgent and requires immediate start - in these situations the employee should not be left alone at any time until a satisfactory police report has been received.	4 Moderate

INFORMATION REPORT



TO: Audit and Risk Committee

FROM: Director – Corporate Services

DATE: 22 June 2021

SUBJECT: FINANCIAL RISK MANAGEMENT REPORT

F19/13-D21/14266

RECOMMENDATION

THAT the report be received.

Moved/Seconded

1.0 Financial Results Summary

(Note: some results are presented as at March, and some for April. This is because year end revenue and expenditure was not yet closed off at the time of preparing this report for the agenda.)

The March year-to-date (“YTD”) results have revenue up against budget by \$4,082,786, at \$23,183,121, and expenditure as over budget by \$582,647, at \$14,963,585, with a YTD net surplus of \$8,219,536.

Full financial reports for March 2021 YTD have been provided to the Policy and Services Committee (April 2021 meeting).

1.1 Operational Results

For all three operating revenue streams, revenue for the YTD is above budget and the previous YTD.

Other revenue

Waka Kotahi NZ Transport Agency subsidies are ahead of YTD budget by \$413,714.

User charges

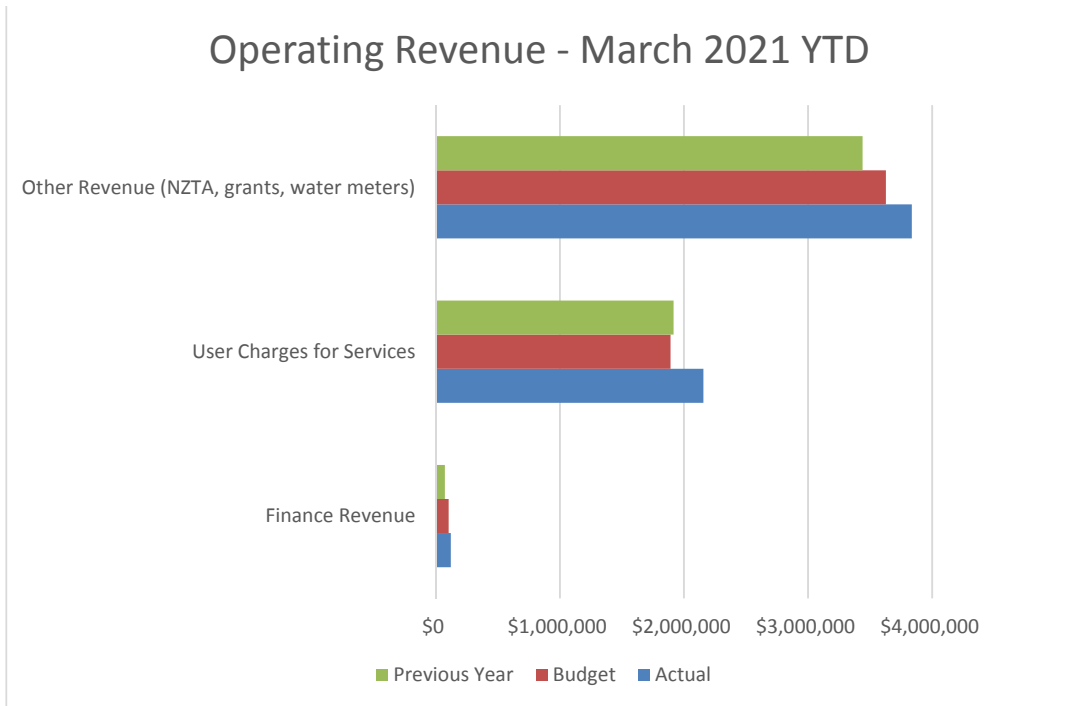
Receipts from building control and resource consent activities are up on budget for the YTD. Also, transfer station income, farm milk income, and cemeteries income are all higher than YTD budget.

Finance revenue

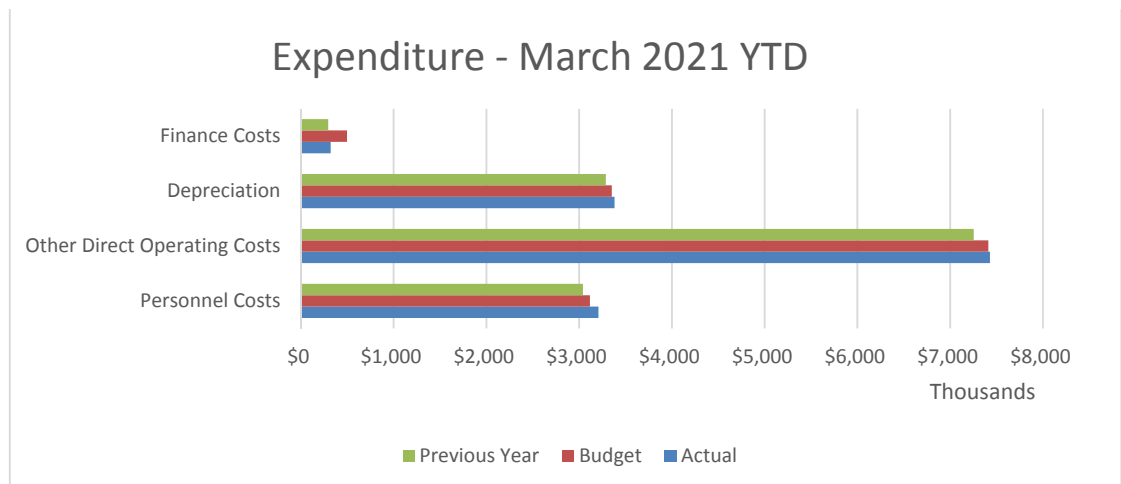
This is higher than budget as Council has had higher than expected surplus cash to invest in term deposits, resulting in higher interest revenue.

Extraordinary revenue

This is not included in the graph below and includes revenue not budgeted for such as provincial growth funding received of \$4,693,982 to date, financial contributions of \$40,761, and subdivision section sales of \$2,588,528.



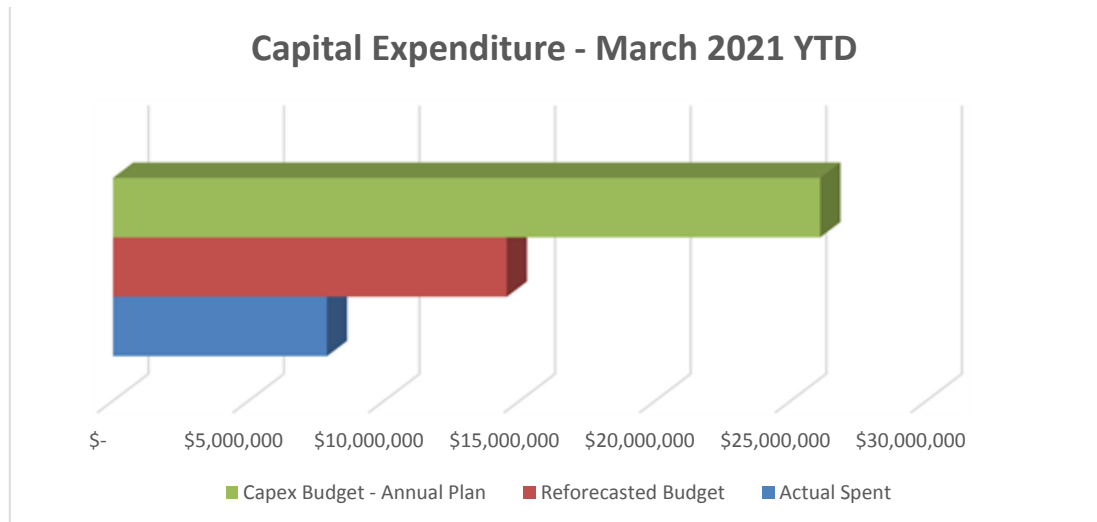
All categories of expenditure are higher than budget and previous YTD. Except finance costs which is below budget due to a lower weighted average interest rate than budgeted.



1.2 Capital Expenditure

The total annual capital budget of \$26,086,092 has been re-forecasted down to \$14,525,214. This is largely due to the new swimming pool project which has commenced but will not be completed by the end of this financial year.

As at 31 March, \$7,889,578 (54%) of the **re-forecasted** capital budget has been spent. The capital expenditure report attached, outlines what stage each project is at.



2.0 Treasury Report

2.1 Debt Maturities

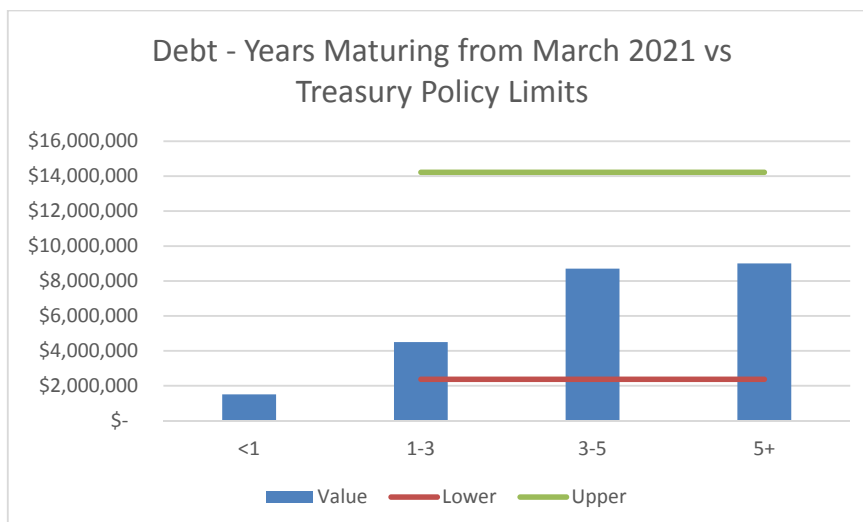
Gross Council debt is currently \$23,700,000. Net debt is \$9,520,000 after taking into account \$7,000,000 on term deposits with registered New Zealand banks, and the \$7,180,000 loan to the Stratford Agricultural and Pastoral Association.

The weighted average interest rate for debt is currently 2.21% (average 6 year term).

Council had **\$2,000,000 of floating debt maturing in April 2021** paying 1.11% interest, and has **\$1,500,000 of fixed debt maturing in May 2021** paying 2.62%. The full \$3,000,000 was refinanced in April 2021 (x3 \$1,000,000 loans of varying maturities), and the maturing \$1,500,000 will be fully repaid in May 2021.

Refer to the attached Treasury Report for the new loans schedule.

Although the weighted average interest rate has increased from 2.19% to 2.21%, Council now has greater certainty of interest costs over a longer timeframe, reducing credit (refinancing) risk. Repaying \$500,000 of debt gives Council the capacity in future to borrow more if necessary.



2.2 Financial Investments

Council currently has a total of \$7,000,000 on term deposits with registered banks, of which \$6,000,000 is with Westpac bank. The weighted average interest rate for all financial investments is 1.23% (average 3 year term).

It is expected that Council will carry \$6,000,000 of term deposits over the next 12 months to cover reserves, however surplus cash on hand will be invested for an appropriate term. If there is a consistent need to go below the \$6,000,000 of term deposits, longer term debt will be considered as a more sustainable alternative.

The investments with Stratford Agricultural and Pastoral Association total \$7,180,000 and the first principal loan repayment is not due until December 2025. Interest is charged quarterly and the first invoice was paid in April 2021 by the due date.

2.3 Covenant Compliance

All internal, and Local Government Funding Agency (“LGFA”), covenants were met as at 30 April 2021, except for the Maximum Investment with Counterparty limit. This limit has been breached as Council officers assessed the risk of doing so, against the benefit of the higher interest rates received and found that the risk was minimal – the term deposits are with Westpac bank and are all maturing within the next 120 days. The Chair of the Audit and Risk Committee and the District Mayor approves any breach on the day of the investment being made, in line with Council’s Treasury Management Policy.

Also note that the investments with the Stratford Agricultural and Pastoral Association of \$7,180,000 also breaches the Treasury Policy. Audit and Risk Committee endorsement was received in October 2020, and Council approval given in November 2020 specifically for this loan.

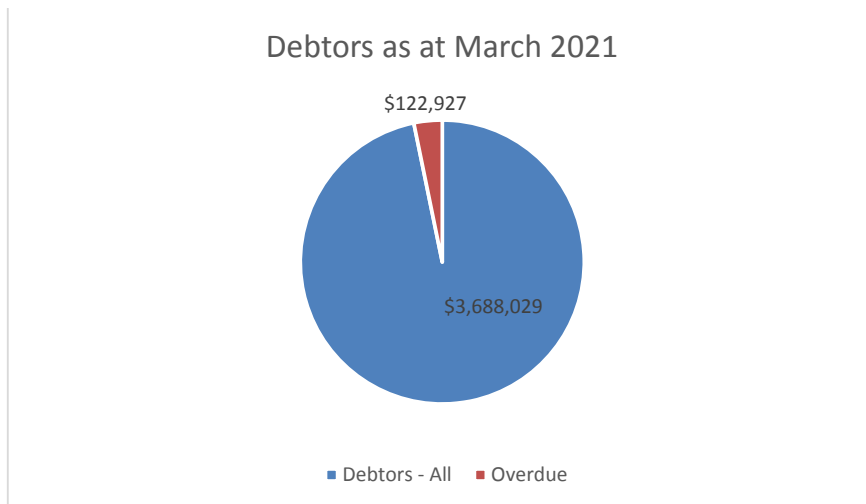
	Actual	Policy
Actual Fixed Debt	100%	>60%
Actual Floating Debt	0%	<60%
Fixed 1-3 years	19%	10-60%
Fixed 3-5 years	37%	10-60%
Fixed >5 years	38%	5-60%

Debt Matures 1-3 years	19%	10-60%
Debt Matures 3-5 years	37%	10-60%
Debt Matures > 5 years	38%	10-60%
Debt Servicing to Revenue Ratio	1%	<10%
Net Debt to Revenue Ratio	35%	<130%
Liquidity Ratio	178%	>110%
Net Debt per Capita	\$ 964	<\$3,000
Net Debt per Ratepayer	\$ 2,010	N/A
Maximum Investment with Counterparty	\$ 6,000,000	\$ 4,000,000

4.0 Accounts Receivable

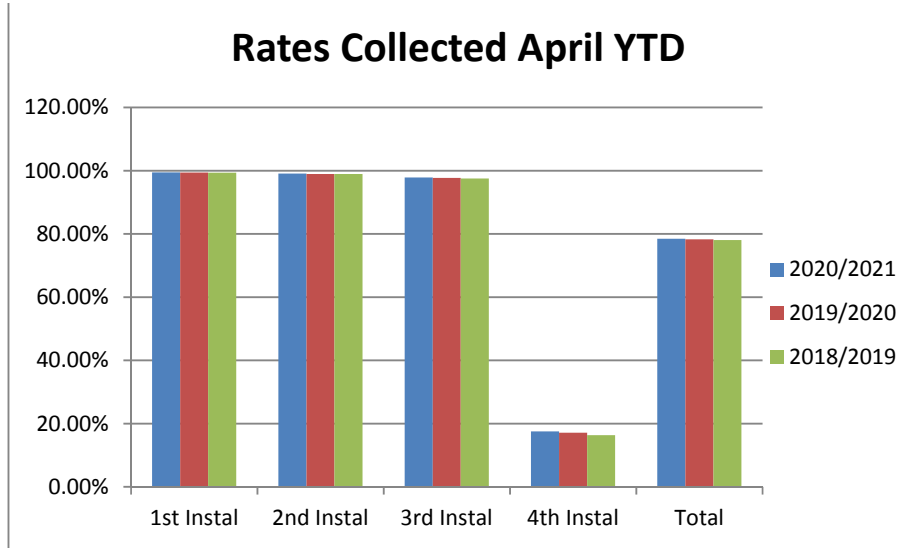
4.1 Debtors

Overdue debtors (excluding rates), is currently at \$122,927 (3% of total debtors). Of this, \$62,326 relates to overdue infringements that are with the Ministry of Justice for collection. All other overdue accounts are either under a payment arrangement or with the debt collector for collection, unless they are under dispute.



4.2 Rates

Total rates collected is slightly higher than previous years, there are no concerns about rates collection.



With regards to rates, in April 2021 the Local Government (Rating of Whenua Māori) Amendment Act was enacted. This is unlikely to affect Māori freehold land in the Stratford district however it may affect some council processes and policies in dealing with this particular category of land and push more land into the non-rateable area, rather than the rates remission policy being applied. The Stratford District currently has 17 rating units that are non-rateable (with a combined capital value of \$1,837,500), and 31 rating units that receive a remission (with a combined capital value of \$5,136,100).

Attachments:

- Capital Expenditure Report – March 2021 YTD
- Treasury Report as at 30 April 2021

Tiffany Radich
DIRECTOR – CORPORATE SERVICES

Approved by
 S Hanne
CHIEF EXECUTIVE

DATE: 10 May 2021

CAPITAL EXPENDITURE SUMMARY BY ACTIVITY AS AT 31 MARCH 2021

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
GROWTH - to meet additional demand									
Economy	Proposed Council subdivision	0	300,000	300,000	93,141	93,141	206,859	Completed	Practical Completion Certificate has now been completed. The total project cost was \$4.4m - fully funded from section sales.
Total Growth Expenditure		0	300,000	300,000	93,141	93,141	206,859		
LEVEL OF SERVICE - to improve the level of service on an existing asset or provide an additional asset to increase a service level									
Roading - Provincial Growth Fund shovel ready projects	Various safety improvements	0	0	751,934	979,211	979,211	(227,277)	Completed	\$751,934 is funded from the Provincial Growth Fund. All projects have been completed, and the remaining funds not covered by PGF are to be drawn from the Rooding Reserve (overspend is not NZTA funded).
Roading	Low cost / low risk safety improvements	0	1,047,924	1,047,924	741,676	1,047,924	0	By 30 June 2021	Funding reallocated by NZTA, was previously treated as operating expenditure.
Stormwater	Reticulation Capacity Increase	110,700	0	110,700	0	110,700	0	By 30 June 2021	Contractors have been engaged, and the works are expected to commence in April 2021.
Stormwater	Manhole Lid Safety Screens	123,100	0	123,100	0	123,100	0	By 30 June 2021	Contractors have been engaged, and the works are expected to commence in April 2021.
Wastewater	Reticulation capacity increase	104,900	145,911	250,811	8,809	8,809	242,002	Completed	This budget was mainly for the Broadway upgrade.
Wastewater	Safety screens	33,900	0	33,900	0	33,900	0	By 30 June 2021	Road reserves safety screens will be installed by the end of the year.
Wastewater	Pump station telemetry	83,900	82,000	165,900	0	80,000	85,900	Pending	The scoping of the design for the three remaining pump stations has been completed, and a quote has now been accepted. Some work will commence in April 2021.
Wastewater	Bulk discharge	0	51,300	51,300	1,050	51,300	0	By 30 June 2021	Replacement pump has been selected, job scheduled to be completed by June 2021
Wastewater	Stage 2 treatment - Oxidation Pond	262,100	0	262,100	756	10,000	252,100	By 30 June 2021	Ponds are completed. As part of the consent conditions, there is a one year trial which ends shortly. Depending on the outcome of the trial, the funds may or may not be required.
Water Supply	Water Meter Installation	346,000	0	346,000	75,314	200,000	146,000	By 30 June 2021	Ongoing, in conjunction with the zoning project.
Water Supply	Zoning	209,800	475,657	685,457	339,926	485,000	200,457	By 30 June 2021	Ongoing, in conjunction with the water meter installation project.
Water Supply	Second trunkmain	0	0	0	53,698	120,000	(120,000)	By 30 June 2021	This is for consultancy fees towards the design and route selection of the pipeline contract. Ground will be broken in May 2021, as part of stage 1.
Water Supply	Stratford street work rider mains	31,400	30,750	62,150	0	0	62,150	Pending	This work will not be completed by 30 June 2021 due to contractor unavailability.
Parks and Reserves	Park Development	15,600	0	15,600	6,606	15,600	0	By 30 April 2021	The first project (planting) has been completed, and the second project (lime chip path extension) will be completed by 30 April 2021.

2021 - Agenda - Audit & Risk - June - Information Report - Financial Risk Management Report

Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
Parks and Reserves	Walkway development	15,600	0	15,600	11,194	15,600	0	By 30 April 2021	A quote for the eastern loop was accepted, however due to the weather, the contractors were busy with other summer jobs, however work did commence in February 2021.
Parks and Reserves	Walkway signs	10,500	17,018	27,518	0	27,518	0	By 30 June 2021	The design phase for the signs is now in progress, in conjunction with the new branding.
Parks and Reserves	Plantings and signs	12,500	22,462	34,962	0	34,962	0	By 30 June 2021	The design phase for the signs is now in progress, in conjunction with the new branding.
Parks and Reserves	Victoria Park improvements (including bike park and half basketball court)	521,300	11,698	532,998	538,062	1,870,000	0	By 30 June 2021	Funding of \$1,870,000 from Provincial Growth Fund approved. Stage 1 (bike park and half basketball court) has commenced; stage 2 (the pump track) is being designed; and a contract has been let for the construction of stage 3 (public toilets).
Parks and Reserves	Discovery Trail	104,200	0	104,200	31,222	31,222	72,978	Completed	The remainder of this project was dependent on external funding, however the application was declined.
Swimming Pool	Various Pool improvements	37,200	0	37,200	0	37,200	0	By 30 June 2021	On-going expenditure
Swimming Pool	Pool development	15,636,500	0	15,636,500	1,870,330	5,300,000	10,336,500	By February 2023	Funding of \$8m from Provincial Growth Fund approved, then with \$12m from loans, making a total project cost of \$20m, with further grant funding likely. Of this total, \$5.3m will be spent by 30 June 2021, and the balance over the following 20 months.
Civic Amenities	Stratford 2035	100,000	0	100,000	1,787	50,000		By 30 June 2021	\$50,000 was to be grant funded, however the application was not successful so expenditure has been updated to reflect this. Currently waiting on updated quotes from suppliers / contractors for flag trax and a lighting audit, which will then form the basis for the design and implementation of the lights.
Civic Amenities	Broadway / Prospero Place upgrade	0	80,629	80,629	46,155	80,629	0	By 30 June 2021	The major project to date is the Village Green development. The balance of funds will be spent on any further development work required for the village green space.
Civic Amenities	WMC - civil defence upgrade	50,000	0	50,000	0	50,000		By 30 June 2021	The need for this expenditure is still under negotiation with the current users.
Farm	Calf bay	15,000	0	15,000	6,158	15,000		By 30 June 2021	Calf bay completed. Refurbishment to other calf bays will also be required.
Farm	Yard upgrade	30,000	0	30,000	0	30,000		By 30 June 2021	Three quotes for physical works have been requested, once evaluated and accepted, works will commence at the end of May.
Farm	Relocate concrete feed pad and lime chip turning area	0	0	0	52,986	52,986	(52,986)	Completed	This was going to be done in year 1 of the LTP however due to the issue around the temporary concrete pad, it was brought forward.
Farm	Race relocation	0	0	0	35,062	35,062	(35,062)	Completed	This was required due to the high number of stock injuries.
Farm	Landscaping / riparian planting	10,400	0	10,400	8,940	10,400	0	By 30 June 2021	Some remaining fencing work will be completed throughout the year.
Library	Information centre relocation	0	0	0	69,805	69,805	(69,805)	Completed	
Total Level of Service Expenditure		17,864,600	1,965,349	20,581,883	4,878,747	10,975,928	10,892,957		

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Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
REPLACEMENTS - replaces an existing asset with the same level of service provided									
Roading - Financially assisted NZTA	Unsealed Road metalling	795,000	(85,000)	710,000	226,525	300,000	410,000	By 31 May 2021	The underspend is to cover the cost of the works undertaken on Puniwhakau Rd.
Roading - Financially assisted NZTA	Sealed Road resurfacing	750,000	(70,000)	680,000	634,809	634,809	45,191	Completed	Revised NZTA approved budget to allow for contractual lump sum items claimed in the maintenance contract. Reseals are 50% completed for this year.
Roading - Financially assisted NZTA	Drainage Renewals	525,415	(100,415)	425,000	309,748	350,000	75,000	By 31 March 2021	Revised NZTA approved budget to allow for contractual lump sum items claimed in the maintenance contract.
Roading - Financially assisted NZTA	Pavement Rehabilitation	742,800	(62,800)	680,000	572,725	572,725	107,275	Completed	Beaconsfield Road rehabilitation has been completed.
Roading - Financially assisted NZTA	Structure Components Replacement	80,000	0	80,000	8,402	70,000	10,000	By 30 June 2021	This is for repairs to the retaining wall on Mohakau Road, and repairs to McBride's Bridge.
Roading - Financially assisted NZTA	Traffic Servcies Renewals	50,000	(518)	49,482	58,457	70,000	(20,518)	By 30 June 2021	Revised NZTA approved budget to allow for contractual lump sum items claimed in the maintenance contract.
Roading - Financially assisted NZTA	Sealed Road resurfacing-Special purpose	151,000	(50)	150,950	154,714	154,714	(3,764)	Completed	This was to undertake a substantial length of sealing on Pembroke Rd following the installation of the underground power cables to the Mountain House.
Roading non-subsidised	Underverandah lighting	12,500	0	12,500	0	5,000	7,500	By 30 June 2021	Upgrades still to be identified
Solid Waste	Transfer Station - Building renewals	20,800	40,800	61,600	9,399	9,399	52,201	Completed	Asbestos was been removed from transfer station.
Stormwater	Weather events emergency fund	2,600	0	2,600	0	2,600	0	By 30 June 2021	Ongoing
Stormwater	Reticulation Renewals	55,600	0	55,600	12,000	55,600	0	By 30 June 2021	Physical works ongoing
Wastewater	Step / aerate treatment renewals	31,500	0	31,500	0	31,500	0	By 30 June 2021	Work has now commenced on this project.
Wastewater	Treatment pond renewals	160,400	0	160,400	0	0	160,400	Completed	Ponds are completed. As part of the consent conditions, there is a one year trial which ends shortly, to ensure the bacteria survives. These funds may or may not be needed.
Wastewater	Bulk discharge	10,500	0	10,500	0	10,500	0	By 30 June 2021	This is part of the bulk discharge project above, in Level of Service.
Wastewater	Reticulation renewals	0	266,920	266,920	283,296	283,296	(16,376)	Completed	Physical works were undertaken via maintenance contracts. The majority of the project was for Central Broadway.
Water Supply	Laterals	32,100	0	32,100	10,113	20,000	12,100	By 30 June 2021	Ongoing
Water Supply	Stratford street work rider mains	267,400	202,087	469,487	0	0	469,487	Pending	This work will not be completed by 30 June due to contractors being unavailable.
Water Supply	Midhirst street work rider mains	15,700	0	15,700	5,131	5,131	10,569	Pending	Once the scope was confirmed, work commenced, however was then paused due to the availability of contractor resources.
Water Supply	Infrastructure general Stratford	26,200	0	26,200	28,377	28,377	(2,177)	Completed	

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Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
Water Supply	Infrastructure general Midhirst	3,200	0	3,200	0	3,200	0	By 30 June 2021	Ongoing
Water Supply	Infrastructure general Toko	1,600	0	1,600	1,170	1,600	0	By 30 June 2021	Ongoing
Water Supply	Grit tank replacement	0	248,495	248,495	50,932	60,000	188,495	Pending	Tender documentation is complete, and will go out for tender in April 2021. However the project will not be completed this financial year, and will be completed in the next financial year.
Water Supply	Meter replacements	52,400	93,614	146,014	0	0	146,014	Pending	This work will not be completed in the current year.
Water Supply	Patea delivery line	0	259,400	259,400	65,705	80,000	179,400	Pending	Tender documentation is complete, and will go out for tender in April 2021. However the project will not be completed this financial year, and will be completed in the next financial year.
Water Supply	Hydrants	15,500	0	15,500	5,918	15,500	0	By 30 June 2021	On-going
Civic Amenities	WMC - replace furniture	3,100	0	3,100	2,415	3,100	0	By 30 June 2021	Due to the tables being damaged and worn over time, 15 tables have now been replaced with new trestle tables.
Civic Amenities	Community hall renewals	0	0	326,761	329,678	329,678	(2,917)	Completed	Funding of \$326,761 from Provincial Growth Fund approved, however this went over budget due to previously unknown structural and electrical issues. The additional costs will be funded from reserves.
Civic Amenities	CRR - various replacements	8,700	0	8,700	5,163	5,163	3,537	Completed	Now that the PGF works have been completed, wi-fi and a heat pump has been installed.
Library	Equipment	0	0	0	5,687	10,000	(10,000)	By 30 June 2021	Funding of \$10,000 from the National Partnership Programme has been approved
Farm	Yard repairs	30,000	0	30,000	0	30,000	0	By 30 June 2021	Two quotes for physical works have been requested, once evaluated and accepted, works will commence by 31 May.
Farm	Effluent pump replacement	0	0	0	15,710	15,710	(15,710)	Completed	The existing pump failed so a replacement was required immediately. The cost of this has partly been covered by insurance, less the excess.
Farm	House - fireplace and floor coverings	12,000	0	12,000	11,210	11,210	790	Completed	One fireplace has been installed in the sharemilkers house, and a fireplace was installed in the workers cottage.
Miranda Street Office	Furniture Replacement	3,100	0	3,100	648	3,100	0	By 30 June 2021	On-going
Miranda Street Office	Floor coverings	42,700	0	42,700	0	42,700	0	By 30 June 2021	Only selected floor coverings will be done now as many carpeted areas were assessed as being fine. The remainder of the budget will be used to replace heat pumps in the council chambers, and to replace the concertina door between the chambers and committee room. Quotes are being obtained for the heat pumps and door, and a carpet quote has been accepted. All work will be completed by 30 June 2021.
Miranda Street Office	Office renovations	0	0	0	700	700	(700)	By 30 June 2021	Alterations to extend office space are in progress.
Miranda Street Office	Dishwasher	2,100	0	2,100	0	0	2,100	Not required	This has been purchased at a much lower cost so the renewal budget is not required.
Corporate	Computers/Peripherals/ Software	80,000	0	80,000	30,827	80,000	0	By 30 June 2021	On-going

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Council Activity	Project Description	2020/21 Annual Plan Budget (a)	Funds Carried Forward (b)	Total Funds Available (a + b)	2020/21 Actual Expenditure YTD	Projected year end forecast	2020/21 Projected under/(over) spend	Expected Project Completion Date	Status of each Project
Pure Carry-forwards	Government grant funded								
Corporate	AssetFinda and GIS software replacement	0	15,000	15,000	14,796	14,796	204	Completed	
Corporate	Civil defence equipment	10,000	0	10,000	0	10,000	0	By 30 June 2021	This will be determined when the potential upgrade to the War Memorial Centre is completed.
Corporate	Telephone System	0	25,000	25,000	17,571	17,571	7,429	Completed	Completed
Corporate	Website redevelopment	0	0	0	22,460	40,000	(40,000)	By 30 April 2021	Planning for this commenced in previous years, however work has only just commenced, as it was pending the branding design for Council.
Corporate	Vehicle Replacement (after trade in)	31,000	0	31,000	23,404	23,404	7,596	Completed	A Toyota Corolla hybrid was purchased in December 2020 to replace a Mazda pool vehicle which was sold at the same time.
Corporate	Miscellaneous	20,000	0	20,000	0	20,000	0	By 30 June 2021	
Total Replacement Expenditure		4,044,915	832,533	5,204,209	2,917,690	3,421,083	1,783,126		
TOTAL EXPENDITURE		\$21,909,515	\$3,097,882	\$26,086,092	\$7,889,578	\$14,490,152	\$12,882,942		

LIABILITIES AND INVESTMENTS STATEMENT AS AT 30 APRIL 2021					
Public Debt Statement					
Lender	Amount	Interest Rate	Term (Years)	Date Drawn	Maturity Date
LGFA	\$ 1,500,000	2.62%	3	August 2018	May 2021
LGFA	\$ 2,000,000	2.81%	4	August 2018	April 2022
LGFA	\$ 1,000,000	1.55%	3	April 2020	April 2023
LGFA	\$ 1,500,000	3.47%	5	May 2018	May 2023
LGFA	\$ 2,000,000	2.53%	5	May 2019	May 2024
LGFA	\$ 1,000,000	1.14%	3	April 2021	April 2024
LGFA	\$ 2,000,000	3.38%	7	August 2018	April 2025
LGFA - A&P	\$ 3,700,000	1.04%	5	December 2020	December 2025
LGFA	\$ 1,000,000	1.67%	5	April 2021	April 2026
LGFA	\$ 1,000,000	2.02%	6	April 2020	April 2026
LGFA	\$ 1,000,000	1.38%	7	May 2020	April 2027
LGFA	\$ 1,500,000	3.65%	9	August 2018	April 2027
LGFA	\$ 1,000,000	2.12%	7	April 2021	May 2028
LGFA - A&P	\$ 3,500,000	1.87%	12	December 2020	December 2032
	\$ 23,700,000	2.21%			
Internal Debt Register					
Activity	Amount	Start Date	Term	Interest Rate	Details
Water Supply	\$ 1,430,000	2013	N/a	2.21%	Water treatment plant
Farm	\$ 2,036,617	2016	N/a	2.21%	Opening plus capex
Committed Cash Facilities					
Lender	Facility Value	Outstanding	Rate		
TSB Bank	\$ 1,000,000	\$ -	BKBM* + 3%		
	\$ 1,000,000				
Investment Statement					
Investee	Amount	Interest Rate	Term (Days)	Start	End
Westpac	\$ 1,000,000	0.72%	122	8/01/2021	10/05/2021
Westpac	\$ 2,000,000	0.74%	119	22/01/2021	21/05/2021
Westpac	\$ 2,000,000	0.73%	120	10/02/2021	10/06/2021
TSB Bank	\$ 1,000,000	0.90%	180	21/12/2020	21/06/2021
Westpac	\$ 1,000,000	0.77%	125	5/03/2021	8/07/2021
A&P Association	\$ 3,680,000	1.29%	1826	22/12/2020	22/12/2025
A&P Association	\$ 3,500,000	2.12%	4383	22/12/2020	22/12/2032
	\$ 14,180,000	1.23%			
LGFA	\$ 32,000	2.13%	1827	10/05/2019	10/05/2024
LGFA	\$ 24,000	2.22%	992	27/08/2018	15/05/2021
LGFA	\$ 32,000	2.41%	1326	27/08/2018	14/04/2022
LGFA	\$ 16,000	1.15%	1103	7/04/2020	15/04/2023
LGFA	\$ 24,000	3.06%	1826	24/05/2018	24/05/2023
LGFA	\$ 25,000	0.74%	1092	19/04/2021	15/04/2024
LGFA	\$ 32,000	2.98%	2423	27/08/2018	15/04/2025
LGFA	\$ 92,500	0.64%	1826	21/12/2020	21/12/2025
LGFA	\$ 25,000	1.27%	1822	19/04/2021	15/04/2026
LGFA	\$ 16,000	1.62%	2199	7/04/2020	15/04/2026
LGFA	\$ 16,000	0.98%	2530	11/05/2020	15/04/2027
LGFA	\$ 24,000	3.25%	3153	27/08/2018	15/04/2027
LGFA	\$ 25,000	1.72%	2583	19/04/2021	15/05/2028
LGFA	\$ 87,500	1.47%	4383	21/12/2020	21/12/2032
	\$ 471,000	1.67%			
Shareholdings Statement					
	No. of Shares	Share Price	Value of Shares		
Fonterra	158,716	\$ 4.93	\$ 782,470		
Ravensdown	17,920	\$ 1.00	\$ 17,920		
Civic Financial Services Ltd	65,608	\$ 0.93	\$ 61,015		
			\$ 861,405		

*BKBM - The Bank Bill Market Rate is a short term interest rate used widely in NZ as a benchmark for pricing debt.

INFORMATION REPORT



TO: Audit and Risk Committee
FROM: Director - Community Services
DATE: 22 June 2021
SUBJECT: STAFF WELLBEING

F19/13/D21/15782

RECOMMENDATION

THAT the report be received.

Recommended Reason

The report provides an update to the Audit and Risk Committee on staff wellbeing.

Moved/Seconded

1. **PURPOSE OF REPORT**

This report provides the Audit and Risk Committee with an update on Council's staff wellbeing. This follows an initial report provided to this committee in December 2019 and incorporates data from Council's most recent Staff Survey.

2. **EXECUTIVE SUMMARY**

This report follows the Audit and Risk Committee's adoption of the Health and Safety Wellbeing as a risk category. It provides an update on the current status of the wellbeing work being undertaken within the organisation as well as a staff perspective via the Staff Survey.

3. **LOCAL GOVERNMENT ACT 2002: SECTION 10**

How is the subject of this report applicable to the purpose of the Act?

- Is it for the provision of good quality local infrastructure? If so, why?; **OR**
- Is it for the performance of a good quality regulatory function? If so, why?; **OR**
- Is it for the performance of a good quality local public service?

AND

- Is it in a way that is most cost-effective to businesses and households? If so, why?

Good quality means, infrastructure, services, and performance that are efficient and effective, and appropriate to present and anticipated future circumstances.

Local public service means, a service provided for the community which is for the benefit of the District.

- 3.1 Being a good employer ensures the organisation, through its employees has the ability to deliver the provision of good quality local infrastructure, regulatory function, and local public service.

4. **BACKGROUND**

- 4.1 Council has a responsibility under the Health and Safety at Work Act 2015 to manage work-related risks. Council aims to be a best practice employer. The Audit and Risk Committee has previously asked for information on what Council is doing for the wellbeing of its employees.

- 4.2 The Audit and Risk Committee adopted Health and Safety Wellbeing as a risk category. Within the category it has recognised specific risks on the council wide risk register in relation to staff wellbeing including staff under stress, workplace bullying or harassment, employee substance abuse, muscular discomfort - ergonomics, and fatigue management.

Officers will continue to look at the controls around each of these specific risks and following a full analysis of the survey results may look to add further risks to the register where appropriate.

- 4.3 The key measures listed in the wellbeing strategy are:
- Annual staff survey
 - Employee turnover
 - Reported incidents of bullying and sexual harassment
 - Staff absenteeism

These measures, set targets and actual performance against them is covered in the Information Summary below.

5. **INFORMATION SUMMARY**

- 5.1 In 2019 Council committed to establishing a wellbeing programme for staff. This work was undertaken in consultation with staff and with the Health and Safety Committee providing staff representation and input. The Council's first Wellbeing Strategy was completed in 2020 – a copy of this is attached. Based on staff feedback, this had four focus areas: Mental Health, Learning and Development, Cultural and Social, and Physical Health. This strategy was underpinned by an Action Plan which is currently being implemented.

- 5.2 The programme is being led by the Chief Executive and Senior Leadership Team along with the Health and Safety Committee which is made up of staff representatives from each of the departments. The committee's role is to engage, assess and prioritise, monitor and review the programme's action plan.

- 5.3 The group has adopted the vision of "*Our organisation is engaged and connected, lives by Council values, and makes positive health and wellbeing choices.*"

- 5.4 As outlined in 4.3 above, the key measures listed in the Wellbeing Strategy are:
- Annual staff survey
 - Employee turnover
 - Reported incidents of bullying and sexual harassment
 - Staff absenteeism

Measure	Financial Year		Comment
	2020	2021	
Annual Staff survey (annual)	3.89 / 78%	4.16 / 83.2%	Overall score. More detail in section 5.5
Employee turnover (financial year)	19 / 27%	14 / 21% YTD	Includes employees including students, casuals, fixed term, etc. 2020/21 data is YTD with 4 weeks to go.
Reported incidents of bullying and sexual harassment (financial year)	0	0	No incidents formally reported via H&S system* or any other means.
Staff absenteeism (financial year)	307	400.5 YTD	Total hours (not days!) Consistent of:
	152	180.5	up to & including 1 day
	109.5	160.5	2 day
	45.5	59.5	3+ day absences

*Council's H&S system has a confidential reporting function for this type of event.

The information resulting from the Annual Staff survey as well as that on reported incidents of bullying and sexual harassment is considered to be of high quality.

Employee turnover and staff absenteeism are of much lower quality indicators of staff wellbeing. While the numeric values are correct, these measures are contaminated by other influences, such as market dynamics / buoyant economy (for staff turnover) and prevalence of disease / average age of work force / pandemic, etc. Each of these measures are therefore influenced by external factors outside our control more than internal organisational factors, such as overall staff wellness. Making them a poor measure that while still in use by some organisations is being phased out due to their opaque nature.

Note on the staff absenteeism data:

- No leave / sick leave recorded during pandemic lockdown in 2019/20 financial year ('FY') leading to underreporting for approximately 12% of the FY.
- Higher sensitivity / lower tolerance to cold/flu symptoms since pandemic, likely a factor in the higher count of shorter absences in the 2020/21 FY.
- 2017/18 total: 316 hours
- 2018/19 total: 291 hours

- 5.5 To establish baseline data a staff survey was completed in November 2019. The survey was made up of 39 statements over eight key areas. The key areas covered were: Behavioural Fairness, Effective Communication, Teamwork, Growth Opportunities, Personal Expression/Diversity, Leadership, Purpose and Direction, and Work Life Balance. Staff were then asked to rate on a scale of 1 to 5 how much they agreed or disagreed with the statement made. This then gave a weighted average for each statement.

In 2019 the overall average rating was 3.89 (78%). The lowest rating of a single statement was 3.23 (65%). The highest rating of a single statement being 4.65 (93%).

This survey has been re-run in early 2021. To allow for comparison of information between the 2019 and 2021 surveys, the original questions remained unchanged while a small number of additional questions have been added where on analysing the 2019 data it was felt that more granularity would be helpful in understanding the root cause of matters raised by staff for a small number of questions.

The 2021 scores for all but three out of a total of 43 measures have improved from last year. While the drop-off in those three was not significant, it will be analysed and addressed.

The 2021 overall score is 4.16 (83.2%), with the lowest rating of a single statement being 3.57 (71%). The highest rating of a single statement being 4.83 (97%).

Given that there was a pandemic that caused severe uncertainty and a Long Term Plan that increased workload for everyone in the organisation between the last survey and this one, we consider this a very positive result.

Tabular comparison of key numbers from the staff survey:

Value/Measure	2019	2021
Overall average	3.89 / 78%	4.16 / 83.2%
Highest Rated Measure	4.65 / 93%	4.83 / 97%
Lowest Rated Measure	3.23 / 65%	3.57 / 71%

5.6 The Programme of Works for 2021 is as follows:

High level report to H&S Committee	Early May 2021
High Level Report to staff (newsletter and staff meeting)	May/June 2021
High Level Report to Audit and Risk Committee	June 2021
Analyse detail data from the staff survey, add any insights from staff performance appraisals	By 31 June 2021
Report results and findings back to staff via H&S Committee	By 31 July 2021
Review of wellbeing targets and action plan with H&S Committee	From August 2021
Communicate outcomes back to staff and implement the revised action plan	Ongoing with any changes/additions picked up from review.

6. STRATEGIC ALIGNMENT

6.1 Direction

A Wellbeing Strategy and Action Plan aligns with Council's overall mission and vision and through its employees has the ability to deliver the provision of good quality local infrastructure, regulatory function, and local public service.

6.2 Annual Plan and Long Term Plan

There are no Annual Plan or Long Term Plan implications.

6.3 District Plan

There are no District Plan implications.

6.4 Legal Implications

There are no legal implications.

6.5 Policy Implications

There are no policy implications.

Attachment:

2020 SDC Wellbeing Strategy

A handwritten signature in blue ink, appearing to read 'Sven Hanne', is positioned above the printed name and title.

Sven Hanne
CHIEF EXECUTIVE

DATE: 28 May 2021

STRATFORD DISTRICT COUNCIL WELLBEING STRATEGY 2020



TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL



INTRODUCTION

Purpose

As an organisation, we acknowledge that our people are our greatest asset. By implementing a Wellbeing Strategy, Council is owning its responsibility to manaaki (care for) staff in a holistic way.

Caring holistically means acknowledging that people have varying levels of overall health (hauora) in terms of their physical, emotional, mental and social state. More importantly we acknowledge that the workplace can make a significant contribution to each of these states – either positive or negative.

When people are in a state of wellbeing at work, they are able to develop their potential, work productively and creatively, build positive relationships with others, and make a meaningful contribution. A focus on employee wellbeing increases job satisfaction and can prevent or minimise staff burnout, reduce stress, turnover, and absenteeism.

We also recognise that we have a legislative responsibility for the health and safety of our employees in the workplace.

This Wellbeing Strategy is about mutual benefits for both Council, as the employer, and its employees, while acknowledging that together, we can achieve better outcomes for all.

Council's commitment to employee wellbeing is outlined in this Wellbeing Strategy. It also specifies how employee wellbeing will be measured and monitored so that the success of this strategy can be determined, and to inform future changes to the strategy.

This is a living document that will evolve and change over time as our people's needs change. It will be reviewed at least every three years.

Vision

The Vision guides this strategy and reminds the reader what Council is aiming for. The Vision endorsed by the Health and Safety Committee, is:

Our organisation is engaged and connected, lives by Council values, and our people make positive health and wellbeing choices.

**Nau te rourou,
naku te rourou,
ka ora ai te iwi.**

**With your
strengths and my
strengths, the
community will
thrive.**

**Waiho i te
toipoto, kua i te
toiroa**

**Let us keep close
together, not
wide apart**



CONTEXT

Our Health and Safety Committee has been the driving force behind this strategy, as part of the Committee’s mandate to promote the wellbeing of staff.

In November 2019, a staff wellbeing survey was carried out with all staff. While the survey revealed an overall satisfaction rating of 78%, there were two categories that highlighted areas for improvement. The first related to fairness and ensuring consistency in treatment of staff across the organisation, and the second was about communication, particularly that coming from the Senior Leadership Team.

Throughout this strategy, the fairness and consistency aspect has been carefully considered, in terms of how actions can be delivered in a way that is transparent and of mutual benefit to Council and staff.

The Senior Leadership Team is in full support of this strategy and each Director takes responsibility for the wellbeing of the staff in their department, but also for everyone else in the organisation, as role models within Council.

The highest scoring areas related to the workplace environment, and having a sense of purpose and direction.

Four focus areas were derived from the staff survey:

- **Mental Wellbeing**
- **Learning and Development**
- **Physical Wellbeing**
- **Cultural and Social opportunities**

These focus areas form the key sections of this Strategy.

Key Responsibilities

Sponsor of the Strategy	CEO
Drivers of the Strategy	Senior Leadership Team and Management
Advisors to the Strategy	Health and Safety Committee
Owners of the Strategy	All Staff
Beneficiaries of the Strategy	All Staff

Structure

This strategy is formed around the key focus areas: Mental Wellbeing, Learning and Development, Physical Wellbeing, and Social and Cultural Opportunities.

Within each focus area, the strategy outlines further our commitment to delivering wellbeing outcomes specific to that particular focus area.

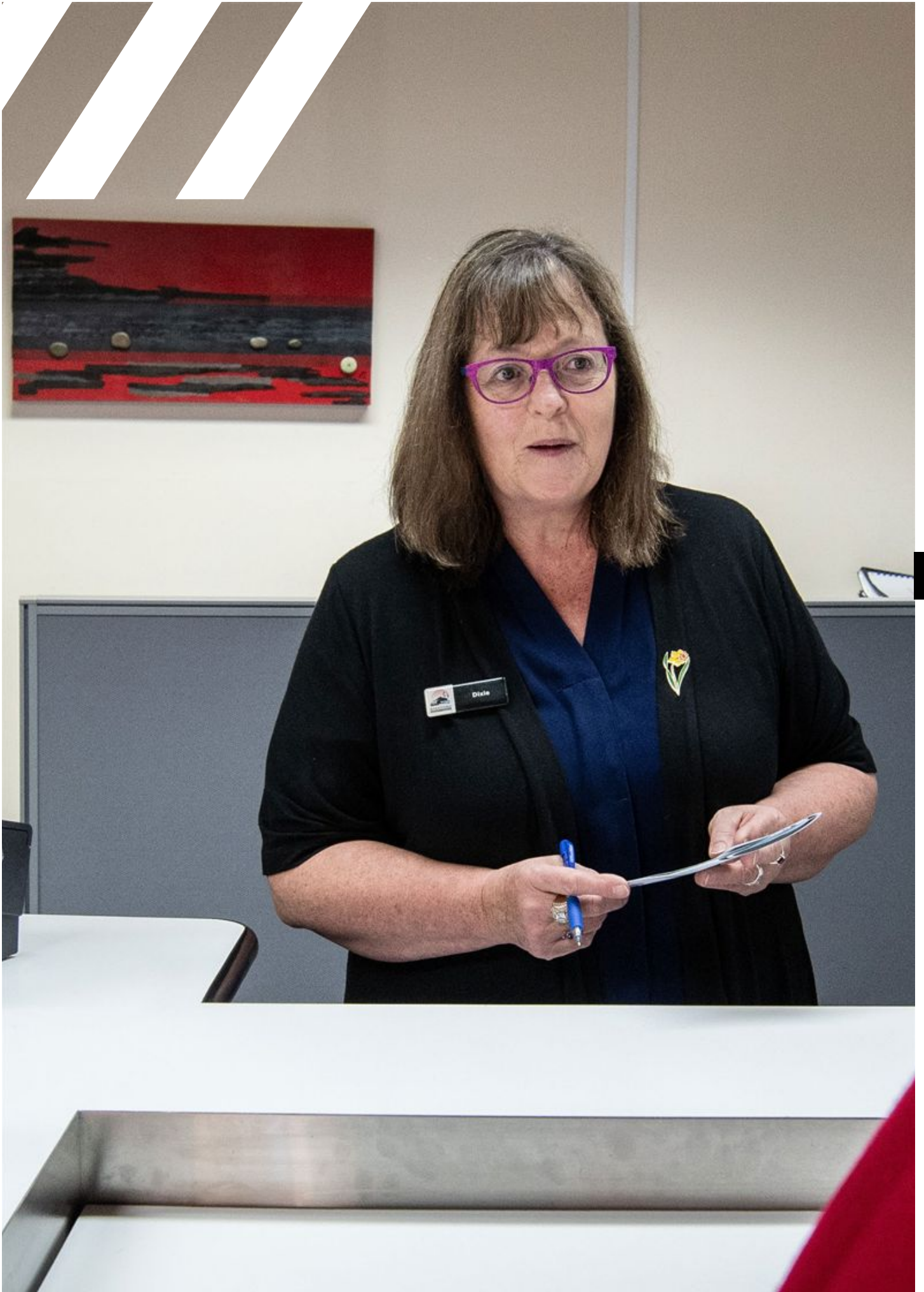
Specific deliverables in relation to each commitment are detailed in the Implementation Plan. The deliverables may change from time to time as our wellbeing journey evolves, but the intent of the strategy and our commitment to each focus area will remain.

He aha te mea
nui o te ao?

He tangata,
he tangata,
he tangata.

What is the most
important thing
in the world?

It is people,
it is people,
it is people.



Mental Wellbeing - Te Taha Hinengaro

We understand that the workplace can contribute positively or negatively towards an employee's mental wellbeing. In turn, this can lead to unhappy staff, lower motivation and productivity, anxiety and stress, and higher use of sick leave. We acknowledge that mental health, can also have a significant influence on a person's physical health.

Our Approach

- We work together
- We encourage work life balance
- We have an enabling work environment

Our Commitment

Council recognises that it has the ability to influence positive mental wellbeing outcomes for staff. To this effect, Council is committed to:

- Preventing bullying type behaviour in the workplace.
- Providing support systems for staff who are suffering from stress, trauma, or are experiencing mental health issues.
- Preventing sexual harassment in the workplace.
- Ensuring staff are treated consistently, in line with Council policy.
- Providing a fair and transparent performance pay system for all staff.
- Providing flexible working arrangements, where possible
- Ensuring the work environment is conducive to staff needs.
- Unifying and connecting all staff within the Council, ensuring staff feel appreciated and engaged.
- Ensuring disciplinary processes are fair, and confidential
- Providing for relaxation and mindfulness opportunities to promote stress relief.
- Preventing stress caused by work overload.

Learning and Development - Whai Matauranga

We recognise that the people we employ are our greatest strength, and through retaining our people and developing and enhancing their skills and abilities, we grow as an organisation.

Learning and Development expenditure is as an investment in our people. However, all investments must be targeted in the right areas that are going to achieve the best return for both the employer and staff.

We are committed to seeing our staff achieve their potential, in and outside of work.

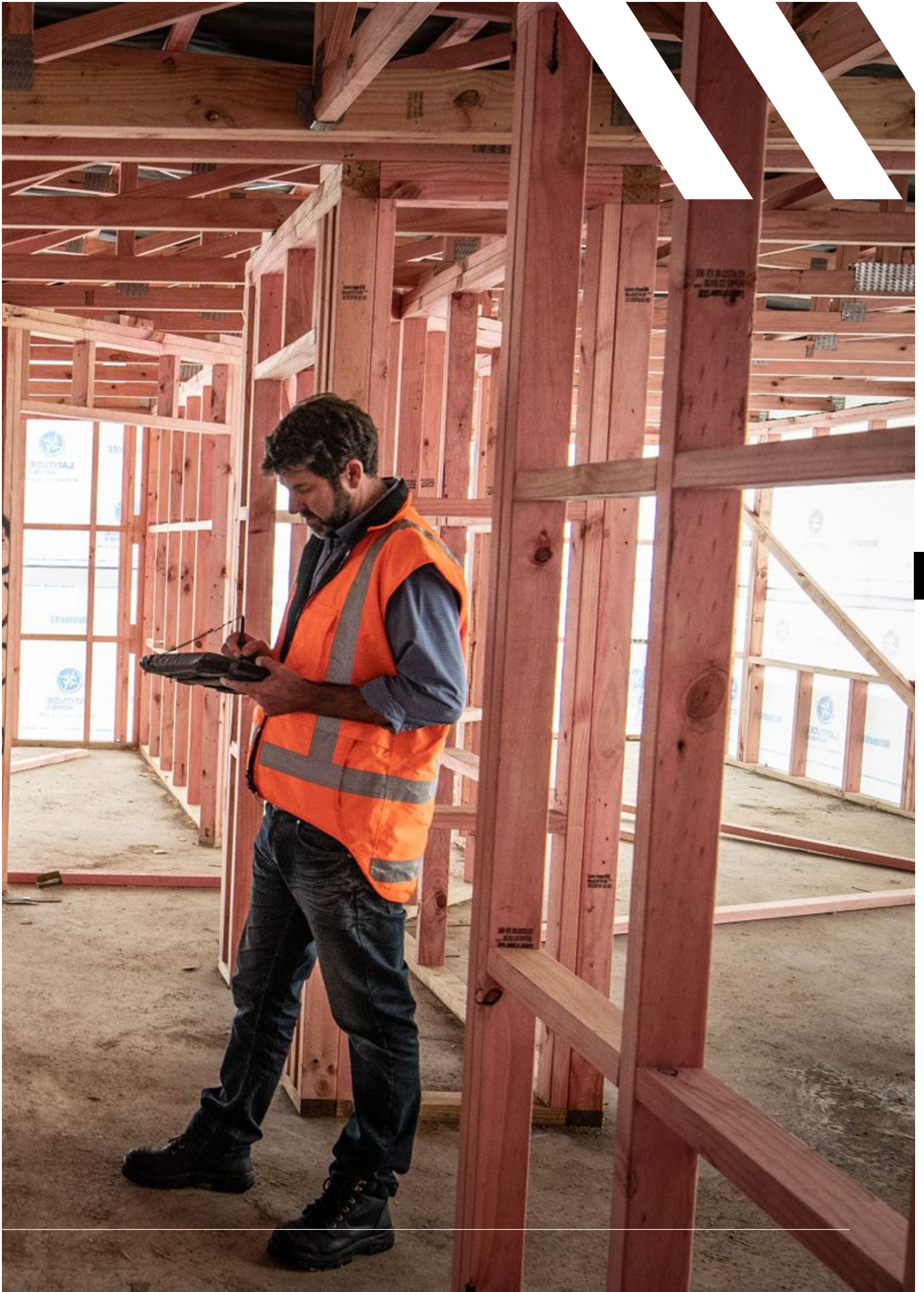
Our Approach

- We are committed to developing our people
- We have an enabling work environment
- We are committed to developing cultural awareness

Our Commitment

To promote Learning and Development, the Council is committed to:

- Ensuring all staff have a development plan for the year and are clear on what their manager expects from them.
- Providing meaningful learning opportunities through secondments and collaboration
- Supporting professional memberships, where relevant to the role.
- Developing future leaders.
- Ensuring a consistent and fair approach to employee remuneration that recognises and rewards achievement and good performance.





Physical Wellbeing - Te Taha Tinana

A healthy workplace is one in which staff collaborate to protect and promote health and well-being.

Physical and mental wellbeing are strongly inter-linked and can have a significant effect on the other. We recognise that supporting staff to make healthy lifestyle choices not only affects physical presence at work, but can also impact on motivation and work productivity (mental presence at work).

A balanced diet, proper sleep, and removing or reducing unhealthy habits such as smoking, alcohol, and drugs are some of the key physical health factors that can promote physical wellbeing. We recognise that we have limited direct control over these factors, but can encourage and support staff to make healthy choices.

Our Approach

- We support prevention
- We support social opportunities
- We support staff being active

Our Commitment

The Council is committed to this by:

- Providing flexible working arrangements, where possible
- Ensuring the work environment is healthy and safe.
- Supporting staff to participate in regular physical activity, promoting a healthy body.
- Providing healthy options when kai is provided.
- Subsidising vaccinations

Social and Cultural - Whanaungatanga

Many of us operate largely within our own departments, from time to time collaborating with other areas within Council. It is important to unite and connect all staff in social settings to all feel that sense of being a valued part of the organisation.

Providing staff with social and cultural opportunities contributes towards breaking down departmental silos which can lead to better work collaboration. It may also build staff commitment and loyalty to the organisation.

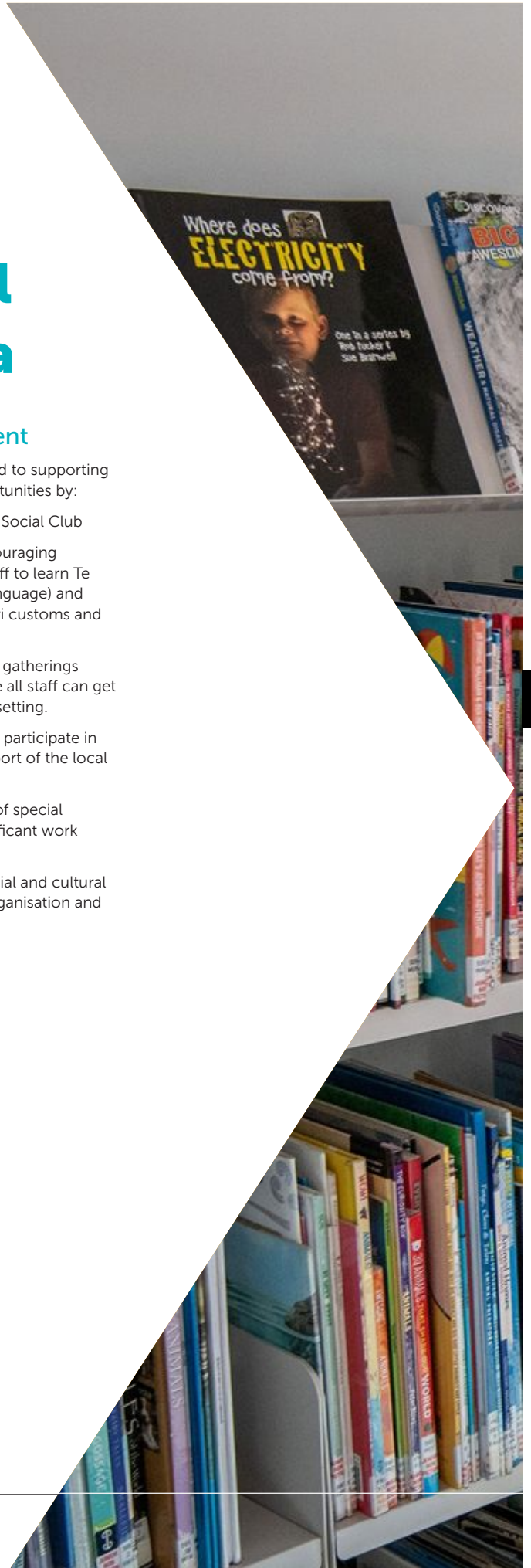
Our Approach

- We support social opportunities
- We celebrate our people

Our Commitment

The Council is committed to supporting social and cultural opportunities by:

- Supporting the Staff Social Club
- Promoting and encouraging opportunities for staff to learn Te Reo Maori (Maori language) and Tikanga Maori (Maori customs and practices).
- Providing for shared gatherings (including kai) where all staff can get together in a social setting.
- Encouraging staff to participate in volunteering in support of the local community.
- Acknowledgement of special occasions, e.g. significant work anniversaries.
- Communicating social and cultural stories within the organisation and with the media.







MEASURING AND MONITORING

The measurement of wellbeing, and how the Wellbeing Strategy is impacting staff over time is important. It will inform what is working well and what isn't so that the Wellbeing Strategy and Implementation Plan can be improved over time.

There are a number of subjective and objective ways in which Council can measure the impact the Wellbeing Strategy has on its employees.

These are both important to provide an overall picture of where we are currently at on our Wellbeing journey, and what we need to work on.

The initial staff survey in 2019 establishes a baseline to compare future Council efforts against, but there are other measures that are just as revealing.

Employee Wellbeing will be measured in the following ways:

1. Annual staff survey – measured in comparison to previous year with an increase in the overall satisfaction rate the goal. The results will be reported annually to the Health and Safety Committee.
2. Employee turnover – measured as a percentage of permanent staff resigning for the year over the average number of permanent staff for the same period.
3. Reported Incidents of Bullying or Sexual Harassment – goal is zero.
4. Feedback from staff exit interviews.
5. Staff absenteeism.



IMPLEMENTATION PLAN

Mental Wellbeing - Te Taha Hinengaro

There is zero tolerance for bullying.	Review HR Policy to ensure it reflects a zero tolerance on bullying. Review process for bullying complaints.	Complete by 31 December
The provision of the Employee Assistance Program is available 24/7 and is promoted.	Promote the EAP Service	Ongoing through posters in staff areas, staff newsletters
Managers have regular contact with their staff.	One on one meetings are held between managers and their staff	Minimum monthly
Explore the option of creating a sick leave bank.	A sick leave bank policy is created and endorsed by the Health and Safety Committee.	Complete by 31 December
Ensure all new staff are welcomed and looked after from day one.	The induction checklist and process is reviewed. An induction pack is created.	Complete by 31 December
Explore the options of Flexible working arrangements.	A staff working party is established to explore the options of a flexible working arrangements and/or working from home.	Complete by 31 December
Understand improvements that can be made within the organisation.	Exit interviews for all permanent staff who resign are conducted.	As needed

Learning and Development - Whai Matauranga

Individual development plan for all staff, annual performance goal-setting process.	Managers and staff discuss goals.	Six-monthly discussions, reviewed annually
Professional Memberships relevant to position are paid by Council	Staff discuss relevant memberships with their manager.	As needed
Where possible secondment opportunities within Council are provided.	Secondment opportunities are advertised where available.	As needed
Council encourages and contributes to learning and development of staff through contributing financially or giving time.	Review Human Resources Policy to ensure it reflects this statement.	As needed
Job descriptions are regularly reviewed to ensure they are fit for purpose.	Managers and staff discuss relevance of job descriptions.	Annually
Council provides training on Te Reo Maori, Tikanga Maori and Te Tiriti o Waitangi	SLT ensures training is available	As needed

Physical Wellbeing - Te Taha Tinana

Council has a commitment to healthy food options.	Fruit and herbal teas are provided for staff. Where catering is ordered healthy options are provided.	As needed
Council encourages participation in team sports.	Where at least 80% of the team is made up of Council staff, Council will contribute 50% of the membership fees.	As needed
Council has a commitment to preventing staff illness	Flu vaccines are provide at no cost to staff.	Annually
Council encourages staff to be active.	Council contributes 50% towards staff members entry fee at the TSB Pool Complex.	As needed

Social and Cultural - Whanaungatanga

Council encourages social connection among staff	Annual contributions (of up to \$500) are made to the social club to host an event/s or initiative/s. Could include facility hire and/or cash	Annually
Council provides for staff to volunteer in the community for up to a maximum of one hour per week	Review Human Resources to ensure it reflects it reflects this statement.	Complete by 31 December, then ongoing
Council celebrates staff and social connection	Full staff meetings are held. Staff are acknowledged as per the Presentations to Elected Members and Staff Policy	As needed
Council encourages information sharing including staff newsletter	Communication tools reviewed and options are explored.	Complete by 31 December



INFORMATION REPORT



TO: Audit and Risk Committee

F19//13/04 – D21/15788

FROM: Chief Executive

DATE: 22 June 2021

SUBJECT: CIVIL DEFENCE PROGRESS AND READYNESS REPORT

RECOMMENDATIONS

THAT the report be received

Recommended Reason

It is a function of this committee to stay abreast of Council's readiness and ability to meet its requirements and obligations as laid out in the Taranaki Civil Defence Group's constituting agreement.

Moved/Seconded

1. **PURPOSE OF REPORT**

To update the Audit and Risk Committee on the current state of Stratford District Council's ("SDC") Civil Defence activity and progress made by Council since the adoption of the 'Morris Report' by the Taranaki Civil Defence Group in 2017/18, which fundamentally changed the responsibilities of the individual agencies operating in Taranaki in terms of Civil Defence, as well as delivery against recently revised national targets.

2. **EXECUTIVE SUMMARY**

Longer Term Background – How did we get here:

- 2.1 Up until 2017, the three Taranaki Local Authorities ("TLA's") effectively operated an outsourced model for Civil Defence with the vast majority of related services provided by the Taranaki Regional Council ("TRC") via the Taranaki Emergency Management Office ("TEMO").
- 2.2 Following a review undertaken by Brendan Morris in 2017 (known as the 'Morris Report'), it was acknowledged that the operational model was not appropriately aligned with the Councils' responsibilities under the act and the recommendations of the report were adopted by the group.
- 2.3 The regional group office ("TEMO") as well as the TRC and the three TLA's have been working through the required changes since the adoption of the report in 2017/18.

- 2.4 Since the adoption of the Morris Report, SDC has undergone two external assessments, carried out by TEMO staff for regional consistency, regarding readiness under the new model.

Past 12 months – recent achievements:

- 2.5 Since the last report on this subject, the regional Civil Defence capability has been put to the test in its response to the COVID-19 pandemic. Given the unusual nature and extended time frame of the event, a number of areas for improvement have been identified. It is noteworthy that SDC staff excelled in their participation in this response.
- 2.6 A seismic assessment of the TET stadium has been undertaken and the next step is to analyse this information to identify suitability and any required modifications or upgrades for the intended use as a welfare centre. Planning work has also been undertaken to expand secure storage facilities within the War Memorial Centre to enable permanent location of core Civil Defence equipment required for exercises and immediate deployment. The next step will be to investigate and price the provision (permanent or on-call) of any backup services, such as water and power for either of these facilities.
- 2.7 The disruption experienced from COVID-19 and a subsequent strong focus on urgent work, such as the Long Term Plan and PGF/stimulus funding projects have resulted in projects listed in 2.6 above not being progressed further due to internal and external capacity and prioritisation of funding sources that were only available for short time frames (shovel ready projects). None of this work had a budget assigned to it at this stage.
- 2.8 The most recent quarterly performance report prepared by TEMO is included to provide the committee with insight into the regional Civil Defence activity beyond the scope of this report. This report predates COVID-19.
- 2.9 It is noteworthy that Todd Velvin has been appointed as Regional Manager of TEMO and Group Controller. Craig Campbell-Smart who previously held this role has moved to an advisory role within the TEMO team.

3. **LOCAL GOVERNMENT ACT 2002: SECTION 10**

How is the subject of this report applicable to the purpose of the Act?

- Is it for the provision of good quality local infrastructure? If so, why?; **OR**
- Is it for the performance of a good quality regulatory function? If so, why?; **OR**
- Is it for the performance of a good quality local public service?

AND

- Is it in a way that is most cost-effective to businesses and households? If so, why?

Good quality means, infrastructure, services, and performance that are efficient and effective, and appropriate to present and anticipated future circumstances.

Local public service means, a service provided for the community which is for the benefit of the District.

Civil Defence is governed by the Civil Defence Emergency Management Act 2002, which is recognised and referenced in the Local Government Act. It could be considered a local public service.

4. **BACKGROUND**

In Taranaki, Civil Defence responsibilities are split between the regional Group Office, TEMO, the TRC and the three TLA's with the separation of responsibilities set out in the group's constituting agreement.

Performance and ongoing improvements of the group and each TLA as well as the TRC are reported in the quarterly performance reports to the Taranaki CDEM Coordinating Executive Group. The most recent one is attached to this report for further information.

The following progress has been reported for SDC over the past 12 months. It is structured along the 4Rs of Civil Defence:

Reduction

- SDC participated in high level regional lifelines assessments via regional coordination, although of limited benefit as community size by default limits significance assessment.
- Our own criticality assessments as per Asset Management Plans form the basis of understanding of vulnerability of our lifelines. The most significant risk item being water trunk main for Stratford. Duplication is scheduled in the LTP to mitigate risk. Resilience and where appropriate redundancy are standard design criteria for council infrastructure, specifically critical and lifelines assets.

Readiness

- SDC has been building its volunteer base internally and externally and has a current volunteer base of 47, this includes SDC staff and community volunteers. This number is up 7 on the previous year's number – and has to be read as a combination of ongoing recruitment and training offset by losses sustained due to staff migration. While the increase in numbers is less significant than over previous periods, many of these staff members have undertaken additional training to increase their proficiency.
- Staff actively engage in training, exercising and regular subject specific meetings (controller, welfare, lifelines, etc).
- The Local Controller has completed the first half of the Response and Recovery Leadership Programme by MCDEM and is awaiting acceptance into the second course, which will complete the formal qualification.
- Following the departure of SDC's Alternative Controller, Blair Sutherland has been appointed into this role.
- Chade Julie, SDC's Community Development Manager has been appointed as the Alternate Group Welfare Manager. This is a regional role and his nomination recognises Chade's performance during the COVID-19 response.

- The SDC is represented on all of the working groups and committees and is working well with the regional EMO and TEMO staff.
- Plans for the War Memorial Centre upgrade are back from the architect and require approval from the Chief Executive Officer.
- Discussion on recent the seismic assessment of the TET Stadium needs further dissemination.
- Local and national training has continued however many courses have had to be moved or postponed due to lack of staff availability/business as usual work and changing Covid levels.
- Staff numbers in key positions remain lower than normal with further training booked. The key concern from a TLA level is that Stratford's capability to respond at any level has not been tested.
- Regular monthly meetings continue with Central Taranaki Safe Community Trust with TEMO's Kaz Lawson also now attending the meetings and strengthening the relationship.
- SDC staff members attended an event organised by Rural Support Taranaki which had Professor Tom Weir presenting on Transitioning Taranaki to Volcanic Future highlighting how the rural sector would need to adapt in a volcanic event.
- No further EOC assessment has been completed since the second SDC EOC assessment by TEMO staff on 17 May 2019 as we are awaiting setup of the SDC EOC. The current score therefore remains at 73.4 per cent (measured out of 100 – but 100 is an unlikely target for SDC) but almost certain to increase once EOC has concluded its assessment. It is important to note that this is not simply a point-scoring exercise but needs to be focused on sensibly growing the operational capability of the EOC.
- SDC Business Continuity Plans had been updated prior to COVID-19 and have been re-assessed as part of their implementation. A further review will naturally occur on conclusion of the current Civil Defence Emergency to maximise the learnings from an actual event.

Response and recovery

- SDC has been successful in a number of COVID-19 recovery fund applications with a number of projects under way, creating economic stimulus in the region.
- SDC has also maintained its own spending profile to ensure employment is retained.
- SDC is participating in the Mayors' Taskforce for Jobs. A coordinator has been employed with a target of 50 employments to be facilitated and supported. This number has since been exceeded but SDC has received approval to continue this programme until the end of the financial year, with a decision yet to be made about its future beyond that time frame.

Lifeline utility responsibilities

- In attendance of Lifelines meetings.

- SDC continues to incorporate resilience and maintainability principles into its infrastructure design and provision.
- SDC is currently duplicating its trunk main connecting the water treatment plant with town, mitigating a major supply risk by addressing a single point of failure that could result in an immediate water outage for the Stratford water supply.
- SDC has over the past 36 months made significant investment in additional valving in the water supply network to allow for smaller areas of the reticulation to be isolated in the event of failure and more opportunities for routing of water around problems to be established.

5. **INFORMATION SUMMARY**

- 5.1 Significant shift in responsibilities between regional CDO and TLA's due to review in 2016/17 (the 'Morris Report').
- 5.2 Morris Report recommendations have been implemented in Taranaki since 2017/18. Significant progress has been made on a regional basis as well as by each of the three TLA's. SDC's progress is listed in detail in the background section above.
- 5.3 The most significant steps taken since the last report were further planning for the local EOC and Welfare Centre. The need for additional dry and secure storage at the EOC has been identified to enable readiness. An earthquake assessment has been undertaken of the TSB Stadium given the specific requirements on emergency facilities. This has yet to be fully analysed and resulting actions including any required improvements to be scoped.
- 5.4 The key IT elements have already been procured and are mobile to allow EOC location to be flexible based on type of event.
- 5.5 Council's appointed local controller (Sven Hanne, Chief Executive Officer) is currently undergoing formal training by the Ministry for Civil Defence and Emergency Management ('MCDEM') for this role. Initial week of residential training completed and awaiting acceptance into the second week of residential training to complete overall qualification. There is a mandatory period between week one and week two of the training of approximately 12 months.
- 5.6 Blair Sutherland, Director Environmental Services at SDC has been appointed by SDC.
- 5.7 Chade Julie, SDC's Community Development Manager is appointed as the Regional Alternate Group Welfare Manager.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

Civil Defence meets the definition of a local public service.

6.2 **Annual Plan and Long Term Plan**

Civil Defence is reflected in Council's annual and long term plans and above mentioned local capability improvements and physical requirements of EOC and Welfare Centre will form part of the next LTP discussion.

6.3 **District Plan**

There is no direct link between the Civil Defence activity and the District Plan.

6.4 **Legal Implications**

Council has a statutory obligation to resource and undertake the Civil Defence activity.

There are a range of legal implications inherent within the Civil Defence activity, which are best mitigated through appropriate funding, resourcing and training of staff. Support provided by TEMO and MCDEM and insurance cover through the Taranaki Council's insurance scheme further help to mitigate these implications.

6.5 **Policy Implications**

There are no policy issues.

While not policy, the Morris Report (together with relevant legislation and other guidance provided by MCDEM) is the guiding document until the Taranaki Civil Defence group has completed the required transition identified in the Morris Report.

Attachment

Appendix 1 - TEMO Performance Report Q3 FY 2020/21



Sven Hanne
CHIEF EXECUTIVE

DATE: 10 May 2020

PERFORMANCE REPORT

Quarter Two

FOR FINANCIAL YEAR 2019/20

TARANAKI CDEM GROUP



Performance Report

Quarter Two – 2019/20

Author Sarah Gauden-Ing

Title CDEM Analyst

Date February 2020

Reviewer Craig Campbell-Smart

Title CDEM Regional Manager

Date February 2020

Authoriser Chair Sven Hanne

Title CEG Chair

Date February 2020

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APPENDIX 1

Section 1 • Executive Summary

This is the second quarterly installment of performance reporting 2019/20 for the Taranaki Civil Defence Emergency Management Group (the Group), against statutory responsibilities, the Taranaki CDEM Group Plan, strategic priorities, and available resources.

The second quarter of 2019/20 has been a busy period for TEMO across all work streams. This has been driven by the Emergency Management System Reforms (EMSR), alongside an already full work programme to deliver the Taranaki Group Plan to timeframe.

The Capability Assessment Report 2020 has been delivered from the Monitoring and Evaluation (M&E) process that was conducted in 2019. This report identifies areas of standout performance, areas for improvement and includes 96 recommendations.

The EMSR programme continues unabated and an update on national progress is noted. TEMO looks forward to further clarity of the system reforms and guidance on national requirements. Uncertainty around the reforms continues to present a challenge in relation to aligning TEMO resources and requires ongoing agility.

The EMSR and M&E add to the workload. The review of current work programme and resourcing continues.

Progress against plan objectives remains steady.

There has been little change in reporting measures as the programme is now focused on ongoing enduring actions.

Four (4) objectives have slipped in timeframe delivery, but mitigation actions have been identified and taken.

The significant variation in budget continues, driven by reduction in internal charges. Controllable operational expenditure shows a 4% variance (YTD underspend).

Four significant projects are being delivered. Two projects have experienced delays, being ECC development (contractor delay) and Strategic Recovery Planning (resignation of Primary Group Recovery Manager).

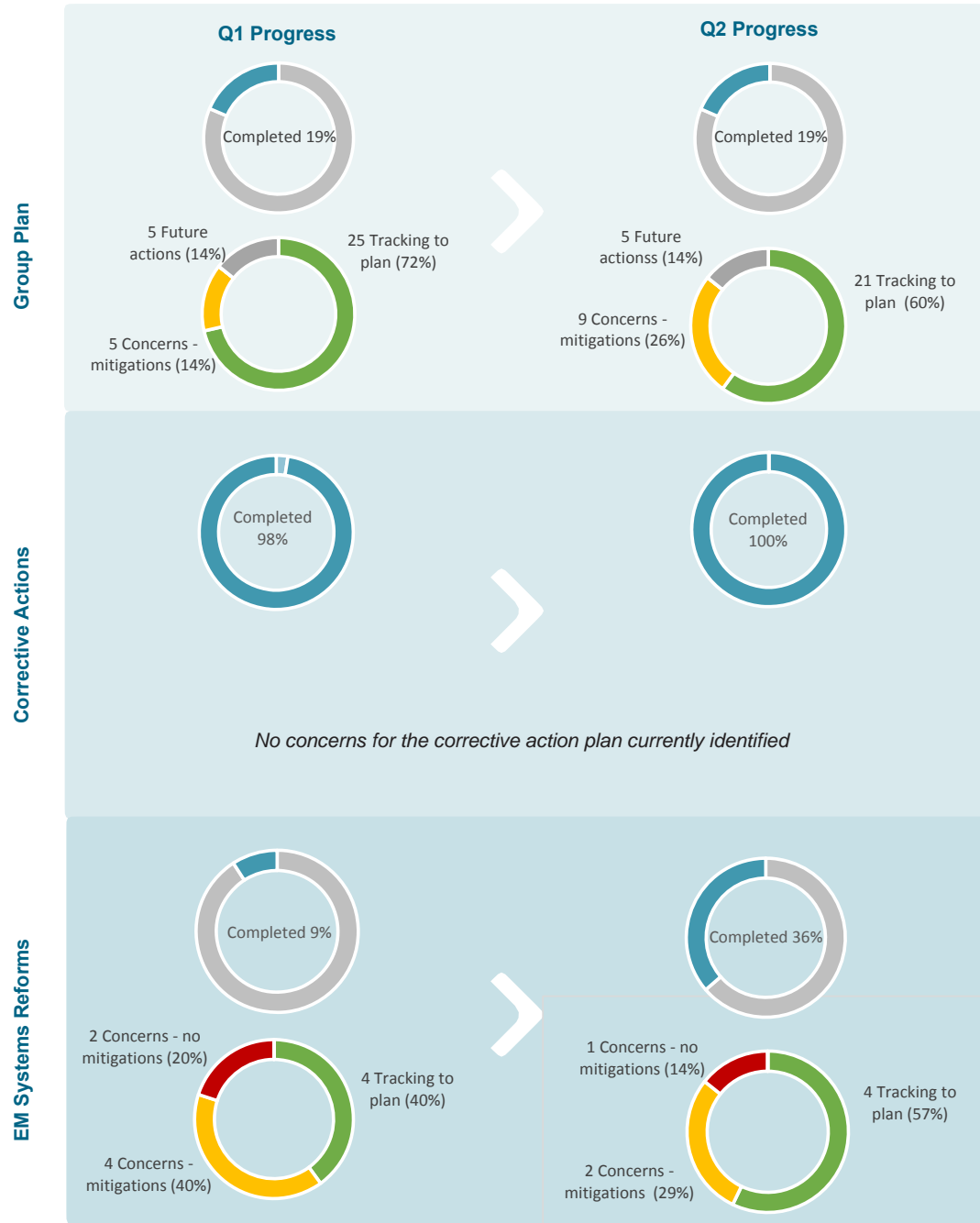
Twenty (20) risks have been identified. Nineteen (19) of these have mitigation measures in place. One (1) item of extreme risk remains unchanged from previous reports, related to the number and capability of statutory role holders (Controllers and Recovery Managers).

Reporting against Council responsibilities continues.

A new measure in 2019/20 has been introduced - the total identified EOC/ECC staff assigned to CIMS role for the Taranaki region. A total of 391 have been assigned to roles, *an increase from an initial base of thirty (30)*. This is significant progress and reflects the training and people investment made by the Councils.

Section 2 • Dashboard

TEMO Performance Measures



Section 3 • Plan Progress

Group Plan Objectives

The CDEM Group Plan is a statutory document under the Civil Defence Emergency Management Act (2002) and is a high-level strategic document that sets out our vision, goals, principles and objectives for action over the next five years.

Local Authorities enable implementation of the Group Plan through providing resources and funding for CDEM activities via their Long-Term Plans.

Of the 43 Group Plan objectives listed over six priority areas, eight have been completed (19% completion).

Five (5) objectives remaining for future delivery.

The majority of objectives (71%) are tracking to plan and reflect significant and ongoing focus on the work programme.

Summary of Progress – Group Plan

Completion

Eight (8) objective have been achieved over the life of the 5-year Group Plan, with no further objectives completed this quarter.

The remaining objectives are ongoing and enduring work items, so little movement will be seen in this indicator.

Progress

Of remaining thirty five (35) objectives:

- Twenty one (21) objectives are tracking to plan (71%) (*decline of 4*)
- Nine (9) objectives are not tracking to plan (14%), but mitigations are in place (*increase of 4*)
- Five (5) objectives are scheduled for future delivery (14%) within the 5-year work plan

APPENDIX 1

Implementation Concerns

The following implementation concerns are identified for consideration.
New concern items are in **bold**.

Governance

No.	Objective	Timeframe	Action taken	Progress
Gov 7	Governance arrangements across the full range of Taranaki CDEM activities will be reviewed by 1 July 2020 regarding the involvement and representation of Māori.	By 1 July 2020	Proposed presentation to the Taranaki Iwi Chairs forum initiated late 2019 and awaiting response.	

Organisational Resilience

No.	Objective	Timeframe	Action taken	Progress
OR 4	CDEM Group partner business continuity plans tested based on hazardscape and likely impact scenarios to improve the capacity and capability of organisations to cope with and recover from emergencies.	By June 2019	BCP best practice being considered by CDEM TA Managers.	
OR 5	Development and implementation of performance measures by 2020 to monitor the progress against the recovery programme of work, and ensure the actions are achieving the required outcomes.	By 31 December 2019	Group Recovery Manager appointed (however since resigned as of 1 February 2020), and recovery programme underway. Delay to strategy development experienced.	

Community Resilience

No.	Objective	Timeframe	Action taken	Progress
CR 2	Review and rationalise Civil Defence Centres to ensure they are fit for purpose.	By 30 June 2019	Review underway. Target for TAs to complete by June 2020.	
CR 3	Refine and continue delivery of our Community Resilience Strategy to ensure that its objectives of engaged, connected, resource and empowered communities is being achieved.	By 30 June 2019	Resilience Strategy scheduled for review following Group Welfare Plan adoption. Now commenced.	
CR 4	Develop and implement a public education and community engagement strategy focused on improving community preparedness to act in a coordinated and collaborative way during an emergency, and to strengthen their ability to adapt to change following an emergency.	Establish by 30 June 2018	Marketing / Communications Advisory temporary position to be established. Coordinated activity is reliant on additional staff resource.	
CR 5	500 community volunteers registered and trained in CIMS and other relevant topics to improve the level of skills in the sector.	Ongoing	Community volunteers concept is being refined through the People and Communities Resilience Strategy work stream.	

APPENDIX 1

Capability Development

No.	Objective	Timeframe	Action taken	Progress
CD 3	Plan and run at least one Tier 2 Exercise (whole of Group) to test and increase the capacity and capability of staff and volunteers.	By 30 June 2020	Table top exercises held at Advisory Groups to build familiarity of plans and arrangements. Participation and observation occurring with partner agency exercises. EMA Capability Development Advisor 0.5 FTE employed to undertake exercise component.	
CD 6	85% of CIMS function leads trained in relevant ITF Function Lead courses to ensure a sufficient skill level of critical staff.	By June 2023	Half of CIMS function courses are available from the Ministry. Activity remains focused on baseline training, with CIMS function courses scheduled.	

APPENDIX 1**Emergency Management System Reforms (EMSR)**

The Ministerial Review into Better Responses to Natural Disasters and Other Emergencies resulted in a Government decision “Delivering better responses to natural disasters and other emergencies, Government response to the Technical Advisory Group’s recommendations, August 2018’.

Implementation of the governments decisions are now referred to as the Emergency Management system reforms (the Reforms).

Despite the Taranaki CDEM Group being well positioned to give effect to the Emergency Management System Reforms (Reforms) within the existing Group Plan work programme, the Reforms have placed additional requirements on the Taranaki CDEM Group.

At present the EMSR impact are being managed within existing budget.

Summary of Progress – Emergency Management System Reforms**Completion**

Four (4) objectives have been completed to date, three were completed in Quarter 2.

Progress

Of remaining seven (7) objectives:

- Four (4) objectives are tracking to plan (57%) (*no change*)
- Two (2) objectives are not tracking to plan (29%), but mitigations are in place (*decrease of 2*)
- One (1) objective is not progressing, and has yet to have a mitigation plan in place (14%) (*no change*)

APPENDIX 1**Implementation Concerns – Emergency Management System Reforms**

The following implementation concerns are identified for consideration.

No.	Objective	Timeframe	Action taken	Progress
EMSR 1	Scope work needed to identify and upgrade suitable marae for emergency management purposes.	By 30 August 2019	<p>Marae engagement programme has been established, whereby TA Iwi Liaison staff will engage with marae to explore what relationship the marae may wish to have within a response.</p> <p>Marae GIS map layer completed.</p> <p>Clarified that TPK Oranga Marae programme is the vehicle to access Marae resilience funds, and this is developed nationally.</p> <p>Initial approach to Iwi Chairs forum made (and efforts continue) and are awaiting reply.</p>	
EMSR 2	Retire the name 'civil defence' and replace it with 'emergency management' to better reflect the broad and integrated nature of who the emergency management sector is and what it does.	Undefined	No activity undertaken to date.	
EMSR 11	Iwi representation on the CEG of each Group, to ensure iwi input into advice to the Group on governance and planning. How iwi are represented in areas where multiple iwi are present will also need to be worked through.	Longer term	<p>TEMO is working with the TRC Iwi Relations Adviser to determine the best method of engaging with the 8 iwi within Taranaki.</p> <p>Proposed presentation to the Taranaki Iwi Chairs forum initiated late 2019. Awaiting response.</p>	

APPENDIX 1

Morris Review

Civil Defence Emergency Management (CDEM) within Taranaki has been subject to ongoing review and development of a refreshed operational approach, informed by consultant review (the Morris report), and reports investigating CDEM regional coordination and local delivery.

Enhancements to CEG meetings with TA input achieved.

The focus for ongoing statutory member input ongoing. Of note is relationships established with FENZ and TDHB. Police Area Commander appointed and conversation to take place on CEG representation.

Review of CEG membership for advisory groups chairs is possibly needed, which could occur through the next Group Plan review.

This is the last quarter we will report on the Morris Review recommendations, from Quarter 3 we will be reporting on the recommendations of the Capability and Assessment Report 2019.

Corrective Action Plans

Corrective action planning is the process to identify lessons and to ensure those lessons are embedded within planning arrangements in anticipation of future emergencies, and incorporated, prioritised and actioned through work plans.

Following the response and recovery from emergency events and exercises, organisational audits and reviews, it is important to develop Corrective Action Plans to record continuous improvement actions.

All identified Corrective Action Plans have been completed.

APPENDIX 1

Performance Reporting Programmes & Targets

Group Office continues to make good progress against objectives.

Key performance indicators have been established to monitor progress against key areas of delivery, forming the basis of quarterly performance reporting to the Coordinating Executive Group and CDEM Group Joint Committee.

Strategic Priority	Measure	Year 2 Target	Status	Comment
Governance	Percentage member attendance at Advisory Group meetings	50% at year-end		
Governance	Quarterly reporting against annual budget	Within 10% of budget at year-end		<p>\$17,871 under operational (controllable) budget</p> <p>\$112,865 under budget including internal and finance charges.</p>
Disaster Risk Reduction	Percentage of contingency plans that are fully current	40% at year end		
Capability Development	Number of CDEM Centre staff trained	100 at year end		
Community Resilience	Number of people reached through social media posts	100,000 at year end		Target exceeded
Response & Recovery	Number of warning advisories received and responded to	-		<p>1,326 advisory warnings reviewed</p> <p>16.5 Duty Officer hours performed</p>

This Quarter
 Previous Quarters
 To be completed

APPENDIX 1

Council Performance Targets

Key performance indicators have been established to monitor progress against key areas of delivery, forming the basis of quarterly performance reporting to the Coordinating Executive Group and CDEM Group Joint Committee.

Strategic Priority	Measure	Year 2 Target	ECC/ Regional	NPDC	STDC	SDC	Quarter 2 progress
Capability Development	Number of CDEM Centre staff trained (per quarter) as per capability development plan						The focus (YTD) has been developing the training and exercise programme for delivery in 2020
Capability Development	Number of CDEM exercises and individuals participating per quarter						
Capability Development	Total number of response staff <i>(see next page for detail of identified per function)</i>	200 by year end	87	221	31	53	Total of 391 Response staff have been identified
Community Resilience	Completion of CDC reviews	100% at year end	N/A	50%	85%	100	Average of 78% of reviews complete
Community Resilience	Number of CDC facilities that are operational (completed the four step process)	1 per Territorial Authority	N/A	50%	25%	25%	A number of facilities have started on this process.
Community Resilience	Number of field teams available	1 per Territorial Authority	2	0	0	1	

APPENDIX 1

Response staff per function by council

Total identified EOC/ECC staff assigned to CIMS roles for the Taranaki region is 391. This is a significant increase from an initial base of thirty (30) and reflects the significant training and people investment made by the District Councils.

Further refinement of the data set is required to ensure accuracy of numbers, but this initial data presents a positive view of progress made.

Key points:

- Additional Controllers required to meet CIMS v3
- Additional Recovery Managers (Regional and Local) required
- Additional Controller Assistants to be appointed

Role	ECC	NPDC EOC	STDC EOC	SDC EOC	Total staff by role
Controller	2	3	2	1	8
Controller Assistant	1	0	0	0	1
Recovery Manager	1	2	1	2	6
Response Manager	4	5	1	3	13
Intelligence	12	30	3	7	52
Logistics	25	62	2	11	100
Operations	11	58	9	10	88
LUC	9	4	0	0	13
PIM	8	10	2	2	22
Planning	4	15	1	6	26
Welfare	9	32	10	11	62
Total staff by council	86	221	31	53	391

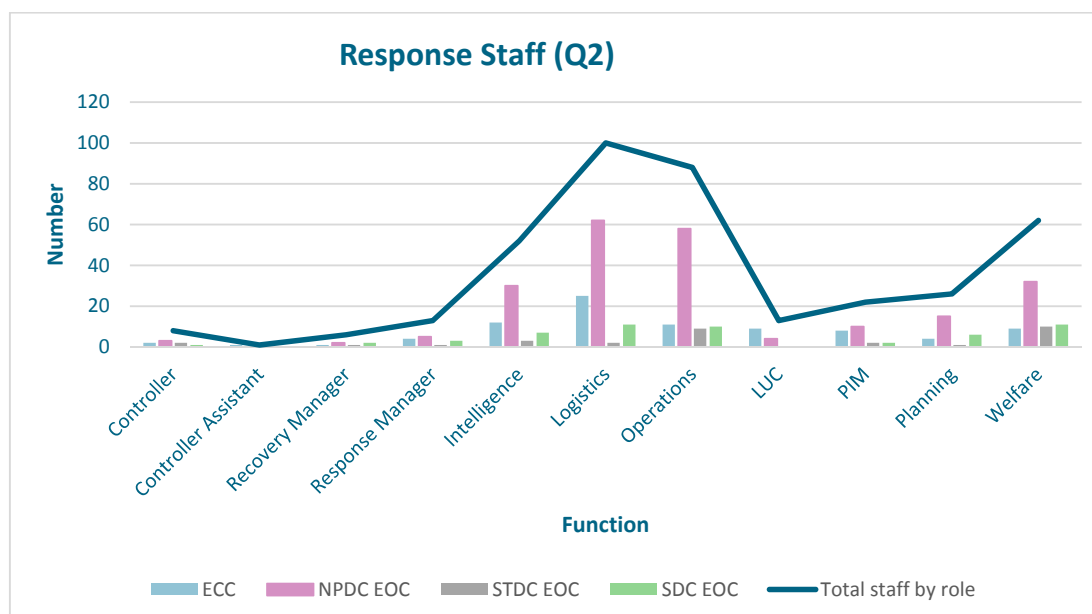


Figure 1: Response staff per EOC/ECC Quarter 2

APPENDIX 1

Significant Projects

A significant project is defined as one that, alone or in combination with other concurrent projects, is anticipated to cause sustained work impacts that are greater than what is considered tolerable for delivery within existing Group Office resource.

Four (4) significant projects are underway:

1. GIS scoping project
2. ECC Development project
3. Policy work programme
4. Strategic recovery plan

GIS Scoping Project – Resilience funding

Contributes to	Disaster Risk Reduction
Progress	

A successful outcome from the project funding application has been announced, with MCDEM matching funding of \$25,000, for a total budget of \$50,000. The project structure is now established, and the project has commenced.

In Quarter 2 we held first two workshops to help identify user requirements (1 October and 3 December 2019).

Worked through the GIS components of the Welfare Registration Needs Assessment Process and gave feedback to NEMA. Further personal information security issues identified means system is not yet live.

Created GIS web maps and apps based on already existing layers of information to ensure that we are more ready to respond in an emergency even before the strategy is completed. Note this does not mean that we are fully ready to respond in an emergency yet.

Ensured existing available ESRI software licenses were distributed to EOC computers.

Technical Assessment underway – developing a data dictionary and other components of strategy using ITIL principles.

Quarter 3 will focus on the drafting of the GIS Strategy and meeting with GIS staff from councils to understand their current systems and how information can best be shared across platforms.

ECC Building Development Project

Contributes to	Organisational Resilience
Progress	

The Robe St facility (Emergency Coordination Centre) was commissioned in the 1980s as a purpose-built facility for Civil Defence Emergency Management. A project to upgrade the facility has been approved, and a detailed project scope and outcomes developed.

Replacement of the flat pitch roof is required and approved by the Taranaki CDEM Joint Committee on the 18th June 2019 as an out of scope project. All elements of the project will be completed during the same construction period because of project efficiencies. This has required changes to the timing of planned building works.

Design, planning and consenting (phase 1) is now completed and consent documents lodged.

Construction start (phase 2) has been delayed due to the contractor missing pricing milestones. This will result in upwards of 2-4 weeks delay to construction start, pending receipt and quantity surveying approval of budget, internal project approval by NPDC, and completion of contract documentation.

The project risk remains moderate with full investigation completed.

Key Points

- Final project scope confirmed.
- Design completed and building consent lodged.
- Construction schedule in development, however delay to pricing milestone experienced.

APPENDIX 1

Policy Work Programme

Contributes to	Organisational Resilience
Progress	

The Policy Work Programme will ensure currency and fit-for-purpose of the following plan types, in accordance with a comprehensive emergency management approach.

Progress across all categories of plans, policies and procedures has been pleasing, however some challenges have been experienced which has created delays against the work programme.

Key Points

- Ongoing work on the Lifeline Utility Coordinator Procedures review
- Ongoing work on the Public Information Management Plan review
- Ongoing work on the Strategic Recovery Plan
- Ongoing work on the Tsunami Response Plan
- Ongoing work on the Community Resilience Strategy
- Commencement of Earthquake Response Plan
- Update of the Response Management Plan (to ensure compliance with CIMS v3)

Strategic Recovery Plan

Contributes to	Response & Recovery
Progress	

Good process continues to be made to the Strategic Recovery Project Plan approved by CEG in February 2019. Drafting of the Strategic Recovery Plan for Taranaki is underway, which aligns with legislative requirements (the CDEM Act) and the Group Plan 2018-2023 for Taranaki.

The Taranaki Emergency Management Office (TEMO) supports the legislative role of strategic recovery planning and capability development, through an Analyst position. It is noted this role in an advisory and support function, not recovery leadership and statutory appointment. The recent resignation of the Primary Group Recovery Manager will result in delays to the recovery work programme, and will not meet timeframes committed to with the Taranaki CDEM Group Plan.

The following key points describe progress against recovery activities:

- Completed actions:
 - Step 1: Develop a timeframe;
 - Step 2: recovery induction;
 - Step 3: Establish a recovery advisory group for the CDEM Region;
 - Step 4: Review what information TLAs have available in meeting the first requirement for strategic recovery development “1. Understand community values & priorities for recovery”;
 - Step 5: Engage with all recovery actors in Taranaki, and in consultation with the community to establish “Recovery vision and outcomes” specific to Taranaki. The visions and outcomes will then be embedded within the Group Plan;
 - Step 6: Implement a series of workshops across pre-existing CDEM advisory groups to socialise and explore the six (6) environments for ‘recovery’ which will aid in the creation of a recovery strategy;
- In progress actions:
 - Step 7: Complete the “Strategic Recovery Plan” for CDEM Taranaki;
 - Step 8: Ensure integration of recovery aspects into each specific CDEM Taranaki hazard response plan;
 - Step 9: Complete the “Recovery Concept of Operations Plan”.

APPENDIX 1

Section 4 • Council Responsibilities

The Taranaki CDEM Group local authorities are party to an agreed Constituting Agreement.

Taranaki Councils are responsible for local CDEM delivery.

Taranaki Regional Council supports regional CDEM coordination and is the Administering Authority.

TEMO provides regional coordination, policy and systems.

Regional Council responsibilities

The Taranaki Regional Council's responsibilities are essentially to support regional coordination for CDEM in Taranaki and for the provision of all the services of the administering authority necessary for effective and efficient delivery of CDEM across Taranaki (defined under section 24 of the Act), including any related services as determined by the CDEM Group.

This role will include the following functions and activities based on the 4Rs as well as the administering authority function:

15

Responsibilities	Q2 report
<p>Reduction</p> <ul style="list-style-type: none"> Provide regional hazards and risk monitoring management support and advice to TEMO as required by the Group, such as river flow, river height, wind speed and gust, rainfall, and soil moisture monitoring. Implement methods for natural hazards under section 11.1 of the Regional Policy Statement for Taranaki 2010. 	<p>Reduction</p> <ul style="list-style-type: none"> The Council continues to maintain live or near real-time environmental data to the public on rainfall intensity; river flows and levels; soil moisture; wind gust, average speed, and direction; and recreational water quality. Received 37 special weather watches and warnings from the MetService during the 2018/2019 year (compared to 62 in 2017/2018). There was no requirement to issue a flood warning during the 2018/2019 year (compared to five warnings issued in 2017/2018). YTD, 18 weather watches and 6 warnings have been received. The Council continues to implement in full [methods 1, 2, 4(a), 5, 6, 8, 9, 10, 11, 12] or in partnership with other agencies, methods 1-14 set out in Section 11.1 of the <i>Regional Policy Statement for Taranaki 2010</i> Hydrology and river control sections of the Council provide advice on Section 13 RMA consent applications (in-stream structures) The Council is participating in the delivery of research proposals focusing variously on the volcanic and seismic hazards, risks and cascade consequences for Taranaki, including research into transitioning Taranaki to a volcanic-activity dominated future.

APPENDIX 1**Readiness**

- Support regional coordination at the Group ECC during response and recovery by support for TRC staff training and professional development.

Readiness

- Hydrology staff and inspectorate staff are on call 24 hours/day
- Flood monitoring will be undertaken as required, in accordance with the Flood Event Standard Operating Procedure.
- TRC has signed a MOU with NPDC through TEMO re staffing supply and training arrangements for TEMO and EOCs. ECC roles for TRC staffing have been identified and staff for various roles nominated to TEMO for training. Current staff capability remain available for ECC roles..

Response and recovery

- Provide CDEM personnel for regional coordination roles at the Group ECC during response and recovery.
- Provide support for fulfilling key CDEM Group appointments such as Group and alternate controllers, welfare managers and recovery managers.
- Provide EOC support for the region's district councils in local CDEM coordination and delivery as required.

Response and recovery

- TRC has signed a MOU with NPDC through TEMO re staffing supply arrangements for TEMO and EOCs. ECC roles for TRC staffing are being identified and staff for various roles nominated to TEMO for training. Current staff capability remain available for ECC roles.
- YTD no emergency river and control works have been required

Administering authority

- Provide secretariat services for the CDEM Group and CEG (convening meetings, providing venues, distributing agendas, providing minutes and catering)

Administering authority

- Secretariat services and being provided for CEG and Joint Committee agendas and meetings as required. There have been 2 CEG and 1 Joint Committee meetings convened during the year to date.

Prepared by Gary Bedford
Director-Environment Quality
17/01/2020

APPENDIX 1

Territorial Authority responsibilities

The responsibilities of the region's three district councils – the New Plymouth, Stratford and South Taranaki district councils – relate primarily to local CDEM coordination and delivery within their local authority areas. Territorial authorities also have lifeline utility responsibilities under the Act.

This role will include the following functions and activities based on the 4Rs as well as the lifeline utility responsibilities:

New Plymouth District Council

Responsibilities	Q2 report
Reduction	
<ul style="list-style-type: none"> Provide support and assistance for civil defence in Taranaki by linking district policy and planning to objectives with the CDEM Group Plan and the <i>Regional Policy Statement for Taranaki 2010</i> Undertake implementation of methods for natural hazards under section 11.1 of the <i>Regional Policy Statement for Taranaki 2010</i> 	<ul style="list-style-type: none"> CAPEX resilience project scope – We are currently exploring options as to how we can make our Civil Defence Centre's more resilient. We are considering portable generators, water supply and communication capability, and how this could be best delivered (trailer, portable container etc).
Readiness	
<ul style="list-style-type: none"> Develop and maintain capability and capacity to lead local CDEM coordination and delivery by: <ul style="list-style-type: none"> Provide leadership roles: controller, information gathering and planning, welfare manager and recovery manager and alternates, for either the Group or local level Supporting the region's district council staff to undertake professional development, training and participation in exercises Developing a local EOC capability and ensuring all systems and processes, and facilities and resources, are robust (such as communications, impact assessment, welfare delivery, local recovery management) Supporting TEMO in the preparation and delivery of community resilience programmes 	<ul style="list-style-type: none"> Exercise Puia – Planning and writing of exercise Puia (volcano): a scenario based on the impact of ash fall from an eruption of Taranaki Mounga, and the impact of ash on NPDC critical infrastructure – To be delivered on February 2020. ELT Exercise – Planning and writing of a similar (more strategic) exercise for NPDC's Executive Leadership team. Focusing on the wider impacts an eruption will have on NPDC. NPDC Business Continuity Planning review – Pre planning for a full review, alignment, and update of NPDC's Business Continuity. Staff preparedness survey – Following on from NPDC's "Sort Ya Kit Out" campaign, we undertook a Staff Preparedness Survey, to understand how prepared our staff are for an emergency. This survey closes at the end of January, and analysis will drive some internal preparedness activities. CDEM orientation – 20 new NPDC staff attended a CDEM Orientation at the Emergency Operations Centre, to better understand NPDC's role in CDEM, our local hazard scape, how to prepare, and how to be involved. Welfare Course delivered – CDEM Lead delivered a two day functional Welfare Course at TEMO.

APPENDIX 1**Response and Recovery**

- Activate local CDEM response and recovery when required
- Provide CDEM personnel for coordination and delivery roles at the local EOC or regional ECC during response and recovery
- Provide support for fulfilling key CDEM Group appointments such as alternate controllers, welfare managers and recovery managers
- Provide liaison with TEMO
- Provide support for other territorial authorities and TEMO with CDEM delivery as required
- **Response** - No Responses to report between October 2019 and December 2019
- **Recovery** - NPDC Recovery Manager to attend Response and Recovery Leadership programme in 2020.

Lifeline utility responsibilities

- Fulfill responsibilities under section 60 of the Act to ensure territorial authority lifeline utilities are able to function to the fullest possible extent during and after an emergency.

APPENDIX 1**South Taranaki District Council**

Responsibilities	Q2 report
Reduction	
<ul style="list-style-type: none"> • Provide support and assistance for civil defence in Taranaki by linking district policy and planning to objectives with the CDEM Group Plan and the <i>Regional Policy Statement for Taranaki 2010</i> • Undertake implementation of methods for natural hazards under section 11.1 of the <i>Regional Policy Statement for Taranaki 2010</i> 	<ul style="list-style-type: none"> • Work continues with regional coordination to update information for district policy and planning. • TEMO have been holding workshops to identify ways that the 3 TLA's can work together regarding GIS mapping and planning as they do not all use the same software for this. • Continuing to strengthen the relationship with Whanganui EMA's has helped with sharing Emergency Planning templates and community messages.
Readiness	
<ul style="list-style-type: none"> • Develop and maintain capability and capacity to lead local CDEM coordination and delivery by: <ul style="list-style-type: none"> ○ Provide leadership roles: controller, information gathering and planning, welfare manager and recovery manager and alternates, for either the Group or local level ○ Supporting the region's district council staff to undertake professional development, training and participation in exercises ○ Developing a local EOC capability and ensuring all systems and processes, and facilities and resources, are robust (such as communications, impact assessment, welfare delivery, local recovery management) ○ Supporting TEMO in the preparation and delivery of community resilience programmes 	<ul style="list-style-type: none"> • 2020 has started with a focus on internal preparation within STDC. Planning is underway for communication with management and Civil Defence trained staff. A newsletter is also being investigated for external groups and organisations. • Identification of Function Managers and their roles, and selection of trained staff for Function teams. • Resources are being prepared with specific information and knowledge to the staff working in those EOC roles. • EOC preparation continues. Laptops and cell phones are stored in a secure charging trolley. Work will now focus on setting up printer with external modem and alternative internet sources. • With assistance from TEMO Emergency Management Advisor Staff training has been booked for 2020. There will be a focus on working across the TLA's with staff being encouraged to attend training sessions outside of STDC when it is appropriate. • The Welfare Training will be delivered, and training days are being organised now to start after February. • The Emergency Management Officer has been in contact with several industries based in South Taranaki regarding their Emergency Management Plans. • Three Major Hazardous Facilities are identified in South Taranaki and the EMO has completed an audit for one of these. A meeting was held with one other and further discussion will take place this year. These are important relationships to maintain as each Industry is well resourced in terms of Emergency Management and are willing to help the community where they can.
Response and Recovery	
<ul style="list-style-type: none"> • Activate local CDEM response and recovery when required • Provide CDEM personnel for coordination and delivery roles at the local EOC or regional ECC during response and recovery • Provide support for fulfilling key CDEM Group appointments such as alternate controllers, welfare managers and recovery 	<ul style="list-style-type: none"> • Marae engagement is continuing, and marae consultation meetings are being planned for 2020 to take place in South Taranaki. • Late in November 2019 the Taranaki Civil Defence Emergency Management (CDEM) Group requested that an out-of-programme CDEM Monitoring and Evaluation be conducted. This was across all the TLA's and carried out by staff from MCDEM (Ministry of Civil Defence and Emergency Management). The resulting information is due for release soon.

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managers

- Provide liaison with TEMO
- Provide support for other territorial authorities and TEMO with CDEM delivery as required

Lifeline utility responsibilities

- Fulfill responsibilities under section 60 of the Act to ensure territorial authority lifeline utilities are able to function to the fullest possible extent during and after an emergency.
 - TEMO are updating the Tsunami Response Plan for all of Taranaki. Information is being provided from South Taranaki in regards the local communities located on the coastline. It will also assist in highlighting local infrastructure that may be affected by a Tsunami event.
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APPENDIX 1**Stratford District Council**

Responsibilities	Q2 report
Reduction	
<ul style="list-style-type: none"> • Provide support and assistance for civil defence in Taranaki by linking district policy and planning to objectives with the CDEM Group Plan and the <i>Regional Policy Statement for Taranaki 2010</i> • Undertake implementation of methods for natural hazards under section 11.1 of the <i>Regional Policy Statement for Taranaki 2010</i> 	<ul style="list-style-type: none"> • Workshops held last quarter with all TA's to find a way to work together using GIS (Geographic Information System Mapping) to form a common operating picture that all can use during an emergency.
Readiness	
<ul style="list-style-type: none"> • Develop and maintain capability and capacity to lead local CDEM coordination and delivery by: <ul style="list-style-type: none"> ○ Provide leadership roles: controller, information gathering and planning, welfare manager and recovery manager and alternates, for either the Group or local level ○ Supporting the region's district council staff to undertake professional development, training and participation in exercises ○ Developing a local EOC capability and ensuring all systems and processes, and facilities and resources, are robust (such as communications, impact assessment, welfare delivery, local recovery management) ○ Supporting TEMO in the preparation and delivery of community resilience programmes 	<ul style="list-style-type: none"> • SDC volunteer base has had little movement with no booked training taking place before the end of year. New training calendar is out for 2020 with the normal Foundation and Intermediate courses programmed monthly along with specific Function courses. • Assessments of TET sports centre have taken place with the intention of using it as CDC. Currently waiting for NBS (National Building Standard) to take place and determine its earthquake risk rating. • Confirmation with security provider to ensure there is a presence for CDC/EOC during an emergency. These types of arrangements now also to be initiated with other providers. • Plans for War Memorial EOC upgrade are taking shape with ideas of how best to use the space and allocate resources for it. • Taranaki CDEM hosted its first conference for its advisory groups and partner agencies in November to share prominent developments, research and best practices across emergency management in Taranaki and nationally. • Welfare function training to be conducted in Stratford on 18th Feb with good responses from community indicated.
Response and Recovery	
<ul style="list-style-type: none"> • Activate local CDEM response and recovery when required • Provide CDEM personnel for coordination and delivery roles at the local EOC or regional ECC during response and recovery • Provide support for fulfilling key CDEM Group appointments such as alternate controllers, welfare managers and recovery managers 	<ul style="list-style-type: none"> • An Alternative Controller is still being sought.

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- Provide liaison with TEMO
 - Provide support for other territorial authorities and TEMO with CDEM delivery as required

Lifeline utility responsibilities

- Fulfill responsibilities under section 60 of the Act to ensure territorial authority lifeline utilities are able to function to the fullest possible extent during and after an emergency.
-

Section 5 • Risks

The Group Office is committed to managing risks that may impact on the delivery of the Taranaki CDEM Group activities and services, and/or the ability to meet its legal obligations.

Currently 20 risks have been identified, and are listed in the Risk Register (Appendix C).

Two (2) new risks have been added to the register.

One (1) has been removed.

Four (4) risks have been amended with a changing (increasing or decreasing) risk profile.

A total of twenty (20) risks have been identified. All, except one, have mitigation measures in place.

Two (2) new risks have been added to the risk register, related to:

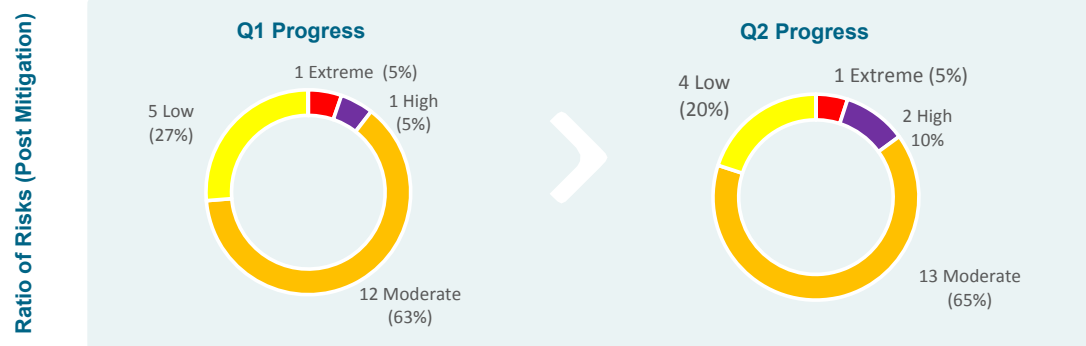
- Inability to adequately plan and subsequently provide resourcing to meet future CDEM changing levels of service (at both Group and TAs).
- Lack of documented knowledge of ECC operational systems and redundancy resulting in unforeseen system failures during response and recovery.

One (1) risk has been removed from the register.

Two (2) risks have increased in risk, Seventeen (17) remain steady and one (1) has decreased risk due to the additional mitigation measures in place.

The highest risks are:

- Number and capability of newly appointed statutory roles holders (Controllers and Recovery Managers), required to manage effective response and recovery;
- Lack of engagement with Iwi and future Iwi representation requirement at CEG.
- Inability to adequately plan and subsequently provide resourcing to meet future CDEM changing levels of service (at both Group and TAs).



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Extreme Risk

One item of extreme risk remains, relating to number and capability of newly appointed statutory role holders. This is currently being addressed through capability development and training, and attendance at the now established National Readiness and Response professional development programme.

Issue	Risk Rating	Controls	Residual Risk
Operations & service delivery			
Number and capability of newly appointed statutory roles holders (Controllers and Recovery Managers), required to manage effective response and recovery.	E	Statutory appointments continue for Group Office and TAs. Controller and Recovery Manager function meetings, induction and initial training provided on appointment and position holders are also progressing through ITF training pathways. Certification of competency for statutory position holders occurring through Response and Recovery national programme.	E

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Section 6 • Budget Performance

Operational and Capital budget performance is reported for TEMO, funded under apportionment arrangements by the four Taranaki Councils as follows:

Taranaki Council	Percentage
Taranaki Regional Council	34%
New Plymouth District Council	40%
South Taranaki District Council	18%
Stratford District Council	8%
	100%

The second quarter financial report (ending 30 December 2019) is attached in Appendix D.

Budget analysis shows a favorable year to date result of \$112,865 (underspend), which includes internal charges and appropriations.

Controllable operational expenditure is within 4% variance YTD, with \$17,871 underspend.

The variance to budget is primarily the result of underspend in internal charges for labour allocation, and reduced depreciation charges due to capital costs of the building project not yet spent.

It is noted that fixed services charges will again be charged on actual consumption, however this yet to occur. A year end washup will take place and it is forecast that this will again be significantly underspend, resulting in a potential reserve accumulation.

Variance to budget is highlighted as follows:

Budget Line	Variance \$ (overspend)	Explanation
Operating Grants & Subsidies	\$191,510	1 - Unclaimed funding revenue from Ministry of Civil Defence Emergency Management (reimbursed on invoice) and reduction in invoiced Council contributions, with reduced revenue offset by operational reserve (operating appropriations).
Total Personnel Costs	(\$60,575)	2 - Temporary fixed term positions funded through operational offset.
Legal and Professional Fees	\$29,537	3 - Science and GIS technical project funding variance. Forecast to be spent by end of year.
Communications	\$20,584	4 - Underspend in operational systems licensing and maintenance. Offsetting additional personnel costs.
Engineering and Technical advice	\$20,500	5 - Budgeted but unutilized Contractor fee (Group Recovery Mgr), used to offset additional temporary personnel costs to meet legislated Recovery planning requirements.
Internal Charges	\$94,650	Underspend in internal charges for labour allocation, and reduced depreciation charges due to capital costs of the building project not yet spent. Internal charges yet to be calculated and year end underspend forecast.

Section 7 • Appendices

Appendix A: Group Vision



Taranaki CDEM Group Vision 2025



Vision Statement

Where we're going
Our Taranaki community shows resilience through periods of disaster, crisis and change



Core Purpose

Why we exist
We deliver professional disaster risk and emergency management for Taranaki



Core Values

What we stand for
Collective responsibility: Shared between National, Group and District level
Unified approach: CDEM partners work for the overall benefit of the Taranaki Community
Organisational resilience: Any part of the system can lend support seamlessly
Strong relationships: Strong effective coordination and integration

Strategic goals
The fulfilment of our vision is underpinned by delivering on our six strategic goals, under the leadership and accountability of the CDEM Joint Committee

Goal		Strategic measures	Responsibility
1	Governance	Our expectations from CDEM partners is clear and met through strong governance arrangements and accountability for delivery	Performance monitoring CDEM Joint Committee Coordinating Executive Group
2	Disaster risk reduction	The risks from hazards, their likelihood and impacts, are understood and managed to reduce our risk exposure	Risk priorities and reduction activities Group Office Local Councils
3	Organisational resilience <i>Readiness</i>	We build resilience into organisations and plan for the impacts from disaster and ensure our systems and arrangements are fit for purpose	Capability assessment Group Office Local Councils CDEM Partners
4	Community resilience <i>Readiness</i>	Community resilience is strengthened so that the impacts from disasters are reduced	Community engagement Group Office Local Councils Community
5	Capability development <i>Readiness, response and recovery</i>	We develop the capability of staff and volunteers to effectively carry out their roles in a disaster	Training completion Group Office Local Councils
6	Response and recovery	We enable well managed effective responses, and we support the community's journey of moving on from the impacts of disasters	Activity performance Group Office Local Councils Emergency Services Community

Note:
The vision of the Taranaki CDEM Group reflects the importance of integrated effort, partnership and cooperation within the CDEM sector agencies, so that we can work together with resilience and function at a high level during a disaster or emergency. The term 'resilience' means literally to 'spring back'. In the Civil Defence and Emergency Management sector resilience is described as the capacity to withstand and recover from the occurrence of a hazardous event

APPENDIX 1**Appendix B: Group Plan Objectives**

Strategic Goal	No.	Objective
Governance	Gov 1	A performance monitoring and evaluation framework for the CDEM Group (based on this Group Plan and other planning documents) will be established and implemented to ensure that the work of the Group remains on track to achieve the strategic goals outlined in this Plan, and to identify risks and issues that emerge over the course of the Plan that will need to be addressed.
	Gov 2	CDEM Group Financial Policy arrangements implemented to ensure accountability for delivery.
	Gov 3	Advisory Group work plans and priorities are established, implemented and contribute towards the 4 Rs
	Gov 4	Group Plan and annex documents review commenced 12 months prior to expiry to comply with legislative requirements.
	Gov 5	Review the Constituting Agreement within five years to ensure governance and delivery arrangements are fit for purpose.
	Gov 6	An annual report will be submitted by member councils to CEG and the CDEM Joint committee regarding actions undertaken to improve their preparedness and readiness to respond to and recover from emergencies.
	Gov 7	Governance arrangements across the full range of Taranaki CDEM activities will be reviewed by 1 July 2020 regarding the involvement and representation of Māori.
Disaster Risk Reduction	DRR 1	A survey of all current risk and hazard documents completed to create a better understanding of the hazardscape for Taranaki.
	DRR 2	Disaster Risk Reduction Advisory Group established to create a focal point for ensuring the implementation of risk reduction measures across the region.
	DRR 3	Disaster Risk Reduction priorities developed into a Disaster Risk Reduction Strategy to address priority hazards.
	DRR 4	The CDEM Group will seek out and encourage applied hazard science research to benefit risk reduction planning.
	DRR 5	Regional GIS (Geospatial Information System) system established for the CDEM Group to improve the understanding of risk exposure and to enable better situational awareness during a response and recovery.
	DRR 6	The CDEM Group will promote the integration of activities and a consistent CDEM risk reduction approach within work programmes such as Councils' Long Term Plans, Resource Management Plans, and other stakeholder agency work plans, to ensure they are informed by the likely post-event consequences on communities.
	DRR 7	Regional Lifeline vulnerability study undertaken to improve the understanding of lifeline utility exposure to natural hazards and to create a basis for a work programme for risk reduction measures.

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Strategic Goal	No.	Objective
Organisational resilience (readiness)	OR 1	Implement EMIS (Emergency Management Information System), or another suitable CDEM Group information system to improve the communications and record keeping of decisions made during emergency activations.
	OR 2	Audits of existing and proposed EOCs/ECC conducted to assess their capacity for response.
	OR 3	Training capability development plan developed and implemented to increase the number and capability of civil defence emergency management staff and volunteers.
	OR 4	CDEM Group partner business continuity plans tested based on hazardscape and likely impact scenarios to improve the capacity and capability of organisations to cope with and recover from emergencies
	OR 5	Development and implementation of performance measures by 2020 to monitor the progress against the recovery programme of work, and ensure the actions are achieving the required outcomes.
	OR 6	Continuous improvement practices are adopted and corrective action planning established and implemented following exercises and activations.
Community resilience (readiness)	CR 1	Develop and commence delivery of a Volunteer Management Strategy to increase the numbers and capability of volunteers.
	CR 2	Review and rationalise Civil Defence Centres to ensure they are fit for purpose.
	CR 3	Refine and continue delivery of our Community Resilience Strategy to ensure that its objectives of engaged, connected, resource and empowered communities is being achieved.
	CR 4	Develop and implement a public education and community engagement strategy focused on improving community preparedness to act in a coordinated and collaborative way during an emergency, and to strengthen their ability to adapt to change following an emergency.
	CR 5	500 community volunteers registered and trained in CIMS and other relevant topics to improve the level of skills in the sector.
	CR 6	10 Community Emergency Plans (including marae based) established and functioning to create local groups of prepared and skilled community volunteers to support communities to respond to and recover from emergencies.

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Strategic Goal	No.	Objective
Capability development (readiness, response and recovery)	CD 1	Adult Community Education (ACE) funds and other funding sources for volunteer training investigated and accessed to increase the number of people able to be trained.
	CD 2	Training records managed to record staff and volunteer training for both currency and proficiency to create better knowledge about the community's capacity to respond to and recover from emergencies.
	CD 3	Plan and run at least one Tier 2 Exercise (whole of Group) to test and increase the capacity and capability of staff and volunteers.
	CD 4	Participate in all Tier 4 national exercises to test and increase the capacity and capability of staff and volunteers.
	CD 5	500 CDEM centre staff trained to Integrated Training Framework (ITF) Intermediate CIMS to provide a sufficient pool of trained staff within the region.
	CD 6	85% of CIMS function leads trained in relevant ITF Function Lead courses to ensure a sufficient skill level of critical staff.




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Strategic Goal	No.	Objective
Response and recovery	RR 1	A Readiness and Response Advisory Group will be established (fulfilling Section 8 Guide to the National Plan requirement for and emergency services coordination committee) to improve the quality of communication and cooperation both between first responders and with Civil Defence Emergency Management.
	RR 2	All Group and Local Controllers complete National Controller Training Programme to improve decision making and emergency management skills.
	RR 3	Three district based EOCs and one regional ECC established to increase the capacity for response at a local level.
	RR 4	The accuracy and currency of all response plans and Standard Operating Procedures is assessed (and takes into account the response principles in this plan) and a programme for review developed.
	RR 5	Standard Operating Procedures established and kept up-to-date to ensure consistency of decision making and actions in an emergency.
	RR 6	The Recovery programme of work to be completed by 2020 will guide the activities of the Group to prepare for recovery ahead of an emergency, and enable the Group and partner agencies to achieve the recovery principles and policies. This work will include (but is not limited to): Engagement with priority communities likely to be affected by specific hazards to understand their values and priorities, the likely consequences and the support needed. This will allow the necessary capabilities, processes and arrangements to be identified. Identification of key recovery partners needed to support recovery activities, including across local, regional and central government, non-government organisations, private sector, and within communities. Identification and prioritisation of actions to address gaps in recovery preparedness
	RR 7	Hazard specific strategic recovery planning will be undertaken at the same time as hazard response contingency planning for the 15 Group Plan priority hazards over the life of this Group Plan to enable comprehensive emergency management.
	RR 8	A framework for the coordination of recovery activities and collaboration post emergency will be established by 2021.

Appendix C: Risk Register

The register summaries the risks that have been identified, their rating, any mitigation and the residual risk after that

This quarter we have introduced trends to the register. These indicating whether a risk is:

-  Risk increase since last quarter
-  Risk remains steady
-  Risk decreased since last quarter




Summary

A total of twenty (20) risks have been identified. All, except one, have mitigation measures in place.

Since the last quarter:

- Two (2) have been increased in risk
- Seventeen (17) remain steady
- One (1) has decreased risk due to the additional mitigation measures in place.
- Two (2) new risks have been identified and added to the register (Planning and Strategy and Information Management)
- One (1) risk has been removed (People and Knowledge)

Risk Register

Issue	Controls & Residual Risk		Residual Risk Rating	Trend
	Initial Risk Rating	Mitigation		
People and Knowledge				
Inability to engage 'suitably qualified and experienced' person to the role of Group Recovery Manager.	M	Taranaki CDEM Group Recovery work programme resourced to meet statutory plan requirements in place. Voluntary Group Recovery Manager position was in place but now terminated.	M	
Lack of capacity for CDEM to manage field operations in emergency and disaster zones (i.e. cordon and movement management, welfare registration, CDC management).	M	Agreements with external agencies to conduct field activities, that are trained and exercised to appropriate standard. CDC training established and TAs working on operational capability.	M	
Health & Safety				
High workload for TEMO team over a sustained time to deliver work programme, leading to sickness, use of sick leave, decreased staff moral, and reduced capability of TEMO staff for response.	M	Re-focus and adjustment of TEMO work programme, prioritising key actions and extending or shifting other timeframes. External resource (contractors or temporary FTE) secured to augment TEMO service delivery. Maintain visibility of work programme priorities, and pressures,	L	

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		to CEG and staff.		
H&S of CDEM staff deployed into emergency and disaster zones.	M	Emerging understanding of exposure through hazard contingency planning.	M	⊖
Governance, reputation, legislative compliance and control				
Lack of engagement with Iwi and future Iwi representation requirement at CEG.	H	Marae engagement programme established.	H	⊖
Environment				
Inability to restrict public access to the Emergency Coordination Centre during activation.	M	Planning completed under the ECC development project.	M	⊖
Unclear processes for TEMO involvement in Major Hazard Facility (MHF) consultation, requiring operators to consult territorial authorities under MHF regulations.	H	Work with Taranaki HAZMAT Advisory Group to establish information sharing and consultation protocols. A national review has commenced into regulations for Major Hazard Facilities conducted by WorkSafe NZ. Roles and responsibilities of TAs and TEMO under existing HAZMAT regulations discussed advisory meetings. Major Hazard Facility SOP in draft and consultation underway with TAs.	M	⬇
Planning & Strategy				
Newly establish emergency response structure, and Emergency Operations Centres (x3).	H	Arrangements defined within the Group Plan (Statutory document), and Response Management Plan. Plans and arrangements regularly discussed with EOCs. Ongoing training for Controllers and Recovery Managers to understand roles and responsibilities. Major focus of TEMO workplan, and additional 0.5 FTE for exercising in place from August 2019. CIMS function meetings established, and table top exercises to test understanding of arrangements underway.	M	⊖
Inability to adequately plan and subsequently provide resourcing to meet future CDEM changing levels of service (at both Group and TAs).	H	Engagement with National Emergency Management Agency to communicate information needs in order to accurately forecast future requirements.	H	New
Financial				
Lack of transparency around operational reserve, accumulated due to year end underspend.	L	Policy around reserve approval process developed and included within the TEMO Group Office financial policies. Review by CEG and adoption by Joint Committee by March 2020.	L	⊖
Information management				
Lack of documented knowledge of ECC	M	Nil mitigation to date.		New

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operational systems and redundancy resulting in unforeseen system failures during response and recovery.				
Operations & service delivery				
Capability of newly appointed statutory roles holders (Controllers and Recovery Managers), required to manage effective response and recovery.	E	Statutory appointments continue for Group Office and TAs. Controller and Recovery Manager function meetings, induction and initial training provided on appointment and position holders are also progressing through ITF training pathways. Certification of competency for statutory position holders occurring through Response and Recovery national programme.	E	⊖
Number of trained and capable response staff for Emergency Management Centres.	H	Delivery occurring as per approved training and exercising plan, with a focus on TA capacity. Ongoing recruitment of EOC & ECC volunteer staff. MOU with TRC re staff release complete.	M	⊖
Lack of monitoring or forecasting of coastal inundation within Taranaki.	M	Unable to be mitigated.	M	⊖
Effectiveness of welfare delivery for affected communities, by Emergency Operation Centres.	M	Community Welfare Outreach review completed and findings included within Group Welfare Plan. TA's commencing actions to improve capability as part of 2019/20 TA work programme and performance measures.	M	⊖
An absence of a fit for purpose common operating picture system, for CDEM and responding agencies during emergencies, that is compatible with that national EM system.	M	Office 365 operating system and initial GIS system established. Taranaki GIS scoping project funded and commencing 2019/20. TEMO management of EOC devices under service contract. Operational enhancements to GIS system (quick wins) implemented. Planning for adoption and integration of national 'Awhina' GIS welfare system.	L	⊖
Property & assets				
Documented issues with the current design, functioning and age of systems for the Emergency Coordination Centre.	M	Minor enhancements to building systems effected. Maintenance contracts in place. Issues addressed within planning and design stage 2018/19 for ECC development project.	M	⊖
Significant building development project for construction in the 2019-20 financial year. Planning, design and consenting to occur in the 2018-19 financial year. Building investigations complete. Issue with flat pitch roof discovered and	H	Project Management structure in place. ECC development project concept and design completed. Various assessments completed (detailed seismic assessment, importance level 4 post disaster facility, asbestos survey and fire scheme assessment completed). Recent flat pitch roof issues	M	⊖

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additional funding secured and project included within current build project.		uncovered and additional design (\$40k) and replacement (\$330k) budget in place. Design finalised and building consent applied for.		
Identified risks with inadequate standard of existing Civil Defence Centres, and suitability of alternatives.	M	Implementation of CDC review through rationalisation and determining fit for purpose use of facilities and activation plan. Included in the 2019/20 TA work programme and performance measures.	M	⊖
Major region wide response occurring while TEMO/ECC operates out of a temporary building during ECC project works.	M	Development concept for a pop-up ECC and establish appropriate arrangements for alternative venue, equipment, IT, generation, connectivity, and critical supplies. Go/No go stage process established.	L	⊖

Risks removed from the register

Issue	Controls & Residual Risk		
	Initial Risk Rating	Mitigation	Residual Risk Rating
People and Knowledge			
Inability to retain skilled staff, due to salaries comparative to peer CDEM Groups.	M	Job levelling exercise completed, with corresponding Salary increases budgeted to enable market and performance movements. Salary reviews occur September, back dated to 1 July 2019.	I

APPENDIX 1**Appendix D: TEMO Q2 Financial Report**

Profit and Loss Summary Report for December 2020 for TEMO

	Actual YTD December	Budget YTD December	Variance YTD December	Note
Revenue				
Other revenue				
160 - User fees and charges	150	0	(150)	
169 - Other Operating incl Rebates & Recoveries	(487)	0	487	
Total Other revenue	(337)	0	337	
Subsidies and grants				
180 - Operating Grants & Subsidies	(406,341)	(597,852)	(191,510)	1
Total Subsidies and grants	(406,341)	(597,852)	(191,510)	
Total Revenue	(406,678)	(597,852)	(191,174)	
Expenses				
Personnel costs				
220 - Salaries and wages - Payroll Only	299,510	254,211	(45,299)	
223 - Other employee benefits - Payroll Only	5,940	6,681	741	
224 - Employee Development & Education	30,482	16,094	(14,389)	
225 - Employer contributions - Payroll Only	8,767	7,581	(1,186)	
229 - Other personnel costs	442	0	(442)	
Total Personnel costs	345,142	284,567	(60,575)	2
General operating expenditure				
231 - Insurances	3,146	8,889	5,743	
232 - Legal and professional fees	1,530	31,067	29,537	3
233 - Occupancy and utilities	12,933	7,905	(5,028)	
234 - Property Maintenance	4,723	0	(4,723)	
235 - Communications	2,366	22,950	20,584	4
236 - Advertising and Marketing	11,154	15,300	4,146	
237 - Hardware & Software	91	0	(91)	
238 - Travel and accommodation	1,085	0	(1,085)	
245 - Other general costs	13,698	1,275	(12,423)	5
Total General operating expenditure	50,726	87,386	36,660	
Direct costs of activities				
250 - Contracts	406	9,945	9,539	
251 - Engineering and Technical advice	0	20,500	20,500	6
253 - Services	1,297	0	(1,297)	

APPENDIX 1

254 - Materials	198	0	(198)
255 - Fleet & Plant Consumables & Maintenance	3,072	6,441	3,369
Total Direct costs of activities	4,973	36,886	31,914
10 - Depreciation - operational assets	18,089	27,961	9,872
Total Expenses	418,929	436,801	17,871
EXTERNAL OPERATING (PROFIT)/LOSS	12,251	(161,051)	(173,302)
INTERNAL CHARGES			
310 - Labour allocation expense	0	10,200	10,200
315 - Fixed Amount Charge of Shared Services	160,880	160,880	0
320 - On-charges expense	3,985	0	(3,985)
330 - Interest allocation expense	10,284	10,284	0
INTERNAL RECOVERIES			
370 - On-charge recoveries	(3,960)	0	3,960
APPROPRIATIONS			
390 - Operating Appropriations	(260,000)	0	260,000
391 - Depreciation funding/ (unfunded)	(18,090)	(27,961)	(9,871)
395 - Capital Appropriations	0	25,863	25,863
TOTAL NET RESULT	(94,650)	18,215	112,865

NOTES

1 - Unclaimed funding revenue from Ministry of Civil Defence Emergency Management (reimbursed on invoice) and reduction in invoiced Council contributions, with reduce revenue offset by operational reserve (operating appropriations)

2 - Temporary fixed term positions funded through operational offset.

3 - Science and GIS technical project funding variance. Forecast to be spent by end of year.

4 - Underspend in operational systems licensing and maintenance. Offsetting additional personnel costs.

5 - Additional general costs to meet ECC requirements.

6 - Budgeted but unutilised Contractor fee (Group Recovery Mgr), used to offset additional temporary personnel costs to meet legislated Recovery planning requirements.

Stratford District Council

Proposal for targeted indirect tax evaluation
April 2021





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Tiffany Radich
Director Corporate Services
Stratford District Council
PO Box 320
Stratford 4352

29 April 2021

Dear Tiffany

Further to our recent discussions, we are pleased to provide Stratford District Council ('Council') with our proposal for a targeted evaluation of indirect tax compliance.

Regarding the evaluation, we have found meeting and interviewing staff from across an organisation, combined with various sample analysis and system checks, provides the optimal outcome for identifying any issues and opportunities. In addition, these evaluations help increase awareness of the importance of tax compliance across an organisation and can drive behavioural change once areas outside of Finance recognise their role in ensuring that Council is meeting its tax compliance obligations. As such, an evaluation has multiple benefits, including being an ideal opportunity to educate staff, where appropriate, in a practical environment.

In the following pages we set out objective, scope and deliverable of the evaluation, along with our estimated fees.

Once you have had a chance to consider the proposal we can discuss further. We would be happy to undertake this work at a mutually convenient time.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Phil Fisher'.

Phil Fisher
Partner

A handwritten signature in blue ink, appearing to read 'Michelle Macdonald'.

Michelle Macdonald
Director

April 2021
2

Workplan

Targeted indirect tax evaluation work



As requested by you, the key areas of focus to be covered in the targeted evaluation are:

- A walk through of documented procedures, assessing the comprehensiveness of procedural and policy documents.
- A review of Council's GST systems as they relate to property transactions. This includes a walk-through of the systems, a review of system controls, and a review of a sample of transactions included in the GST return back to the property sale and purchase agreements, to determine whether the correct GST treatment has been applied.
- Sample check that GST is only being charged or claimed where appropriate.
- Whether or not motor vehicles are available for private use and (if relevant) how this is identified, recorded and communicated to the FBT return preparer.
- A review of how Council is applying the FBT motor vehicle exemptions.
- The PAYE treatment of extra pay, allowances and reimbursements and whether they are, as appropriate, correctly being taxed or treated as tax-free.



Targeted indirect tax evaluation framework



Objective

The objective is to assess the extent to which the processes and procedures used by Council facilitate indirect tax compliance and the extent to which Council is compliant with current tax legislation and Inland Revenue practice.

In particular, the evaluation will:

- Ascertain areas of risk, and provide practical recommendations to mitigate those risks.
- Provide Council's management with a high level independent assessment of Council's indirect tax compliance.
- Identify any areas of non-compliance and provide pragmatic recommendations for remediation.



Approach

The approach to the targeted evaluation would be consistent with that taken by an Inland Revenue investigations team. That said, our approach would also seek to identify any additional areas of potential tax efficiency and process improvement.

Specifically, we will:

- Initially provide details of information we would like available upon arriving on-site and a note of those people that we would like to meet through the review;
- Having agreed the timing for being on-site, hold an initial opening meeting with you, and then subsequently:
 - 'Interview' a range of individuals
 - Review specific documentation
 - Walk-through the systems and processes used by Council
 - Assess calculation logic.



Deliverable

At the end of the on-site work, we will hold an 'exit' meeting to discuss our findings and observations.

Following this, we will:

- Prepare a high-level summary report, to be issued in draft, covering our key findings and recommendations and inviting management comments.
- Upon receipt of management comments, update the report before issuing in final.

Resourcing and fee indication



Resourcing

Phil Fisher will have lead responsibility for quality assurance and ensuring deliverables are being achieved within the agreed timeframe.

The on-site work will be undertaken by a suitably experienced team, which at the time of writing would most likely include:

Rick Bower - Senior Associate

Michelle Macdonald – Director

This team composition may change or include additional members, depending on the skills needed for any particular aspect of the assignment. Michelle will not physically be on-site during the targeted review but will be available to support Rick remotely.

We are also able to call on specialists in data analytics and from our legal team if and when required.



Estimate of effort

Based on our experience undertaking similar evaluations for organisations across the public sector, we estimate the following effort requirements:

Phase	Days	Days
	Onsite	Offsite
Indirect tax evaluation	1.0	0.5

The estimate of effort includes providing a short form report to Council outlining the findings from the targeted evaluation, our recommendations and the inclusion of management comments. The report would be in a format that would enable it to be provided to Inland Revenue should they show an interest in undertaking an audit of Council.



Fee indication

Our daily rate for the team is **\$3,500 plus GST** and disbursements per day. We note this is a blended rate to account for the daily team effort.

On this basis the fee estimate is:

Indirect tax evaluation - \$5,250 (plus GST and disbursements)

The fee does not include development of procedural documentation, nor any time and cost for making any subsequent voluntary disclosure, liaison/negotiation with Inland Revenue in relation to either minimising or eliminating the risk for past periods, or applying for binding rulings for further periods, if required.

Indirect tax evaluation information request

We have listed out below the initial information we would like to review. As the review progresses, other information may also be needed.

Prior to arrival on-site

- Details of Council's motor vehicle fleet. Including a listing of any vehicles that are available for private use (including home-to-work travel) and any documentation provided to employees regarding the use of Council motor vehicles.
- A copy of any policies provided to staff that relate to the provision of benefits, allowances, and any restrictions on private use.
- A copy of any documented financial process maps or procedures related to employee expense claims and invoice coding/authorisation processes (if any).
- Copies of any policy and procedures documents in respect of FBT.

Upon arrival on-site

- Access to documentation relating to sales and purchases of real property (land and/or buildings) during the period 1 April 2018 to date.
- Council's policies and procedures in respect of GST, FBT and PAYE (if any).
- Access to documentation that supports the GST calculation, such as invoices and a reconciliation.
- A complete list of revenue and expense general ledger codes used in the finance system, together with the applicable GST setting.
- A complete list of allowances, reimbursements and extra pay payroll codes, together with the applicable tax settings.

People we would like to meet with

- The person responsible for preparing and filing Council's GST and FBT returns
- Payroll Manager
- Accounts Payable
- The person responsible for the management of Council's motor vehicle fleet.

Thank you

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Report to the Council on the audit of

Stratford District Council's consultation
document for its 2021 - 2031 Long-term
plan

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Key messages

This report sets out our findings from our audit of the District Council's consultation document (CD) for its proposed 2021-31 Long-Term Plan and, where appropriate, makes recommendations for improvement. In addition, this report also provides information on the next step in the audit process being the audit of the Long-Term Plan (LTP).

Overall, we have the view that the District Council has produced a CD that fulfils its primary purpose of providing an effective basis for public participation in decisions on the content of the LTP. The CD included all the major matters that we expected, provided preferred and alternative options to address these issues and encouraged the community to provide feedback.

Audit report

We completed our audit of the District Council's CD and issued an unmodified opinion on 23 March 2021. We included an emphasis of matter paragraph in our audit report to draw the reader's attention to the uncertainties associated with three water reforms.

Matters identified during the audit

The District Council should consider addressing the following matter for the LTP:

- The financial forecasts and accounting policies need to be updated to reflect the adoption of IPSAS 41, *Financial Instruments* (refer to section 3.1)

Going forward we also recommend:

- Improvements, be made as a matter of priority, to ensure that data is complete and includes asset condition for all assets. Council should continue to improve its information in relation to the condition of assets and data reliability (refer to section 2.5).
- the District Council monitors progress around the capital programme throughout the LTP and ensure any potential under delivery is identified early which will allow plans to be put into place to ensure the District Council is able to mitigate this risk (refer to section 3.4).
- developing a theoretical replacement profile for roading assets in order to inform the renewals forecasting and formalise documentation held to support renewals planning (refer to section 3.5).
- to avoid any accidental changes to the model, access to the Master version should only be given to those who are responsible for making changes to the model (refer to section 3.6).
- management consider an alternative financial model that relies less on spreadsheets and has appropriate controls (refer section 3.6).
- consideration is given to increasing internal review and QA processes. A review of the spreadsheet financial model should be done to ensure formulas are pulling through correctly

and that the model is fit for purpose. Integrity checks should be implemented to confirm the model is operating effectively (refer to section 3.6).

Future focus

As well as the opinion issued on the CD, we will also issue an opinion on the LTP that will be adopted before 1 July 2021.

Thank you

We would like to thank the Council, management and staff for their assistance during the audit.

Chris Webby
Appointed Auditor
Draft - 28 April 2021

1 Our audit report

1.1 Our opinion was unmodified



We issued an unmodified audit opinion on the CD on 23 March 2021.

This meant we were satisfied that the District Council's CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2021-31 LTP.

We found the underlying information and assumptions used to prepare the CD provided a reasonable and supportable basis for the preparation of the LTP.

We included an emphasis of matter paragraph in our audit report to draw the reader's attention to the uncertainties associated with three water reforms.

1.2 Uncorrected misstatements

The CD is free from material misstatements, including omissions.

During the audit, we discussed with management any misstatements that we found, other than those which were clearly trivial.

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

For all the misstatements listed Council staff were informed but were of the view that they did not require change as they were not material.

Detail of deficiency
Financial statements
Flatlining of items in in the 10-year forecast: Financial investment, Debtors and Other Receivables, Investment in Other Financial Assets; Creditors and Other Payables, Employee Benefit Liabilities
Infrastructure Strategy and Asset Management Plans (AMPs)
Asset Management Plans to be aligned with the Infrastructure Strategy appendices - problem statements, including principal options, budgeted amounts.
Theoretical renewals profile for all roading assets is not available, however other information, including a profile for parts was provided.

Assumptions
The expected useful life range has been disclosed in the infrastructure strategy and not in the AMPs or assumptions.
Inflation rates used for the revaluation have not been disclosed for all years.

1.3 Corrected misstatements

There were several misstatements corrected by management. For a list of corrected misstatements refer to appendix 1.

1.4 Project management, reporting deadlines and audit progress



The development of the CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

The District Council had a project plan which included key milestones and deadlines, appropriate for the size of the Council.

We noted an improvement in the process since the previous LTP, largely due to the early engagement on issues and clear communication. In addition, Council staff were available throughout the audit and provided requested information in a punctual manner. Overall, this equated to a relatively smooth audit process with issues dealt with promptly. As noted in previous years, the District Council is relying on a small number of key staff during this process and succession planning remains an important aspect of ensuring that critical capability and knowledge is not lost.

2 Matters raised in the Audit Plan



In our audit engagement letter, we identified the following matters as the main audit risks and issues:

2.1 Impact of the economic downturn caused by Covid-19 on the District Council's forecasts

The assumption made by the District Council is that the Covid-19 pandemic will have no impact on forecasts for the LTP and there will be no further lockdowns. A low to medium level of uncertainty for this assumption is assigned. The District Council has assessed that the 2020 lockdown did not have a significant impact financially on its results. This is consistent with our assessment for the year-ended 30 June 2020 annual report audit. Of total revenue, a low portion (10%) is reliant on user fees and charges, with the remainder being made up of rates revenue and NZTA funding. We have assessed that none of this revenue would have a material impact on the financial statements which was evidenced by the actual results for the year ended 30 June 2020.

The district is also more reliant on industries that haven't been significantly impacted by the effects of Covid-19 such as agriculture, education, health care and other day to day necessity industries. This is consistent with information provided by BERL.

The assumptions also outline potential impacts on the district, including that food and service industries may experience sporadic closures or lower activity as the country moves in and out of the Covid-19 levels. This could result in some closures, and reduced revenue coming into the district. It may also result in non-financial performance measures not being achieved that rely on visitor numbers or bookings e.g. library, pool, War Memorial Centre.

Our testing of the assumption also included ensuring that it is applied consistently through the underlying information, including its application in the financial model. We confirmed that no reduction in revenue or changes to levels of service have been applied in the forecasts as the assumption is no significant periods of lockdown.

We have concluded that the Covid-19 assumption is reasonable.

2.2 Financial strategy

The financial strategy is reasonable, financially prudent, based on financial forecast and complies with relevant legislation.

The overall structure and key principles that drive the financial strategy have not changed significantly. Compared to the Financial Strategy adopted in 2018, the strategy is based on a higher population growth forecast (0.3%), significant service level increases, and a higher rate increase limit (4.45%). The Debt Limit is also set to increase.

The District Council is in a sound financial position with net debt of \$6 million, although affordability is a key concern for the community. In terms of long-term liquidity, and access to capital funding, the District Council is not expected to breach its LGFA covenants over the next ten years and has access to a \$1 million loan facility if needed.

Operating surpluses (revenue greater than expenditure) are forecast for each of the 10 years which means the balanced budget is achieved. Operating surpluses are generally allocated to fund capital works or transferred to reserves to fund expenditure in future years. We consider the forecast operating surpluses to be a prudent approach.

We are satisfied that the financial strategy is fit for purpose and the supporting underlying information is considered reasonable.

2.3 Infrastructure Strategy

The infrastructure strategy is reasonable, aligned with other underlying information and complies with relevant legislation.

We performed work to ensure that the:

- Infrastructure Strategy is aligned with the Financial strategy.
- Information in the financial model reconciles with the Infrastructure strategy.
- Infrastructure strategy supports accountability.
- Correlation between depreciation and renewals is reasonable; and
- Content of the Infrastructure Strategy document includes everything necessary to achieve its statutory purpose.

During our review of the infrastructure strategy we made recommendations for improvement which management have made. A list of some of our changes are listed in appendix 1.

We are satisfied that the Infrastructure Strategy meets the legislative requirements and identifies significant infrastructure issues for the local authority during the period covered by the strategy; and identifies the principal options for managing those issues and the implications of those options.

We are also satisfied that the Infrastructure Strategy is aligned to the Financial Strategy.

2.4 Assumptions

The significant forecasting assumptions are appropriate, complete, adequately disclosed and comply with relevant legislation. In addition, the underlying information has been prepared using the material assumptions disclosed.

Our review was focused on the assumptions relating to climate change, Covid-19, inflation rates, borrowing and interest rates, lifecycle of significant assets, NZTA subsidy rates, three waters reform and capital expenditure do-ability/delivery. Further comments on specific assumptions are included below.

2.4.1 Climate change

Climate change is expected to affect the district over the short to long term through an increase in the frequency and intensity of storm events, and a change in rainfall patterns producing more extreme weather events, and an increase in drought events.

Council's biggest challenge is protecting critical infrastructure. Unrealised effects of climate change are likely to create additional costs to mitigate the impact on infrastructure such as water, wastewater and stormwater systems.

The Infrastructure Strategy discusses climate change and its effects on the district in further detail, including the resilience of infrastructure.

The budget includes projects that will support the districts response to climate change. These include the Walking and Cycling strategy projects (\$3.35m for 10 years), Water Meter Installation (\$1.94M for 10 years) which is a consultation item and the reticulation capacity upgrade for the storm water system (\$1.35M for 10 years). The CD includes consultation over waste minimisation which also has a link to climate change.

Although the level of uncertainty around what impact Climate Change will have on the district over the next ten years is high, planned expenditure in the LTP does not include provision for any impacts of a natural disaster event. The costs will be addressed as or when they arise. The Revenue and Financing Policy allows for such expenditure to be loan funded if required.

Insurance cover is in place for above ground and below ground infrastructure assets, and there is a contingency fund of \$500,000 to assist in initial damage control and restoration work required after any significant weather event. Borrowing is available if urgently required.

We recommended improvements to the assumption which were made.

We concluded that the climate change assumption is reasonable.

2.5 Quality of asset-related forecasting information (including condition and performance information for critical assets)

The District Council's infrastructure network is made up of water supply, wastewater, stormwater and roading.

We are satisfied that through the asset management plans, and other documentation, the District Council can describe its approach to asset renewals. But improvements need to be made to ensure that data is complete and covers the performance and condition of all

assets. There are also specific areas, largely non-critical assets, where the confidence levels in data held are lower than what we consider to be acceptable for the purposes of developing its renewal programme.

There is a risk that assets may fail, leading to unexpected maintenance or renewal expenditure and service delivery impacts.

The more comprehensive and reliable information is for the, age, materials, location, condition and performance of assets, the more accurately the Council can forecast its renewals.

We recommend the District Council make improvements as a matter of priority to ensure that data is complete and includes asset condition for all assets. Council should continue to improve its information in relation to the condition of assets and data reliability.

Management comment

The Council is committed to making improvements, and sustaining improvements made, to ensure that data is complete, including asset condition for all assets.

In all cases, the Council will weigh the cost and benefits of data collection with the risk associated with not collecting the data. The Council will be guided by the Risk Management framework at all times to ensure that the condition of its assets and the reliability of asset data is improved.

3 Other matters



In this section, we have detailed our key findings from the audit. We have also detailed our findings in relation to other areas of focus:

3.1 IPSAS 41 financial instruments

PBE IPSAS 41, *Financial Instruments* becomes effective for the year ending 30 June 2023, or the second year of the LTP. The LTP is required to be prepared in accordance with the accounting policies expected to be used in the future which means that the LTP will need to reflect this new accounting standard.

The District Council has performed a high level assessment of the impact of PBE IPSAS 41 and concluded that no adjustment was required to the forecast financial statements included in the underlying information to support the CD (as they are not consulting on a matter that may be affected by the application of PBE IPSAS 41).

For the LTP the District Council will need to:

- Perform a more detailed and robust assessment on the impact of PBE IPSAS 41 on the financial forecasts;
- Ensure any material measurement adjustments that arise on transition to PBE IPSAS 41 that may affect the forecasts are made;
- Ensure the financial instrument accounting policies disclosed are updated to be consistent with the requirements of PBE IPSAS 41;
- Ensure disclosures are made about the change in accounting policy; and
- Consider whether the decision to early adopt PBE IPSAS 41 for the LTP will impact the preparation of their financial statements for the year ending 30 June 2022.

Management comment

Council staff were under the impression that the application of PBE IPSAS 41 had been sufficiently covered in terms of the work carried out on the assessment impact and updating the accounting policies. Further work in this area is unlikely to bring any direct benefits to Council (other than not being reported on by Audit NZ).

3.2 The content of the CD

The CD provides an effective basis for public participation in the District Council's decision making about the proposed content of its LTP, facilitates the right debate with the community and meets the legislative requirements of the Local Government Act 2002 (LGA 2002).

The CD is easy to read with contextual information that includes Stratford at a glance, community vision, how we got here, four key questions, other matters, Infrastructure strategy and how we manage our finances. The CD sets out four key questions for consultation.

It is clear which issues are being consulted on (including the options, the benefits and risks of these choices and Council's preferred option). It highlights the critical parts of the proposed Financial Strategy and Infrastructure Strategy.

We are satisfied that the CD covers what are expected to be the main issues facing the community into the future.

3.3 Three-water water reform

The three-water water reform assumption is reasonable.

The District Council has assumed they will continue to own and directly operate the three waters networks (drinking water, wastewater, and stormwater). The District Council has included a high level of uncertainty around this assumption given the current three-water reform which is appropriate.

The impact on operations and finances has also been included at a high level in the assumption.

The operating and capital budgets have been developed as a business as usual approach.

Without modifying our opinion, we drew attention to the District Council's disclosures in the CD about the uncertainty associated with three waters reform. This was because future decisions may result in significant changes, which would affect the information on which the CD has been based.

3.4 Capital expenditure do-ability

We are satisfied with the assumption about the do-ability of the capital work programme.

The LTP forecasts \$127 million of capital expenditure over the 10 years of the LTP, with 40% of the forecasted projects to be delivered in the first three years. The assumption made is that the capital expenditure programme will be achieved.

We analysed delivery against the capital work programme for the last 3 years and identified the average actual to budget capital expenditure forecast for the last three years was 77%.

We further analysed this by category of capital expenditure and the average for demand was 30%, for levels of service improvements this was 37% and for replacements was 86%.

Due to the prior period underspends and the increased step change to capital budgets in this LTP compared to others, we recommended an assumption around the delivery of the capital programme be included which it has been.

Management is optimistic that it will deliver on the capital work programme planned for the 2021-2031 LTP. To help achieve the capital do-ability the District Council's key response has been to increase capacity in the form of a new project manager. In addition, for the pool, which makes up over half of the capital spend in the first year, this project is currently underway with the required resource consents being obtained.

It is imperative that the District Council monitors progress around the capital programme throughout the LTP and ensure any potential under delivery is identified early which will allow plans to be put into place to ensure the District Council is able to mitigate this risk.

Management comment

Council has recognised that there is a medium to high level of uncertainty around delivering 100% of its capital works programme over the next 10 years, and the LTP specifically discusses skill shortages, contractor availability, and cost certainty as factors that may impact on this. We will continue to monitor Council's progress on planned capital works on a monthly basis over the LTP.

3.5 Rooding

From our review of rooding we were unable to obtain a theoretical replacement profile from the Rooding Asset Management System (RAMM) for all rooding assets.

A theoretical replacement profile is a useful and important tool, particularly when adjusted for condition information, as it provides information around the expected replacement of assets to inform renewals planning and forecasting in conjunction with other relevant information like knowledge of asset engineers and performance of assets for example.

The main reason for that is that the District Council does not operate the Pavement Deterioration Modelling Software or DTiMs, to interpret the information that is extracted out of RAMMS. DTiMs requires extensive data in terms of pavement depths, residual lives, testing such as deflect graph or falling weight deflectometer (FWD) testing, as these tests outline the anticipated remaining life of road pavement.

In the absence of this information, we were provided with an analysis of overdue reseals and pavement replacement profile. The District Council also relies on knowledge from the asset engineers around what rooding needs to be renewed. There is a risk in relying on undocumented knowledge held by asset engineers as this may be lost in the event of staff leaving the Council.

We recommend the District Council develop a theoretical replacement profile for rooding assets in order to inform the renewals forecasting and formalise documentation held to support renewals planning.

Management comment

The Council currently relies on field validation – the roads are patrolled monthly or six monthly depending on their hierarchy, smaller culverts are inspected but only from a

functionality perspective. Yearly inspections are undertaken of council bridges, retaining walls and large diameter culverts. The inspections are not updated to the asset in RAMM but Council is undertaking an RFP for a new structural assets inspection contract and within it there is the requirement for the successful consultant to use software that will automatically store the inspection record against the asset.

The theoretical replacement profile is a very costly exercise and may not put council in a better position than it is currently in terms of outcomes for the district's residents and ratepayers.

As part of the Roading Efficiency Group Data Quality Project, council is improving the data collected and in turn updating RAMM. For example we are collecting pavement information such as the materials used and the depths thickness of those materials when we undertake some patch repairs.

We agree that the current renewals planning process is based on engineers knowledge rather than the outputs from computer software programmes, and acknowledge that there are some risks with that in terms of loss of council staff and/or contractor knowledge. However, we are working toward a more robust method of renewals planning albeit in a more cost-effective way.

3.6 Financial model and forecasts

In assessing the financial forecast we focused on the integrity of the financial model, the reliability of the source data and whether the outputs of the model have appropriately flowed through to the underlying information (including the Financial Strategy, Infrastructure Strategy and financial forecasts).

In doing this we adopted a substantive approach undertaking a variety of data logic, metric, integrity, analytical review, spreadsheet and data flow testing.

The District Council's current financial model is entirely spreadsheet based with numerous formulas throughout. There is therefore an increased risk of error as spreadsheets can be easily changed and may lack certain control features.

Some of the typical errors that occur in spreadsheets include:

- input errors – errors that arise from flawed data entry, inaccurate referencing, or other simple cut-and-paste functions;
- logic errors – errors in which inappropriate formulae are created and generate improper results or where a formula is accidentally overwritten by a number;
- interface errors – errors from the import or export of data from/to other systems; and
- other errors – errors such as inappropriate definition of cell ranges, inappropriately referenced cells, or improperly linked spreadsheets.

The increased inherent risk from using a spreadsheet model required the audit team to complete more substantive tests over the forecast numbers within the model as there were no controls we could rely on. This testing identified that there are numerous tabs that make up the financial model with some tabs not being relevant anymore.

Our testing of the model does not guarantee that there are no errors within the spreadsheet and this risk rests with the District Council. The risk with the forecasts being wrong within the model can have an impact on the total rates collections by the District Council.

During our substantive testing of the financial model, we found that the formulas used in calculating the interest were pulling through the wrong interest rates from the assumptions tab.

Due to changes in the interest rate assumptions between the prior LTP and the current LTP being different, the formulas were then pulling through the wrong information.

We also noted several people have access to the model.

The Corporate Accountant and Director are the only ones who are assigned to make changes to the model. To avoid any accidental changes to the model only those who are responsible for making changes to the model be given access to the Master version of the model.

We **recommend** that management consider an alternative financial model that relies less on spreadsheets and has appropriate controls.

We **recommend** that to avoid any accidental changes to the model, access to the Master version only be given to those who are responsible for making changes to the model.

We **recommend** consideration is given to increasing internal review and QA processes. A review of the spreadsheet financial model should be done to ensure formulas are pulling through correctly and that the model is fit for purpose. Integrity checks should be implemented to confirm the model is operating effectively.

Management comment

Council has committed to undertake a review of its ERP system by year 4 of the Long Term Plan and the RFP will also cater for an all-inclusive enterprise budgeting software. Access to the Master Version is limited to Director – Corporate Services and the Corporate Accountant. The spreadsheet financial model is reviewed annually, including integrity checks and fit for purpose testing.

3.7 Performance management framework

The forecast performance framework is appropriate, complies with relevant legislation and complies with generally accepted accounting practice.

The performance framework remained relatively unchanged from prior years with no significant changes to levels of service. There were some performance measures that were revised, removed, and added; however, this was simply to better align the framework to the District Council's strategy. We will perform additional work over the performance management framework and compliance with legislation during the LTP audit.

4 Audit of the Long-term Plan

The next step in the audit process will be the audit of the LTP. To ensure our audit of the LTP is efficient we expect the Council to prepare a schedule of changes to the financial forecasts, strategies, draft LTP and performance framework that were the basis of the CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the LTP forms part of the LTP, which the Council is required to adopt before 1 July 2021 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 22 June 2021, at which time the 2021-31 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the District Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the CD so for the audit of the LTP we will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the District Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

Appendix 1: Corrected misstatements

Below is a list of misstatements corrected by management.

Detail
Financial model/forecasts
Data entry correction: Inflow and infiltration programme year 6 should be \$100k, not \$1m.
Brecon extension project not supported – adjustment of \$485k
Correction of swimming pool costs – adjustment of \$2,655k
Correction of interest rate in "treasury loans" tab in the financial model, for activities from rows 6 to 20 (Library to Water Supply), for the years 7 to 8, the interest rate being pulled through from the assumptions tab was incorrect.
Correction of costs of sales and inventory associated with the subdivision which was included under Property, Plant and Equipment – year 1 \$960k, year 2 - \$308k and year 3 - \$1,373k.
Remove double counting in Cash Flow Statement – water rates.
Correct classification of sale of subdivision in Cash Flow Statement
Correct classification of District Plan costs – not capital – and other reclassifications in Funding Impact Statement.
Consultation Document
For each issue being consulted, inclusion of the likely consequences of proceeding with the proposal on the local authority's rates, debt, and levels of service.
For a significant capital projects, including the capital cost and any associated material operating cost (including depreciation and interest on any debt borrowed).
Emphasise that the Councils plan for renewals is to 'sweat the assets'.
Include NZTA disclosure around implications for funding.
Update disclosure around three water reforms.
Update of graphs
Inclusion of information around climate change, capital "do-ability" and Covid-19.
Inclusion of information around the condition of assets and data reliability.

Financial Strategy
Include targeted return on investments.
Update financial numbers with changes to the financial model.
Inclusion of approach to rating to replace assets and approach to replacing non-critical assets when they fail.
Revenue and Financing Policy
Alignment with the financial model.
Infrastructure Strategy
Information on changes to levels of services included.
Affordability aspects included.
Condition and performance of assets – information added on condition and performance of assets, including a summary of the asset detail include the condition rating.
Capital “Do-ability”, Covid-19 and climate change detail added.
Information about backlog/deferred maintenance added.
Clarification around principle options added.
Alignment of assumptions to other documents for consistency.
Updating of financial numbers.
Emphasise that the Councils plan for renewals is to 'sweat the assets'.
Assumptions
Include level of uncertainty for the asset life assumption. Additional information on risk and impact.
Disclose the assumption of sources of funds for future replacement of significant assets.
Inconsistent disclosure of the level of uncertainty of the population growth assumption between the infrastructure strategy and "Profile and assumption" document corrected and source included.
Update of the NZTA assumption given recent communication.
Improvements to the climate change assumption, including to disclose the level of uncertainty and the potential impact for the climate change assumption.
Inclusion of societal change assumptions, source of data.
Inclusion of the level of uncertainty of Covid-19 impact and assumption around future lockdowns.
Inclusion of assumption around resource consents.

The assumption of financial implication of natural disaster included.
Correction of the sensitivity around interest rates and update of the assumption.
Correction of revaluation rates in the financial model (cumulative) and include sensitivity.
Inflation assumption – include sensitivity analysis.
Legislative reform – add level of uncertainty.
Inclusion of capital “do-ability” /delivery of work programme, with a high degree of uncertainty and more information around this.
Include specific costing assumptions for: the Swimming pool, Sub-division, Brecon Road projects

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the CD and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 21 January 2021 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your CD. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to this audit and our report on the Council's 2019/20 annual report, we have carried out an engagement to audit the Council's Debenture Trust deed, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the Local Authority or its subsidiaries.</p>
Fees	<p>The audit fee, covering both the CD and the LTP for the period is \$66,900 (excluding GST and disbursements), as detailed in our audit engagement letter dated 21 January 2021.</p> <p>Other fees will be charged in the period for the annual report audit and debenture trust deed assurance engagement.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>

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