



Our reference
F19/13/03-D21/26182

13 September 2022

Farm and Aerodrome Committee and Audit and Risk Committee

Notice is hereby given that the meetings of the Farm and Aerodrome Committee and the Audit and Risk Committee will be held in the **Council Chambers, Stratford District Council, 63 Miranda Street, Stratford** on **Tuesday 20 September 2022 beginning at 12noon.**

At this stage the meetings will be held in the Council Chambers, however should it be required due to the Covid Protection Framework, the meeting may be moved to an alternative venue or held virtually.

Timetable for 20 September 2022 as follows:

12 noon	Farm and Aerodrome Committee
1.45pm	Afternoon Tea for Councillors
2.00pm	Audit and Risk Committee
4.00pm (approx.)	Workshop for Councillors - Committee self review

Yours faithfully

Sven Hanne
Chief Executive

2022 - Agenda - Audit and Risk - September - Open



20 September 2022 02:00 PM - 04:00 PM

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18. Closing Karakia

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AGENDA

Audit and Risk Committee



F19/13/06 – D22/32361

Date: Tuesday 20 September 2022 at 2 PM

Venue: Council Chambers, 63 Miranda Street, Stratford

The meeting location may change, or will be held via Audio Visual Link, if required due to current COVID-19 Alert Levels or Government Guidelines.

1. Welcome

1.1 Opening Karakia
D21/40748 Page 8

1.2 Health and Safety Message
D21/26210 Page 9

2. Apologies

3. Announcements

4. Declarations of members interest
Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.

5. Attendance Schedule
Page 10

Attendance schedule for Audit and Risk Committee meetings.

6. Programme of Works
D21/42807 Page 11

Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2023 be received.

/
Moved/Seconded

7. Confirmation of Minutes

7.1 Audit and Risk Committee – 19 July 2022
D22/26022 Page 12

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 19 July 2022 be confirmed as a true and accurate record.

/
Moved/Seconded

8. **Matters Outstanding**
D18/27474 Page 21

Recommendation

THAT the matters outstanding be received.

/
Moved/Seconded

9. **Information Report – Health and Safety**
D22/32364 Page 22

Recommendation

THAT the report be received.

/
Moved/Seconded

10. **Information Report – Risk Management**
D22/32217 Page 25

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

/
Moved/Seconded

11. **Information Report – Annual Report Update**
D22/32899 Page 37

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Committee of the Annual Report 2021/22, including draft financial statements and adjusted net surplus.

/
Moved/Seconded

12. Decision Report – Section 17A Reviews – Approve Terms of Reference
D22/32248 Page 54

Recommendations

1. THAT the report be received.
2. THAT the Terms of Reference for the Section 17A reviews are approved.

Recommended Reason
The Committee's endorsement of the proposed plan for conducting the Section 17A reviews will enable Council officers to commence work on the reviews.

/
Moved/Seconded

13. Correspondence
- LGFA – Statement of Intent 2022-2025
 - LGA – Annual Report Letter

14. General Business

15. Questions

16. Resolution to Exclude the Public

Recommendation

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

Agenda Item No: 17

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

General subject of each matter to be considered	Reason for passing this resolution to each matter	Grounds under section 48(1) for the passing of this resolution
Insurance Renewal	The withholding of the information is necessary for commercial sensitivity	The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. Section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987.

/
Moved/Seconded

17. Public Excluded Item

Recommendation

THAT the open meeting resume.

Moved/Seconded

18. Closing karakia

D21/40748 Page 66



Our reference
F19/13/03-D21/40748

Karakia

Kia uruuru mai
Ā hauora
Ā haukaha
Ā haumāia
Ki runga, Ki raro
Ki roto, Ki waho
Rire rire hau Paimārire

I draw in (to my being)
The reviving essence
The strengthening essence
The essence of courage
Above, Below
Within, Around
Let there be peace.



Our reference
F19/13/03-D22/17082

Health and Safety Message

In the event of an emergency, unless guided to an alternative route by staff, please exit through the main entrance. Once outside the building please move towards the War Memorial Centre congregating on the lawn area outside the front of the council building.

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

Under the current Pandemic setting visitor access beyond the customer service centre is restricted. Mask wearing is mandatory in all public areas as well as any areas where social distancing cannot be consistently achieved, such as corridors, staff rooms and bathrooms.

We recommend mask wearing for the duration of meetings unless social distancing of a minimum of 1 metre can be consistently achieved.

5. Attendance schedule for 2022 Audit and Risk Committee meetings.

Date	15/03/22	17/05/22	19/07/22	20/09/22
Meeting	A	A	A	A
Neil Volzke	✓	✓	AV	
Grant Boyde	✓	✓	✓	
Rick Coplestone				
Peter Dalziel	AV	A	AV	
Jono Erwood	✓	✓	A	
Amanda Harris		✓		
Alan Jamieson	AV	✓	AV	
Vaughan Jones				
Min McKay	A	✓	✓	
John Sandford		✓	A	
Gloria Webby		✓	A	
Philip Jones (Chair)	AV	✓	✓	

Key	
A	Audit and Risk Meeting
D	Meeting deferred
NC	Non-committee member
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sick
(AV)	Meeting held, or attended by, Audio Visual Link

Audit and Risk Committee - Programme of Works (D21/42807)

	Sep-22	Nov-22	Mar-23	May-23	Jul-23	Sep-23	Nov-23	Mar-24	May-24	Jul-24
Standing Items	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Audit NZ Matters raised - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Audit NZ Matters raised - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Audit NZ Matters raised - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised - LTP Capital Projects status update	-Audit NZ Correspondence Received -Health and Safety Report -Risk Management Review -Financial Report -Audit NZ Matters raised - LTP Capital Projects status update
Annual Items	-Annual Report 2021/22 update - Review of Insurances	-Committee Self-Review -Internal Audit Report (outcomes)	- Internal Audit (Plan for 2023, and status report on previous year audit) - Annual Plan 2023/24 update	-Civil Defence Readiness -Cyber Risk prevention update	- Review of Insurances	-Internal Audit Report (outcomes)	-Committee Self-Review (workshop) - Annual Report 2022/23 (final draft for approval)	- Internal Audit (Plan for 2024, and status report on previous year audit) - Annual Plan 2023/24 update	- Internal Audit (Plan for 2024, and status report on previous year audit) - Annual Plan 2023/24 update	- Internal Audit (Plan for 2024, and status report on previous year audit) - Annual Plan 2023/24 update
One-Off Items	- Section 17a Reviews	- Risk 32 - Lone Worker - deep dive	- Climate Change resilience, strategic risk - deep dive	- 3 Waters Reforms: risk identification and management						

MINUTES

Audit and Risk Committee



F19/13/05 – D22/26022

Date: Tuesday 19 July 2022 at 2pm
Venue: Council Chambers, 63 Miranda Street, Stratford

Present

Mr P Jones (the Chair) and Councillor M McKay

Via audio visual link: The District Mayor N C Volzke, the Deputy Mayor A L Jamieson and Councillor P S Dalziel.

In attendance

Councillors G W Boyde

The Chief Executive – Mr Sven Hanne, the Director Assets – Mrs V Araba, the Director Environmental Services – Mr B Sutherland, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Health & Safety/Civil Defence Advisor – Mr M Bestall (*part meeting*), the Projects Engineer/Manager – Mr S Taylor (*part meeting*) the Corporate Accountant – Mrs C Craig, and one member of the media (Stratford Press).

Via audio visual link: the Director Community Services – Ms K Whareaitu,

1. Welcome

The opening karakia was read.

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

The Chair reiterated the health and safety message and emergency procedures.

2. Apologies

Apologies were received from Councillor W J Sandford, and G M Webby. A leave of absence was approved for Councillor J M S Erwood.

Recommendation

THAT the apologies be received.

McKAY/DALZIEL
Carried
A&R/22/23

3. Announcements

There were no announcements.

4. Declarations 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. It was noted to amend Councillor Dalziel's attendance for the May meeting to "apology".

6. Programme of Works

D21/42807 Page 11

Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2023 be received.

McKAY/JONES
Carried
A&R/22/24

- It was requested that a workshop be held prior to the next meeting to give the committee an opportunity to conduct an informal review of the Audit and Risk Committee and make a recommendation to the next Council.

7. Confirmation of Minutes

7.1 Audit and Risk Committee – 17 May 2022

D22/17590 (open) D22/17589 (PE) Page 12

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council, including the public excluded section, held on Tuesday 17 May 2022 be confirmed as a true and accurate record.

McKAY/JAMIESON
Carried
A&R/22/25

8. Matters Outstanding

D18/27474 Page 19

Recommendation

THAT the matters outstanding be received.

JONES/DALZIEL
Carried
A&R/22/26

9. Information Report – Health and Safety
D22/23693 Page 20

Recommendation

THAT the report be received.

DALZIEL/McKAY
Carried
A&R/22/26

The Health and Safety/Civil Defence Advisor noted the following points:

- There have been a lot more events than in previous reports which has resulted in a busier period, however there were no significant events.
- The fluoride leak at the water treatment plant was a concern but was fixed quickly and testing is being undertaken on staff.
- There is a concern that numbers are down for trained civil defence staff (down from 47 to 39) which could cause some issues if there was a civil defence event.
- There were a few issues that required rectifying at the pool site visit, this was largely to do with the number of contractors onsite which has increased as the project is nearing completion.
- Direct Safety will be onsite next week for training on the lone worker solution.

Questions/Points of Clarification:

- It was clarified that the child in the mens changing room was a female child which can cause a number of unintended problems. The family rooms should be used in this instance.
- Councillor Boyde noted it was great to see well-being training and training for front line staff who are dealing with different situations than a couple of years ago and how they react is really important.
- Mr Bestall noted he felt quite confident with the number of vault entries due to the transparent process with the contractors which ensured everything was captured. He noted that the previous contractors had notified council of everything, he could only judge the contractors by their health and safety manuals and what they say they will do.
- The Chief Executive noted that staff had been surveyed in relation to mask wearing within the building and the results had been discussed with the senior leadership team who decided to remain with the current requirements and to review this weekly. He noted that numbers had increased over the past three week but there had not been any critical staff shortages due to covid-19. He acknowledged there was a general tiredness of the topic and that it was a difficult balancing act the moment between acknowledging this while mitigating the infection risk. This approach was consistent with many other councils at the moment.

10. Information Report – Capital Works Programme – Key Projects Update
D22/23985 Page 23

Recommendation

THAT the report be received.

McKAY/DALZIEL
Carried
A&R/22/27

Recommended Reason

To present an update on the progress of our key capital projects in the 2021/22 financial year, as requested in the September 2021 Audit and Risk Committee meeting.

The Projects Engineer/Manager noted the following points:

- The Bike Park is almost completed and is just waiting on the installation of a CCTV camera.
- The pool is 92% and is progressing nicely and remaining on target to meet timeframes.
- The second trunk main has been delayed due to bad weather and staffing issues as a result of covid-19. Stage one is almost complete, stage two is about 25% complete and stage three is about 80% complete.
- Investigations are ongoing into the best option for the Whangamomona Camping Ground septic tank. The initial feeling is that a holding tank may be sufficient instead of an effluent pad and treatment system.
- The Economic Development and Town Centre Plans are currently being reviewed by the Community Development team.
- The School speed zones and Connecting our Communities Strategy are both out for consultation. The speed zone consultation was extended due to the Pembroke Road entrance of Taranaki Diocesan School having been added and has received 12 responses so far with 11 in favour and one in favour but questioning the ability to manage and police this. There have been about 10-12 responses received for the Connecting our Communities Strategy and all have been positive.

Questions/Points of Clarification:

- It was clarified the cost increases for the second trunk main may seem high compared to the 2017/18 estimates. They are however within reasonable range when compared to the actual tender received.
- Councillor Boyde noted his frustration that Waka Kotahi was not currently considering the speed zones outside the schools on state highway. Mr Taylor noted that officers had contacted those schools on state highway prior to consultation and they were aware that Waka Kotahi are working with council on this, however changes were not expected prior to 2026.
- It was clarified that a dumping site was being considered for the Whangamomona public toilets site at the edge of town. This was largely to provide a site for those staying in Whangamomona, but not at the campgrounds. The District Mayor noted that camper vans generally emptied their tanks at the beginning or end of their journeys and felt that this location would not be used by those passing through. Mr Taylor noted that the chemicals from these tanks were also not suitable to be put in the septic tank as they react with the chemicals in the septic tank.
- Councillor Dalziel commended the team involved on the Aquatic Centre. This was a big project for Stratford and it was rare to see projects coming in before the due date and under budget, or on budget.
- It was noted that the emerging risk from the capital projects perspective would be cost estimates in the Long Term Plan, especially with inflation increases. Mr Taylor noted that supply issues had largely settled down at the moment but that weather was also playing a part in delaying the second trunk main and some external issues at the pool where debris had ended up on the hockey turf.
- It was noted that the Surrey Street water main renewal was a week or so ahead of schedule, with the second stage to be completed in February/March when it is drier.

11. Information Report – Risk Management

D22/24256 Page 30

Recommendation

THAT the report be received.

McKAY/JONES
Carried
A&R/22/28

Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

The Chief Executive noted the following points:

- This report presents the top 10 of the total 90 risks on council's risk register.
- There have been no changes to the top 10 risks since the last Audit and Risk Committee meeting except for the addition of Attracting and Retaining Staff which has been moved into the top 10 list.
- There has been a mix of normal flu and covid-19 in regards to risk 64.
- It is currently annual performance review time. As part of this the senior leadership team had engaged Strategic Pay to ensure our roles are compensated appropriately for the market. Council has been working with Strategic Pay for the past ten years as they only do local and central government. This has resulted with some roles being correct, others under and some over. These discrepancies will be adjusted during this review period and will help reduce the risk of staff leaving due to remuneration.
- Work is continuing to be undertaken in the well- being space.
- The Elected Member Decision Making risk was listed as council has just gone through its Annual Plan process which included the addition of the Forestry targeted roading rate. Staff tried to minimise risk with this decision through consultation and seeking legal opinions.
- The Government policy impacting on local government risk is ongoing. This week council will be completing its submission on the 3 waters reform which it was noted is also impacting staff in terms of travel for meetings which impacts both work and home.

Questions/Points of Clarification:

- Councillor Boyde noted risk 47 (attracting and retaining staff) and questioned if there was sufficient resource to undertake tasks such as internal audits which takes staff away from doing their day to day role and regulatory changes that are ongoing? Mr Hanne acknowledged that he did not feel there was sufficient resourcing but noted that some of the changes are in the 5-10 year bracket. He noted the annual plan process had just been completed and it was acknowledged that people are hurting and have financial pressures at the moment and in order to keep the rates increase lower there had been a reduction to the staffing budget. He noted he could justify additional resources but could not afford it.
- Mr Hanne noted that staff advice to elected members to aid in their decision making had not suffered as a result of resource availability.
- The Chairman noted he was only aware of one council in the country that was fully resourced. The government reforms are only going to escalate over the next 12 months and he noted his concern for all local authorities as they see more secondments and an inability for staff to backfill due to capacity in the workforce and could impact on council's service delivery.

12. Information Report – Civil Defence Progress and Readiness Report

D22/24213 Page 36

Recommendation

THAT the report be received.

JONES/JAMIESON
Carried
A&R/22/29

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.

The Chief Executive noted the following points:

- It had been mentioned earlier that there has been a reduction in properly trained staff. This is a combination of staff migration and lack of training opportunities. Attempts to bring the training opportunities to local facilities had not eventuated due to low numbers and it may mean it is more practical to continue holding trainings in New Plymouth at TEMO.
- Seismic assessments have been undertaken on the War Memorial Centre and the TET Multisports Centre. The information has not yet been received on the War Memorial Centre but it is unlikely that it will meet the 120% requirements. The TET Multisports Centre has resulted in some flaws being discovered. The discussion on these buildings will continue as part of the next Annual Plan process

when a better understanding of the requirements is known. It was noted that it was required to bring a building up to standard once it has been designated as an emergency centre, however it can still be used as one.

Questions/Points of Clarification:

- It was clarified that the buildings are council's responsibility. Training is funded through the National Emergency Management Agency but the physical facilities are the territorial authorities.

13. [Decision Report – Internal Audit Plan – 2021/2022](#)

D22/22475 Page 69

Recommendations

1. THAT the report be received.
2. THAT Internal Audit Plan 2021/22 be approved.

DALZIEL/McKAY
Carried
A&R/22/30

Recommended Reason

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

The Corporate Accountant noted the following points:

- This is the annual internal audit plan with the list of risks selected.
- Risks will be allocated to staff members who will work with the right people to review.
- The results will be brought back to the committee in November.

Questions/Points of Clarification:

- It was clarified that the unplanned road closures would look to see if any of these could have been avoidable with routine inspections such as the culvert by Hollard Gardens. It was also look at how these are recorded, the mitigation and response after the event.
- It was agreed that council may not have the necessary expertise in-house to undertake the review on its cyber security, however the staff member assigned this risk would work with the IT Manager and an external party to review this risk.
- The concern over resourcing and this task adding pressure to staff was noted, it was acknowledged that staff continue to do the best they can with their day to day tasks and any issues that arise as a result of undertaking internal audit tasks will be dealt with as they arise. If it needs to be completed externally then this will be considered.
- It was noted that the review of contractor management and the swimming pool stock take would be undertaken in addition to these identified risks.
- It was clarified that there is approximately \$20,000 retail value of stock at the swimming pool through items such as swimwear, swim equipment, food and drinks. This will be done to ensure the stock all lines up prior to the move to the new facility.
- Councillor Dalziel noted the importance of these reviews being undertaken, particularly when there is extra pressure to ensure no activities are overlooked or not completed.

14. Decision Report – Amend Treasury Management Policy
D22/23658 Page 80

Recommendations

1. THAT the report be received.
2. THAT the Treasury Management Policy be amended to remove the wording “*The maximum investment with any one counterparty will be \$4,000,000. However, this limit may be breached if approval is given by the Chair of the Audit and Risk Committee and one of the Chief Executive or the Mayor (approval may be given retrospectively but notification to the Chair must be given on the same day). The Audit and Risk Committee must be notified of any breaches at their next meeting.*” from the policy.

DALZIEL/McKAY
Carried
A&R/22/31

Recommended Reason

Council has found that over the past few years of regularly breaching this limit, that the risk of doing so has been negligible.

The Corporate Accountant noted that this report recommending the removal of the limit of \$4 million investment with any one counterparty for a term investment. This was requested by Elected Members.

Questions/Points of Clarification:

- The District Mayor noted that this had not served much purpose in a practical sense. He noted that when council has looked to invest money it has almost invariably been with Westpac as the most generous place to invest which results in a request to approve the breach of policy. He noted the approval only gave acknowledgement that it was going to happen rather than any security to the decision and felt it was a pointless requirement.
- Councillor Dalziel noted that the policy states that council will only invest with financial institutions with a credit rating of A- or better. He questioned why Westpac was always the best option with the market usually evening out.

15. Decision Report – Financial Budget Modelling Options
D22/23659 Page 93

Recommendations

1. THAT the report be received.
2. THAT the Committee endorses the approach taken by staff to continue to prepare annual and ten-year budgets with a spreadsheet model.

VOLZKE/DALZIEL
Carried
A&R/22/32

Recommended Reason

There are a number of substantial changes occurring in the Local Government Sector from 1 July 2024, and it is suggested that the outcome of these legislative changes be well understood by staff before investigating and investing in a new budget model.

The Corporate Accountant noted the following points:

- The committee had requested a report be brought regarding the spreadsheets for the Long Term Plan and Annual Plan budgets and the potential risks and options moving forward.

- Everything that has been looked into has some sort of spreadsheet input required so it is recommended to retain the status quo and revisit in a year or two as a different modelling system may be required following the various reforms.

Questions/Points of Clarification:

- The Chairman suggested that this be brought back to the new committee identifying the risks and developments as part of the next Long Term Plan process identifying the risks raised by audit and if they have been adequately addressed. This would ensure officers also have a better idea of what will be required for the budgets.
- Councillor Dalziel supported the recommendation but felt a software package would provide better efficiencies in future years compared to the current manual spreadsheet system and would reduce risks and potential errors. The Chief Executive noted that hours had been spent looking into products for this purpose and none would do what is needed from start to finish, everything has ended up that the programme would just be part of the solution and would introduce more risk with using more than one programme.
- The Chairman noted that when the in-home model had been developed at Western Bays spreadsheets were still used. There had been no savings in the first year as it cost with time and resources to develop and learn the model, savings are generally seen when it is used for five plus years and council does not currently know what the long term plan requirements will be post 2024.
- The District Mayor noted the auditor's comments regarding fraud, data entry, cell ranges etc are all problematic no matter what system is used. He noted these risks can be mitigated by restricting who has access and ongoing checking. This system has served council reasonably well in the past.

16. Decision Report – Asset Valuation Process for Annual Report 2021/22

D22/22330 Page 100

Recommendations

1. THAT the report be received.
2. ~~THAT the Committee approves the recommendation from the independent valuers that full revaluations are not required for roading, waters, and the land and building assets as at 30 June 2022.~~
2. THAT the Committee supports and agrees with the recommendation from the independent valuers that full revaluations are not required for roading, waters, and the land and building assets as at 30 June 2022 as this complies with PBE IPSAS17 and guidance provided by NAMS on valuation and depreciation and valuation standards.

JONES/DALZIEL
Carried
A&R/22/33

Recommended Reason

Independent valuers have indicated that a full revaluation is not required.

The Chairman noted he supported the approach undertaken by staff, this approach is robust and complies with NAMS guidelines, accounting standards and valuation standards.

Questions/Points of Clarification:

- It was clarified that when discussing the potential effects of not completing the revaluation with the audit manager they have confirmed it will form part of the management letter but not lead to a modified audit opinion.
- It was clarified that the projected movements on page 102, would not form part of the financial planning as it is too late for the Annual Plan and new figures will be provided to assist with the next Annual Plan budget.

17. Correspondence

- Deloitte – Planning Report to Audit and Risk Committee for year 30 June 2022
Page 116

Questions/Points of Clarification

- It was noted that the annual fee from Audit NZ last year was \$110,000 plus disbursements such as accommodation, travel and food. The fee this year was as set by Audit NZ.

18. General Business

There was no general business.

19. Questions

There was no questions.

20. Closing karakia

D21/40748 Page 144

The closing karakia was read.

The meeting closed at 3.16pm.

P Jones
Chairman

Confirmed this 20th day of September 2022.

N C Volzke
District Mayor

Audit and Risk Committee Matters Outstanding Index

ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE
Health and Safety Framework Review – manual review	22 June 2021	Sven Hanne/Mario Bestall	Underway	Update in item 9 – Information Report - Health and Safety
Contractor Management Processes – review	15 March 2022	Tiffany Radich		Internal Audit Plan – July 2022 Audit and Risk meeting Internal Audit Report – will be brought back to the committee prior to the end of the calendar year.

INFORMATION REPORT



F19/13/04 – D22/32364

To: Audit and Risk Committee
 From: Health and Safety/Emergency Management Advisor
 Date: 20 September 2022
 Subject: Health and Safety Report

Recommendation

THAT the report be received.

 Moved/Seconded

1. Purpose of Report

- 1.1 This report presents a summary of a two monthly progress and any highlights for the main areas of activity within for the period to 31 August 2022.

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 two months ending 31 August.
- 2.2 Results of data analysed since 1 July show that there has been a total of 9 events logged in Vault. This incorporates 2 pool events that are now being logged in Vault. There was were no near misses reported.

3. Incidents

3.1 30 June-22 - 31 August –2022

	Period 30 June 22- 31 August 2022	Running YTD Balance (1 July2022 – 30 June 2023)
Events	9	9
<i>Of which:</i>		
Injury	-	-
ACC Claims	-	-
Notifiable	-	-
Near Miss	-	-
Observations	-	-
Other	9	9
Type of Incident		
Slips/Trips/Falls (no injury)	-	-
Sprains/Strains	2	2
Cuts/Abrasions/ Bleeding nose	1	1
Bruising	-	-
Near Miss	-	-
Aggressive/Abusive Customer	3	3
Trespass	-	-
Vehicle Damage	-	-
Insect Stings	-	-
Plant/Equipment	-	-
Other	3	3

Level of Treatment		
No Treatment	2	2
First Aid	2	2
Medical Centre/ DR	-	-
Hospital	-	-
Level of Investigation		
No Investigation	2	2
Formal Investigation	7	7
WorkSafe Investigation	-	-
Health and Wellbeing		
Workstation Assessments	1	1
EAP Referrals	3	3
Health Monitoring Assessments	-	-
Health and Safety Committee Meeting	1	1
Site Reviews	1	1

- 3.2 The reported number of events submitted was slightly lower than what is usually reported for a two monthly period.

Of the 9 events logged in Vault, here are some of the more varied ones:

- A council contractor was threatened by a member of the public mistakenly thinking that the contractor had marked out services on his lawn (outside his property) with dazzle paint. The contractor had not started working and the markings were from somebody else. The matter was referred to the Police.
- A staff member strained their back whilst moving chairs. The staff member has had physio and did not have any time off work.
- Another contractor incident with a forestry contractor taking exception to the roading contractor taking too long to install a culvert. This matter was also referred to the Police.
- A staff member strained their ankle whilst getting up after a long period behind their desk. RICE technique was used with staff member not having to take any time off work.
- A fish filleting knife was handed in at the pools by a patron that had found it in changing rooms. A soap dispenser had been cut open and the contents taken out. The knife was handed into Police.
- A retraining wall on private property collapsed whilst a council contractor digger tracked past it. See 5.1

3.3 Matters Outstanding

The review of the Health and Safety Framework has been undertaken as part of the overall Health and Safety Manual review which is nearing completion. The first draft has been completed and is now being reviewed.

4. Civil Defence

- 4.1 Training of staff still remains slow with sickness and availability an issue but it is anticipated that will level out soon with staff starting to commit to upcoming training courses.
- 4.2 Council has again signed up for the New Zealand Shakeout. This is our national earthquake drill and tsunami hīkoi. It's taking place Thursday 27 October 2022 at 9:30am.

5. Contractors

5.1 A council contractor had been tasked to install a new water main in Surrey Street. Photos were taken prior to the commencement of works with the stability of the wall not identified as a risk as although it was leaning and appeared aged, it was stable. This was a visual assessment only. All the old footpath had been removed in preparation for trenching and installation of pipework. Contractor moved the digger past the wall and went to have a lunch break. Upon return the contractor then noticed that the wall had fallen over onto the area of the footpath. There were no injuries to anyone as the area was cordoned off. The contractor reported the incident to council staff and supplied incident investigation. This matter is now with the property owner and Council insurance companies.

6. Site reviews

6.1 One site review has been conducted over the period with minor non-conformances noted and corrective actions issued.

7. EAP Referrals

7.1 There have been three EAP requests reported in the portal for the period.

8. Lone Worker Solution

8.1 The new lone worker system has been now been in place for a month with some minor issues being reported by staff such as sensitivity of devices and checking-in periods. Overall staff seem happy with the product and appreciate that the system is there to help. Installation of permanent emergency devices to the new pool, library and customer services are still in progress.

9. Safetyhub

9.1 Council has engaged Safetyhub to provide high-quality workplace health and safety video content. It's a fully-featured e-learning platform that promotes the use of high-quality safety video content as an integral way to ensure that people at work are informed, aware and compliant in their safety training. The Safety hub subscription allows access to all our staff to view this content and can also be used as a comprehensive training programme. Videos range from office safety to wellbeing, hazardous environments to manual handling as a few examples.

10. Wellbeing

10.1 The wellbeing committee has been discussing a calendar of public health events and asking members what is important to them with the view of where the next focus should head. The senior leadership team are keen to see a work programme that helps address the low scoring areas in the staff survey with the aim of changing future score in that area.



M Bestall
Health and Safety/Civil Defence Advisor



[Approved by]
Sven Hanne
Chief Executive

Date: 12 September 2022

INFORMATION REPORT



F19/13 – D22/32217

To: Audit and Risk Committee
From: Director – Corporate Services
Date: 20 September 2022
Subject: Risk Management

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

Moved/Seconded

1. Purpose of Report

- 1.1 To provide a high-level update on Council risk, in accordance with Council's Risk Management Policy.

2. Executive Summary

- 2.1 The key risks to Council that have required active management by the Senior Leadership Team are:
- *Risk 58 Contractor Damage / Breach,*
 - *Risk 78 Government Policy Impacting Local Government,*
 - *Risk 47 Attracting and Retaining Staff,*
 - *Risk 72 Elected Members Decision Making,*
 - *Risk 51 Natural Disaster or Fire (response preparedness), and*
 - *Risk 71 Critical Asset Failure.*
- 2.2 There has been one new risk identified by the Senior Leadership Team and added to Council's risk register since the last Audit and Risk Committee meeting, relating to Local Government Elections and Council's duty to comply with all associated legislative responsibilities.
- 2.3 There have been no changes to the Top Ten Risk Register.

3. Local Government Act 2002

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:			Affects all four wellbeings in some way.
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

1.1 Risk Management aims to protect all areas of Council operations and therefore indirectly meet the purpose of all four wellbeings.

2. Background

2.1 The Council maintains a full risk register, which currently has 89 risks. Of these, 10 of the highest risks in terms of likelihood and consequence are monitored and reported to the Audit and Risk Committee.

2.2 In August 2021, the Risk Management Policy was updated and one of the changes to the previous reporting system was that only high-level risks would feature in this regular report to the Audit and Risk Committee.

2.3 The risk register includes a description of the risk, and evaluates the risk in terms of likelihood and consequence without any controls in place. Controls (risk reduction methods and mitigations) have been established for each risk, and then the risk is re-evaluated to get a residual risk score. In terms of what constitutes a significant risk, the raw risk score is taken into account rather than the residual risk as it is important that the Senior Leadership Team and the Audit and Risk Committee regularly monitor that the controls in place are appropriate and effective.

5. Information Summary

5.1 Risk Events in relation to the Top Ten Risk Register

Risk 58 – Contractor Damage / Breach

In August, a Council contractor doing work on the second trunk main was involved in an incident relating to damage to a retaining wall at a residence on Surrey Street. At this stage, liability for the damage is being determined and the resident has been asked to work with their insurance company in the first instance.

Risk 78 – Government Policy Impacting on Local Government

Refer to **Appendix 2** for a list of legislation, relevant to local government, currently under review and open for submission.

Three Waters Reforms

The government’s plan to remove the Water, Wastewater, and Stormwater activities from Council control is moving ahead and the expectation remains that it will be in place by July 2024. In July, Council made a submission expressing a number of concerns about the Three Waters Reform – refer to **Appendix 3** to read the full submission.

Staff from the three waters activities, as well as finance and IT will be expected to assist in the transition phase over the next two years. The priority will be to ensure that Council and the Stratford community is well positioned post-reforms.

Risk 47 – Attracting and Retaining staff

As of August 2022, there were 63 positions at Council, with 8 vacant. Management are still experiencing difficulty hiring for key positions in the Assets Team, including GIS officer, Roading Engineer, and Water Engineer.

The Council has applied for, and received, Employer Accreditation with Immigration NZ. This means that the Council can support up to 5 migrants at any one time. While council has historically supported applicants through their visa process without being accredited, under the current immigration policies, being accredited is the only practical pathway to be able to bring applicants from overseas to New Zealand for the roles we are struggling to fill from within the country. Since achieving accreditation, this pathway has been used once, with the successful applicant expected to arrive in New Zealand in early 2023.

The Strategic Pay review, which involved implementing individual staff salary bands based on market salaries and job descriptions, is now complete, along with the annual staff performance reviews, and all staff affected have received letters advising of their new pay from 1 July 2024. It is expected that this will have a significant financial impact on budgeted expenditure, but at the same time will make pay discussions more transparent and objective, and pay more comparable with other similar positions, which in turn should contribute to better retention of staff.

Risk 72 – Elected Members Decision Making

The Chief Ombudsman has recently launched an investigation into the way meetings and workshops are being organised and administered across local government, with the following Councils being the main focus:

- Rotorua Lakes Council
- Taranaki Regional Council
- Taupō District Council
- Palmerston North City Council
- Rangitikei District Council
- Waimakariri District Council
- Timaru District Council
- Clutha District Council

The investigation will be looking specifically at how workshops are being administered to reduce barriers to openness and transparency. The key review areas will be on ensuring that decisions are not made behind closed doors unless there is a formal resolution made to exclude the public, and that there is quality record-keeping of workshop discussions.

The Senior Leadership Team and Elected Members are aware of the investigation and tightening up in any areas of weakness in relation to the current administering of workshops.

Risk 51 – Natural Disaster or Fire (response preparedness) and Risk 71 – Critical Asset Failure

Repeat flooding of residential dwellings by wastewater – During the recent extreme weather events several properties experienced sewage/storm water discharges from gully traps which in general discharged onto land or under the houses. Two connected properties on Brecon Road had sewage discharge through their shower trays into their bathrooms, which subsequently flooded carpeted areas of their houses. One of the two properties experienced the same occurrence in February 2022 and Council contractors installed a backflow preventer to address the issue. Preliminary investigations have found that the actual sewer drainage which has been installed does not match the consented plans in so far as both properties were consented to have separate wastewater connections but have instead connected to sewer through

one connection in the right of way. Further investigations into the functionality and installation of the backflow preventer are to occur with haste. One property experienced sewage overflows from the gully trap which flooded a below house basement and garage; preliminary investigations have found that the downpipes from the roof and possibly the neighbouring property are plumbed to sewer, which is a root cause of storm water ingress to sewer throughout the Stratford Township. Council staff have previously conducted inspections of properties looking storm water connections to sewer and this remains an ongoing activity, where points are identified the property owners are given a notice to fix.

Infrastructure failure due to insufficient capacity during heavy rainfall resulting in a number of wastewater overflows - During the recent extreme weather events the sewer network became overwhelmed due to storm water ingress, causing several manholes to pop their lids causing sewage to discharge into the storm water reticulation network and receiving environment. As per response procedures the relevant authorities were informed and the areas were cordoned off until the flows reduced, whereby the areas were sterilised. One capped end section of sewer line on Swansea Road failed due to the extreme pressures and flow; Council contractors successfully managed to fix the issue while the network was at capacity, which prevented an ongoing large scale sewage discharge into an unnamed tributary off Swansea Road. Infiltration assessments using cameras remains an ongoing activity; Council has committed funding in its long-term plan to continue this activity and remediate areas where storm water ingress is identified.

The recent rain event has seen further storm damage to our rural roading network which will add to cost and overall work load of crews, both have the potential to negatively impact day-to-day maintenance.

5.4 **New Risks Identified**

The following new risk has been added to Council's Risk Register as it was identified that Council does not currently have an election related risk on the risk register. Adding this risk to the risk register reinforces the controls in place to manage this risk and focuses attention on monitoring the risk. Due to the controls in place the likelihood of a risk event occurring is low.

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
90	Compliance and Legislation	Local Elections	IF election legislation and protocols are not complied with and the local election is subject to legal review, THEN Council may be liable for a by-election or financial penalties, and reputational damage may also result.	6 - High	Contract Electoral Officer role to appropriately skilled and experienced provider. Ensure there are sufficiently trained and experienced in-house staff to ensure key dates and processes are complied with. Elector and candidate participation and the local elections are actively encouraged and promoted directly by Council.	3 - Moderate (unlikely)

	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

5.5 Changes to Top Ten Risks

There were no changes to the top ten risks.

6. Strategic Alignment

6.1 Direction

N/A

6.2 Annual Plan and Long Term Plan

N/A

6.3 District Plan

N/A

6.4 Legal Implications

N/A

6.5 Policy Implications

This report is in line with the Risk Management Policy.

Attachments:

Appendix 1 Top Ten Risk Register

Appendix 2 Legislative Reform currently open for submission – schedule

Appendix 3 Submission letter to Government on Three Waters Reform



Tiffany Radich
Director – Corporate Services



[Approved by]
 Sven Hanne
Chief Executive

Date 12 September 2022

Appendix 1

Top Ten Risk Register

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
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
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.	20 Extreme	Where a policy change may have a significant negative impact on the Council then staff and elected members should consider making a submission to suggest and encourage alternative options. Council officers and elected members need to keep up to date with proposed changes to legislation and govt 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. Council should aim to maintain a position	6 High

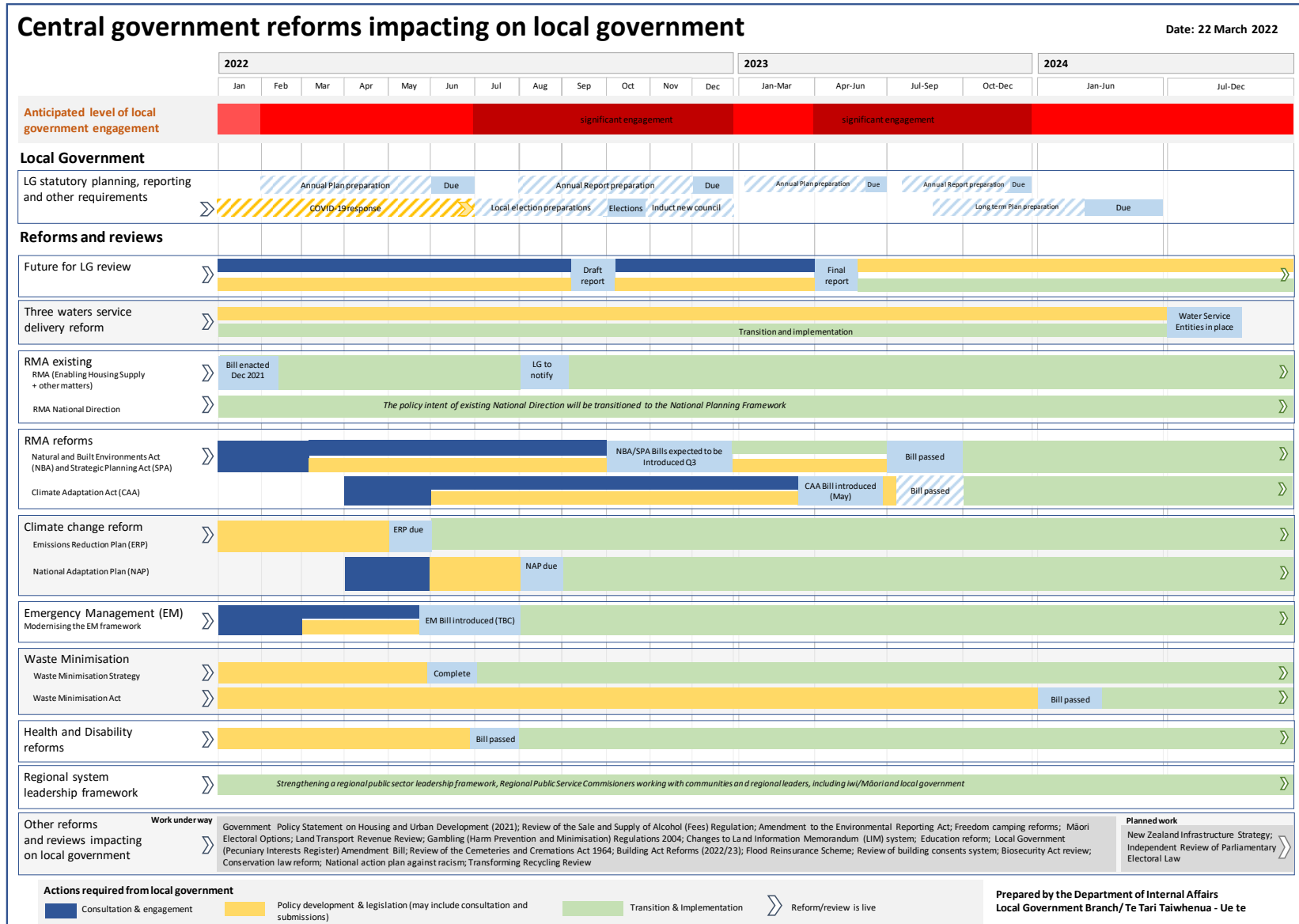
where it can be adaptive and respond well to change, e.g. low to medium debt levels, diversification, good employment relationships.

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.	4 High
47	Operational	Attracting and Retaining Staff	IF Council is unable to attract and retain suitably qualified personnel, THEN services may become under threat and may cease.	16 Very High	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.	4 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
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	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. Information related to decision making should be given to elected members in a timely manner. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision	4 High

Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.

making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.

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
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
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





Appendix 3

Our reference

F16/1233-D22/27179

21 July 2022

Water Services Entities Bill – Three Waters Reform Programme
Finance and Expenditure Committee

Submission on the Water Services Entities Bill from Stratford District Council (SDC)

The Central Government's Three Waters reforms have been front of mind for Council, and a hot topic across communities for the last 2 years. We're disappointed that it's taken this long for our community to be able to have its say on these proposed reforms. We request that you listen to our community and give their feedback due weight during your consideration of this Bill. Our community is the ultimate owner of the three water assets, and their views should be the most important views on this issue. We call on the Government to ensure select committee meetings aren't heard solely in Wellington, so that our local community members who wish to speak to their submission can have that opportunity. It's only fair that Central Government starts fronting up in person for this process.

In the absence of an opportunity for the community to be heard to date, Stratford District Council (SDC) as an organisation and our elected members individually received a considerable number of queries as well as strongly worded feedback. No matter the actual outcome, it was evidently highlighted that our community expects to be consulted with on this proposal and SDC expects meaningful Government-led consultation with our communities. The earlier request for feedback as well as the current consultation on the Water Services Entities (WSEs) Bill fall well short of these expectations.

Stratford District Council's concerns on the Three Waters Reforms:

Mandatory nature of reforms

SDC strongly opposes Central Government mandating the proposed Entity based model for water services delivery and our biggest frustration is that, despite promises to the contrary at the beginning of this reform process, neither Council nor the community have been given the choice to opt out of the proposed reforms.

Inter-dependency of Reforms

As expressed in our earlier feedback on these reforms, we strongly believe that they are being completed out of sync with the review of Local Government, which should be undertaken first. If this was the case, a number of alternative options, and potentially better outcomes, could be presented to the sector. We are seriously concerned about the impacts of a centralised "one size fits all" approach on our communities and predict that it will fail to deliver the intended outcomes.

Failure to give Taumata Arowai the chance to deliver outcomes

SDC has always agreed with the implementation of the water regulator Taumata Arowai and sees this an essential step in ensuring that drinking water standards are achieved and maintained. Much like other councils, we accept that change is necessary, but we don't agree that the Central Government's proposed model is the best solution. However, we request a pause to the Three Waters Reform to give Taumata Arowai time to put in place the new water standards councils are expected to achieve as a clear target.

While this is underway the two other significant reforms, the Future of Local Government and the Resource Management Act (RMA) could be progressed, allowing for a conversation with the community on what is appropriate to realise the changes that are needed.

Impact on the viability of the remaining council services

SDC is concerned about the impact on Council's balance sheet. If water infrastructure assets are removed completely from Council, it is questionable whether SDC can stay economically viable post the reforms. This will be further compounded by the impacts of stranded overheads as a result of these reforms and makes us wonder whether this is the start of council amalgamations by stealth. While some council operating costs are scalable, many are not. This has the potential to further exacerbate the loss of local services and decision making for our communities.

Centralisation, size of WSEs and loss of local voice

SDC does not agree with the proposed ownership and governance arrangements, along with the number and size of the water entities contained in the reforms.

While this Bill technically leaves the ownership of water services entities in local government hands, control over these entities would be by central government via the Government Policy Statement more so than local government in reality. This arises directly from the Crown intervention framework in the Bill. We strongly believe that the Government's role should be limited to regulation. If the Committee recommends continuing with the Bill then we would strongly recommend the Committee remove the Government Policy Statement provisions. There is no involvement in this framework for the owners of the WSE. If the Crown does determine to intervene in a WSE then it should be required to work with the territorial authority owners in putting in place the interventions. This is particularly important given that it is the Crown removing these assets from territorial authority control.

The creation of four WSEs shows little regard to the principles of local government and local democracy – that communities should be in charge of their future. Instead, the four WSEs group communities with little or no commonality together.

Stratford District is placed into Entity B alongside communities in the Manawatu-Wanganui region, the Waikato region and the Bay of Plenty region. This does not represent a 'community of interest' and we are failing to see how, in the future, local priorities would be met and delivered. Water, as well as wastewater services are key to the shaping and growing of communities. We are therefore gravely concerned that local growth and development will become considerably more difficult in the future. The current proposal is not clear on how we would achieve alignment between community aspirations for future growth and where and when growth happens across an entity the size of the proposed Entity B.

Protection against Future Privatisation

SDC is concerned about the potential future privatisation of the water assets. Whilst the assets are in Councils' hands it is certain and legislated that these assets could never be privatised. We firmly believe that once these are in the hands of a new entity the path to privatisation would be made easier for any future Government. While we do acknowledge that safeguards are being put in place, these should be strengthened further by having any future privatisation proposal referred back to the original asset owners for a resolution, should the reform proceed.

Stormwater

SDC has considered the inclusion of Stormwater and how this asset fits in the proposal. For our council, stormwater systems are more complicated with a multitude of interfaces with other assets and systems. Stormwater is funded differently to the other two waters, given its much wider implications across the entire District. It is difficult for SDC to see how stormwater assets can be accounted for given their proximity to parks and reserves (ponds, rivers and streams), roads and drains and hard infrastructure (culverts). We do however acknowledge that it may be difficult to retain suitably qualified staff for this asset alone, should the reform proceed. On balance we believe that stormwater services should be retained by councils and not be managed or owned by a centralised WSE.

Pricing

SDC is concerned that the legislation does not address pricing arrangements across the WSEs and as it stands would allow for prices to differ from area to area, which could be crippling for smaller communities like ours.

Final thoughts

We urge you to take this feedback into consideration. We all agree that quality drinking water and better environmental outcomes are essential. However, we do not accept the premise that there is only one way to achieve these outcomes.

We strongly encourage you to pause these reforms. Take stock, give Taumata Arowai an opportunity to positively influence drinking water quality and compliance with standards across the country, and allow for the implications of the Future of Local Government and RMA reforms to be better understood.

We are a small council with a rating base of 4,820 rating units, providing water services in the form of three drinking water supplies and one wastewater treatment plant. All of which are fully compliant with the applicable drinking water standards and resource consents. We are committed to working with Central Government to find a way forward that delivers the best outcomes for our local communities. From the feedback we are receiving it is clear that our community places a high level of importance on three waters services continuing to be delivered and assets to be owned by SDC.

Once again, we would like to thank you for the opportunity to provide our feedback to this proposal.

Yours faithfully



Neil Volzke
District Mayor



Sven Hanne
Chief Executive

INFORMATION REPORT



F19/13/04 – D22/32899

To: Audit and Risk Committee
From: Director – Corporate Services
Date: 20 September 2022
Subject: Annual Report 2021/22 update

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Committee of the Annual Report 2021/22, including draft financial statements and adjusted net surplus.

_____/_____
Moved/Seconded

1. Purpose of Report

- 1.1 To present draft information from the Annual Report 2021/22 relevant to this Committee, and provide an update on Deloitte's progress with the audit of the Annual Report 201/22.

2. Executive Summary

- 2.1 The Local Government Act 2002 requires all local authorities to complete and adopt by Council resolution its Annual Report within four months after the end of the financial year to which it relates. As was legislated for in 2020 and 2021, the time limit for adopting the annual reports was extended to no later than 31 December.
- 2.2 The draft Annual Report 2021/22 document is being prepared by Council Officers and therefore cannot be presented in full at this stage. Draft financial statements have been attached to this report.
- 2.3 The interim audit is now complete and waiting for partner review to finalise before the audit report is provided. The interim audit primarily focuses on internal controls for financial information and authorisations, and technological data and controls around use of IT. No major issues were identified. The IT controls audit which is a big part of the interim audit didn't raise any red flags, just some tidy up points, however the auditor advised that this Council is in a far better place compared to other councils.
- 2.4 The final audit of the final Annual Report 2022/23 is proposed to commence on 17 October 2022, similar to the previous year.

3 Local Government Act 2002

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:			
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

- 3.1 The Annual Report addresses all four wellbeing areas and is a key document for performance reporting in all four of these aspects.

4 Background

- 4.1 Local authorities are required to provide to elected members an audited Annual Report for the year ended 30 June, for adoption usually by 31 October. However, the statutory deadline for adoption has been extended by legislation to 31 December 2021.
- 4.2 This year, the Office of the Auditor General has appointed Deloitte as the auditors, instead of Audit New Zealand who have always been Council's auditors. In terms of change – Council staff have had to familiarise themselves with using the Deloitte system which has not been too difficult. Time has been spent familiarising auditors with the Stratford District Council operations, and local government in general as some of the audit team have not been exposed to local government audits. Some of the information requested is different to the information staff would usually prepare throughout the year for the audit, which in turn will lead to some internal process changes, and improvements in efficiency and/or controls. Time will tell whether the audit process itself will become more efficient under Deloitte management.

5 Information Summary

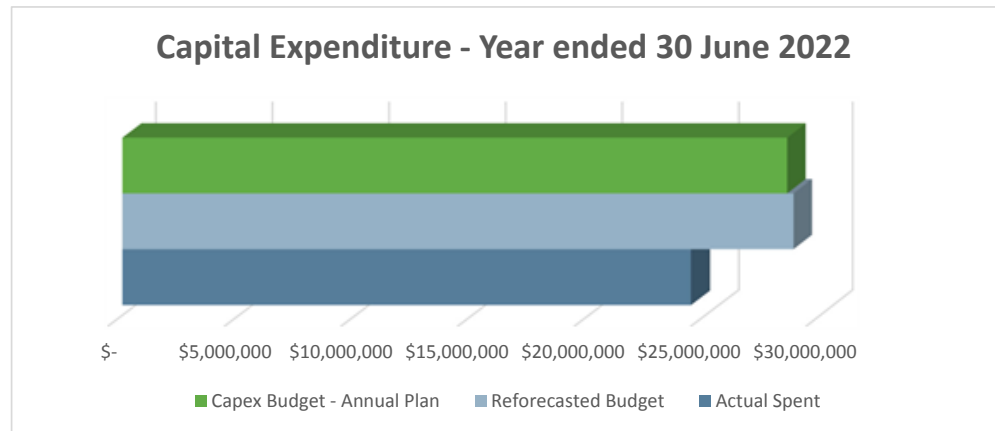
- 5.1 The draft year end results show a Net Surplus for the year of \$7,798,441, compared to a budgeted Net Surplus of \$9,404,800, largely due to expenditure being significantly over budget by \$1,633,919. The Adjusted Net Surplus for the year came to \$39,525, after removing capital revenue and adding back un-funded depreciation.
- 5.2 **Revenue**
- Total Revenue was \$29,417,560, compared to budgeted revenue of \$29,390,000, a positive variance of \$27,560.
 - Gross rates collected (excluding rates penalties and rates remissions) came to \$13,771,164 compared to budgeted rates of \$13,574,000, largely reflecting the subdivision activity between the time the final budget was prepared, and 1 July 2021. Total remissions for the year were \$120,863, against a budget of \$132,000. Total penalties for the year were \$102,372, against a budget of \$70,000.
 - The Waka Kotahi subsidy was \$924,359 short on budget due to the approved total subsidy being less than what was originally budgeted for when the Long Term Plan 2021-31 was set.
 - Farm Revenue exceeded budget by \$246,795 due to the higher milk price, and User Charges exceeded budget by \$544,132 due to increased demand for Council services.

Expenses

- Total Expenditure was \$21,619,119, compared to budgeted expenditure of \$19,985,200.
- Depreciation was \$598,083 over budget as a result of an increase in the value of the Rooding assets as at 30 June 2021. Also, the increased demand for services such as in Building Control, and responding to Parks and Reserves requests for repairs, lead to extra reliance on consultants and contractors.

5.3 Capital Expenditure

The 2021/22 financial year was the most significant year of capital programme delivery in Council history, with a total of \$24,378,145 (85% of the capital budget of \$28,534,970) spent. In August 2022 Council approved for \$3,969,880 of remaining capital budget unspent in the 2021/22 financial year be carried forward to the 2022/23 financial year in order to complete all outstanding projects requested.



5.4 Balance Sheet

Total Debt at year end came to \$32,200,000, against budgeted debt of \$36,521,000.

The Renewals Reserves balance has increased from the previous year up to \$4,523,813, and the Targeted Rate Reserves balance has also increased to \$854,562. Note, the Financial Contributions Reserve balance is now at \$1,012,098, and the Asset Sales Proceeds Reserve balance is now at \$1,183,143. The Contingency Reserve balance remains the same at \$504,500.

The final Work in progress figure is still being worked on at this stage. However, it is largely made up of the new Swimming Pool of \$19,167,725, and the Second Water Trunk Main \$3,753,237. Once these are capitalised, depreciation will commence.

5.5 Non-Financial Performance Measures

Of the 98 non-financial performance measures, 62% (61) were achieved, with 36% (35) not achieved or information has not (or cannot) be provided to verify outcome, and 2% (2) were not applicable for differing reasons. Covid closures and the environment as a result of the Omicron outbreak had a large impact on performance measures not being achieved. Also, staff resourcing due to increased demand for many services had an impact.

Fourteen of the non-financial performance measures relate to customer satisfaction. In April 2022, Council contracted Key Research to conduct the annual survey, targeting 3,000 residents of the district. The 413 responses (14% response rate) were collected and results analysed. Where the respondents marked at least 7 out of 10, their responses were taken as being overall satisfied with the service provided. Of the 14 measures in the annual report, nine of the measures were not achieved – this included Public Toilets, Feeling a Sense of Community, Cemeteries, Swimming Pool,

Consultation processes, Building Control, Resource Consents, Roading, and Footpaths.

5.6 This year the auditor's key areas of focus, in addition to the necessary verification of the information provided in the Annual Report document, are:

- Valuation of Assets – Auditors have been working on reviewing this presently, and have agreed with the proposed process of leaving the Three Waters infrastructure assets as at their last valuation date of 1 July 2021, and leaving Land and Buildings as at their last valuation date of 1 January 2020, but applying an uplift of 9.8% to the Roading assets due to the significant increase in replacement costs since the last valuation as at 30 June 2021.
- Management's ability to override controls – a review of internal controls, and business rationale for transactions, as well as the assumptions and judgements made in preparing the financial reports in an attempt to determine the risk of fraud.
- Revenue Recognition – This involves confirming that the rates have been set correctly, and evaluating the controls around the recording of revenue, and charging procedures.
- Government Reviews and Proposals – particularly in relation to the Three Waters reform programme and the impact on Council.
- Public Sector specific accountabilities – Largely sensitive expenditure related, also related-party transactions, managing conflicts of interest, and testing expenditure against the OAG's guidelines for probity, performance and waste.
- Covid-19 Related – this includes looking at the funding from Central Government such as shovel ready funding and whether the funding is being accounted for correctly.
- Non-financial Performance Measures – a sample of the measures will be audited to ensure results are accurate and that the mandatory measures have been reported on consistently in line with OAG guidance.
- Climate Change and Natural Hazards – it is likely that this part of the audit will merely look at how Council has considered the impact of climate change on Council operations.

5.6 The total audit fee proposed for the 2021/22 audit (including disbursements) is \$126,018 (excl GST) – an increase of 8% on the previous year. So far, \$67,940 has been billed. The budget for the Annual Report audit is \$105,000. No indication has been given of the 2022/23 audit fee, but the budget is \$130,000.

6. Strategic Alignment

6.1 Direction

The Annual Report has a direct impact on all the Council's stated Community Outcomes.

6.2 Annual Plan and Long Term Plan

This report is consistent with the Long-Term Plan 2021-31, and reports against the targets and measures set in the Plan.

6.3 District Plan

Not applicable.

6.4 Legal Implications

There is a statutory deadline for adoption of the annual report – 31 December 2022.

There are also legislative requirements in terms of what must be included in an annual report and how it should be presented. Deloitte, as auditors appointed by the OAG, will review Council's annual report, and provide an audit opinion on Council's compliance with these legislative requirements.

6.5 **Policy Implications**

Not applicable.

Attachments

- Appendix 1** Draft Statement of Comprehensive Revenue and Expense
- Appendix 2** Draft Statement of Financial Position
- Appendix 3** Non-Financial Performance Measures



Tiffany Radich
Director – Corporate Services



[Approved by]
Sven Hanne
Chief Executive

Date: 12 September 2022

Appendix 1

Statement of Comprehensive Revenue and Expense

For the Year to Date - June 2022 (Interim only)

	June '22 Actual YTD	June '22 Budget YTD	Variance YTD	Total Budget 2021/22	June 21 Actual YTD
Operating Revenue					
Finance Revenue	\$221,728	\$206,000	\$15,728	\$206,000	\$169,635
Waka Kotahi NZTA Rooding Subsidy	\$4,521,641	\$5,446,000	(\$924,359)	\$5,446,000	\$3,807,868
Rates Revenue - excl water consumption r	\$13,771,164	\$13,574,000	\$197,164	\$13,574,000	\$13,010,775
Water Supply - Consumption Charge	\$420,478	\$376,000	\$44,478	\$376,000	\$452,569
Sundry Revenue	\$51,598	\$46,000	\$5,598	\$46,000	\$47,742
Farm Milk Proceeds	\$715,895	\$469,100	\$246,795	\$469,100	\$596,618
User Charges for Services	\$2,618,232	\$2,074,100	\$544,132	\$2,074,100	\$2,290,868
Total Operating Revenue	\$22,320,736	\$22,191,200	\$129,536	\$22,191,200	\$20,376,075
Extraordinary Revenue					
Grant Funding	\$6,705,497	\$7,179,000	(\$473,503)	\$7,179,000	\$8,962,627
Financial Contributions	\$300,190	\$0	\$300,190	\$0	\$127,467
Sale of land	\$0	\$0	\$0	\$0	\$2,588,528
Other Revenue	\$74,573	\$0	\$74,573	\$0	\$0
Dividends	\$16,564	\$19,800	(\$3,236)	\$19,800	\$9,369
Total Extraordinary Revenue	\$7,096,824	\$7,198,800	(\$101,976)	\$7,198,800	\$11,687,991
Total Revenue	\$29,417,560	\$29,390,000	\$27,560	\$29,390,000	\$32,064,066
Operating Expenditure					
Personnel Costs	\$4,815,273	\$4,819,000	\$3,727	\$4,819,000	\$4,358,350
Other Direct Operating Costs	\$10,849,526	\$10,029,200	(\$820,326)	\$10,029,200	\$10,226,053
Total Operating Expenditure	\$15,664,799	\$14,848,200	(\$816,599)	\$14,848,200	\$14,584,403
Other Operating Expenditure					
Loss (gain) on disposal of assets	\$121,668	\$0	(\$121,668)	\$0	\$7,730
Depreciation	\$5,258,083	\$4,660,000	(\$598,083)	\$4,660,000	\$4,550,937
Finance Costs	\$552,444	\$477,000	(\$75,444)	\$477,000	\$447,019
Cost of sales - residential subdivision	\$0	\$0	\$0	\$0	\$709,296
Sundry Expenditure	\$22,125	\$0	(\$22,125)	\$0	\$5,027
Total Other Expenditure	\$5,954,320	\$5,137,000	(\$817,320)	\$5,137,000	\$5,720,009
Total Expenditure	\$21,619,119	\$19,985,200	(\$1,633,919)	\$19,985,200	\$20,304,412
Net Surplus (Deficit)	\$7,798,441	\$9,404,800	(\$1,606,359)	\$9,404,800	\$11,759,654
Other Comprehensive Revenue and Expense					
Gain/(Loss) on Infrastructure Revaluation	\$54,572,333	\$7,708,000	\$46,864,333	\$7,708,000	\$0
Total Other Comprehensive Revenue and Expense	\$54,572,333	\$7,708,000	\$46,864,333	\$7,708,000	\$0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	\$62,370,774	\$17,112,800	\$45,257,974	\$17,112,800	\$11,759,654
Net Surplus (unadjusted)	\$7,798,441	\$9,404,800			
Less Capital Revenue / Expenditure					
NZTA Funding for Rooding capital projects	\$2,745,894	\$3,540,930			
Provincial Growth Funding	\$6,705,497	\$7,179,000			
Rooding - Transfer to Reserves	\$149,000	\$557,600			
Add back Un-funded Depreciation					
Rooding Depreciation - NZTA portion	\$1,614,258	\$1,611,350			
Property Depreciation - not to be replaced	\$227,217	\$255,000			
Adjusted Net Surplus/(Deficit)*	\$39,525	(\$6,380)			

Appendix 2

Statement of Financial Position

As at 30 June 2022 (Interim)

	June '22 Actual YTD	June 21 Actual YTD
Assets		
Current Assets		
Cash and Cash Equivalents	\$3,757,229	\$5,032,864
Short Term Deposits	\$10,000,000	\$6,000,000
Receivables	\$1,198,726	\$6,152,293
Prepayments	\$9,661	\$6,358
LGFA Borrower Notes	\$40,000	\$0
Current Assets Total	\$15,005,616	\$17,191,515
Non-Current Assets		
Investment in Other Financial Assets		
LGFA Borrower Notes	\$525,000	\$447,000
Shares	\$681,575	\$672,534
Loan to Stratford A and P Association	\$7,180,000	\$7,180,000
Trust Settlements	\$110	\$110
Work in Progress	\$28,353,636	\$9,536,869
Property, Plant & Equipment / Intangibles	\$391,209,928	\$325,152,852
Non-Current Assets Total	\$427,950,249	\$342,989,365
Assets Total	\$442,955,865	\$360,180,880
Liabilities & Equity		
Equity		
Renewal Reserves	\$4,523,813	\$3,610,371
Contingency Reserve	\$504,500	\$504,500
Other Council Created Reserves	\$1,462,029	\$1,219,268
Restricted Reserves	\$1,063,174	\$722,346
Targeted Rate Reserves	\$854,562	\$542,723
Asset Revaluation Reserves	\$199,752,785	\$133,904,734
Retained Earnings	\$198,212,067	\$193,189,824
Equity Total	\$406,372,930	\$333,693,766
Liabilities		
Current Liabilities		
Borrowings (maturing less than one year)	\$7,000,000	\$1,500,000
Provision for Landfill Aftercare	\$6,766	\$10,858
Employee Entitlements	\$243,298	\$182,888
Payables and Deferred Revenue	\$4,114,436	\$2,498,869
Non-Current Liabilities		
Borrowings	\$25,200,000	\$22,200,000
Employee Entitlements	\$0	\$49,359
Provision for Landfill Aftercare	\$18,435	\$45,140
Liabilities Total	\$36,582,935	\$26,487,114
Liabilities & Equity Total	\$442,955,865	\$360,180,880

Appendix 3

Non - Financial Performance Measures - LTP 2021-31

Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
Aerodrome	The aerodrome meets the needs of users	A high level of satisfaction amongst the users with the condition and maintenance of the aerodrome.	>70%	Annual aerodrome user survey	Not achieved - 50%. Two responses to survey (out of 33 sent out).
	The aerodrome is used by the Stratford community and visitors.	Number of aircraft movements during the year.	>3,500	Annual AIMM compliance reporting	Not achieved. Total aircraft movements for 2021/2022 was 1606, this was due to covid.
Civic Amenities	To provide facilities that are well maintained and utilised.	Buildings legally requiring a Building WoF have a current Building WoF at all times.	100%	Building WoF records	Achieved - 100%
		Annual booking of War Memorial Centre.	>500	Booking records	Not Achieved - Only 379 bookings due to covid closures.
		Annual booking of Centennial Restrooms.	>200	Booking records	Achieved - 246
	To provide suitable housing for the elderly.	Percentage of resident satisfaction.	>89%	Annual Survey of Pensioner Housing tenants.	Not achieved - 73%. Only 7 surveys were returned. 3 tenants were unhappy with the grounds and two were unhappy with the maintenance.
		Annual Occupancy rate.	>95%	Tenancy records.	Achieved 100%
To provide clean, well maintained toilet facilities.	Percentage of Stratford District residents satisfied with overall level of service of toilets.	>80%	Customer Satisfaction Survey	Not achieved - 68%	
Community Development	Event Development that supports and encourages community engagement	Deliver or facilitate community events	>5	Number of events held are recorded	Achieved - 32
		Percentage of residents feeling a sense of community.	>80%	Customer Satisfaction Survey	Not achieved - 71%
Library	To provide a library service which meets the needs of and is being used by Stratford District residents	Number of items (including digital) issued annually	>40,000	Monthly statistics from Koha	Achieved - 57,670
		% of library users satisfied with library services.	>80%	Customer Satisfaction Survey	Achieved - 97%
		Number of people participating in library events and programmes	>1,200	Internal attendance records	Achieved - 2436
Cemeteries, Parks and Reserves	To provide parks, sports fields and other open spaces that meet community demand	Number of complaints and requests for service.	<40	Reporting against corporate CRM system.	Not achieved - 141
		Percentage of Stratford residents satisfied with:		Customer Satisfaction Survey	
		· Parks;	>80%		Achieved - 92% (including Walkways)
		· Sports fields; and	>80%		Achieved - 83%
· Cemeteries.	>80%		Not achieved - 70%		

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Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
	Safe playgrounds are provided	All playgrounds meet NZ Safety Standards.	100%	Biennial playground inspection report and records provided from weekly and quarterly compliance checks by contractor.	Not yet reported on.
	Foot Bridges are safe.	All foot bridges meet NZ Safety standards.	100%	Biennial bridge inspection Report	Not yet reported on.
TSB Pool	The pool complex will be a safe place to swim.	Number of reported accidents, possible accidents and similar incidents pa.	<80	Accident register – also reported monthly to Council.	Achieved - 25
		Compliance with NZS5826:2010 NZ Pool Water Quality Standards.	100%	Water quality register.	Achieved - 100% compliant
		Poolsafe Accreditation is met.	100%		Achieved - 100% compliant
	That the pool facilities meet demand.	Percentage of pool users are satisfied with the pool.	>80%	Customer Satisfaction Survey	Not achieved - 77%
		Number of pool admissions per annum.	>55,000	Door Count	Not achieved - 39,789
Democracy	To provide Democracy services in accordance with statutory deadlines.	Agendas and associated reports for all scheduled meetings are available to interested parties in accordance with statutory timeframes.	100%	Meeting Register.	Achieved
		All Council meetings are publicly notified in accordance with statutory timeframes.	100%	Meeting Register.	Achieved
	Opportunities for the community to participate in decision making is widely publicised	The community is satisfied with how Council keeps them informed.	>80%	Customer Satisfaction Survey	Not Achieved - 65%
	Ensure accountability documents are prepared and meet statutory requirements.	The Annual Report, Annual Plan and Long Term Plan meet statutory deadlines and receive an unmodified audit opinion.	Achieved	Audit Opinion.	Achieved
Economic Development	To support and promote the economic growth of the district.	1. Number of client interactions with Venture Taranaki's Business Advisory Service	>5	Venture Taranaki Quarterly reports	Achieved - 1,533 (Taranaki wide)
		Mentor matches made as requested	100%	Venture Taranaki Quarterly reports	Achieved
	Enterprise Partnership and Engagement	Review the Economic Development Strategy	Achieved	Year 1 only - Strategy approved by Council	Achieved - first draft has been completed.
Information Centre	To provide an Information Centre for visitors, incorporating Automobile Association Agency services that meets the needs of and is being used by the community.	Number of users of AA Agency Service is measured.	>10,000	AA customer count records	Not achieved 7,220
		Percentage customers are satisfied with the Information Centre.	>80%	Customer Satisfaction Survey	Achieved - 96%
Rental and Investment Properties	Maximum profits from the farm are returned to Council.	Milk production is maximised	>150,000kg/ms	Milk Supplier's Statements issued by Fonterra.	Achieved 154,000 Kg/MS

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Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
	The Council is meeting national Environmental standards.	The Council farm's Environmental Plan is reviewed annually	Achieved	Report to Farm and Aerodrome Committee	Achieved
	Leased property is safe and fit for purpose.	Number of complaints from tenants.	<5	Reporting against corporate CRM system.	Achieved - 1
Building Control	To process applications within statutory timeframes.	Percentage of building consent applications processed within 20 days.	100%	Council Records	Not Achieved - 98.6%
		Percentage of inspection requests completed within 24 hours of request.	100%	Council Records	Not Achieved - 97.2%
		Percentage of code compliance certificate applications determined within 20 working days.	100%	Council Records	Not Achieved - 93%
	To retain registration as a Building Consent Authority.	Current registration.	Confirmed	Current IANZ Certification	Achieved - Registration Current - Low risk, 2 yearly cycle
	To process LIMs within statutory timeframes.	% of LIMs processed within timeframes.	100%	Council Records	Achieved - 100%
	Service meets customer expectations.	Percentage of customers using building consent processes are satisfied with the service provided	>80%	Customer Satisfaction Survey	Not achieved - 48%
Planning	To promote the sustainable management and use of land and public spaces.	To undertake a comprehensive review of the district plan in accordance with the statutory timeframe.	N/A	Reports to Council	N/A - No timeframe to be met in year 1
		To undertake a systematic review of bylaws and related policies as they reach their statutory review dates.	100% within review timeframes	Reports to Council	Not achieved - One policy has not been reviewed within the statutory timeframe.
	To process resource consents within statutory timeframes.	% of non notified applications processed within 20 working days.	100%	Council records	Not achieved - 96%
		% of notified applications processed within legislated timeframes for notification, hearings and decisions.	100%	Council records	N/A - There were no notified applications.
		% of s223 and s224 applications processed within 10 working days.	100%	Council records	Achieved - 100%
	Service meets customer expectations.	Percentage of customers using resource consent processes are satisfied with the service provided	>80%	Customer Satisfaction Survey	Not achieved - 70%
Community Health and Safety	To fulfil obligations to improve, promote and protect public health.	Percentage of premises registered under the Food Act, Health Act, Beauty and Tattoo Bylaw, to be inspected for compliance.	100%	Council Records	Achieved - 100%
		Health nuisance and premise complaints are responded to within 1 working day.	100%	Council Records	Achieved - 100%
	To fulfil obligations as a District Licensing Committee.	Percentage of licensed premises inspected.	100%	Council Records	Not achieved - 94.2% 2 premises were not inspected, one premises in the process of total reconstruction and the other was not open after three attempts to undertake and inspection.
		Percentage of applications processed within 25 working days (excluding hearings).	100%	Council Records	Achieved - 100%
	To monitor and enforce bylaws.	Percentage of complaints responded to within 2 hours.	100%	Council Records	Achieved - 100%

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Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
	To ensure dogs are controlled.	Percentage of known dogs registered.	95%	Council Records	Achieved - 97.5% from 95%
		Percentage of dog attack/wandering dog complaints responded to within an hour.	100%	Council Records	Not achieved - 98% - the Council's after hours service did not achieve a small number of call-outs on time. This was due to an officer being on another call-out. Calls were responded to under 2 hours.
Emergency Response	To maintain effective emergency response capability	Recruit, train and maintain a pool of staff and volunteers capable of responding to an emergency event. Number of people trained to at least Foundational level.	> 40	Takatu Records	Not achieved - 39. Staff numbers in key positions remain lower than desirable with further training required. Current Volunteer base sits at 39, down from 47 a year ago. All records are up to date in Takatu.
	To ensure the Stratford District Emergency Operations Centre is fit for purpose.	Annual capability audit undertaken (externally) and quarterly system checks undertaken (internally).	Achieved	Council Records	Achieved - The most recent EOC assessment has been completed. Current score is 77.6, up from 73.4 that was completed several years ago.
Roading	To provide a safe roading network.	Road safety - The reduction from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	A reduction of at least 1	Police CAS Database	Not achieved - increase of 3 (4 crashes compared to 1 in previous year)
	To provide a well maintained roading network.	Road Condition – The average quality of ride on sealed road network, measured by smooth travel exposure.	Urban – ≥83% Rural – ≥91%	RAMM Rating Report	Not achieved - 63%
		Road maintenance – The percentage of the sealed road network that is resurfaced.	≥5%	RAMM Report	Achieved - 94%
		Road maintenance – The percentage of the unsealed road network that has been metal dressed.	≥7%	RAMM Report	Achieved - 6.1%
		Footpaths - The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (annual plan, activity management plan, asset management plan, annual works programme or long term plan)	>70%	RAMM Report	Achieved - 11.5%
		Response to service requests - The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the long term plan (note: this information is actually held in the asset management plan not the long term plan).	>88%	RAMM Report. Spreadsheet until connectivity is established between RAMM and Customer Service Requests	Achieved - 89%
		Percentage of residents who are satisfied with:		Customer Satisfaction Survey	
		· Roothing Networks	>80%		Not achieved - 39%
		· Footpaths	>80%		Not achieved - 61%

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Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
Stormwater	Stormwater system protects property from impacts of flooding.	System adequacy		Reporting against corporate CRM system.	
		<ul style="list-style-type: none"> The number of flooding events that occur in a territorial authority district. "Flooding" in this context means stormwater entering a habitable floor 	0	Note: specific category to be set up for flooding – to separate between residential & commercial buildings and include count of habitable floors flooded (residential only).	Achieved - 0
		<ul style="list-style-type: none"> For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system.) 	0		Achieved - 0
		<p><i>Unclear if this is to be counted for any property in the district that has a flooding event or only those that are connected to the local authority's stormwater system.</i></p> <ul style="list-style-type: none"> For each flooding event, the number of buildings in the central business zone affected by flooding. 	0		Achieved - 0
	Discharge Compliance	Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of: <ul style="list-style-type: none"> Abatement notices Infringement notices Enforcement orders, and Convictions received by the territorial authority in relation to those resource consents.	N/A	Council does not hold discharge consents for discharge from its stormwater system.	
Response Times	The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	1 hour	Work order tracking/reporting through Council's Infrastructure asset management system.	Achieved - 0	
Customer Satisfaction	The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	<8	Reporting against corporate CRM system.	Achieved - 0	
Wastewater	Wastewater is managed without risk to public health.	System and adequacy - The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	<5	Reporting against corporate CRM system.	Achieved - 0.37
		Discharge compliance - Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of <ul style="list-style-type: none"> Abatement notices Infringement notices 	0	Consent & compliance documentation.	Achieved - 0

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Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
		<ul style="list-style-type: none"> Enforcement orders; and Convictions, Received by the territorial authority in relation to those resource consents.			
	Fault response times	Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured:		Work order tracking/reporting through Council's Infrastructure asset management system.	
		<ul style="list-style-type: none"> Attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site; and 	1 hour		Not Achieved - 2 hour, 21 minutes
		<ul style="list-style-type: none"> Resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault. 	8 hours		Achieved - 5 hours, 31 minutes
	Customer satisfaction	The total number of complaints received by the territorial authority about any of the following: <ul style="list-style-type: none"> Sewage odour Sewerage system faults Sewerage system blockages, and The territorial authority's response to issues with its sewerage system, Expressed per 1000 connections to the territorial authority's sewerage system.	<5	Reporting against corporate CRM system.	Not Achieved 0.7 1.4 7.4 0
	Trade Waste complaints response times	Attendance time: from the time that Council receives notification to the time that a Trade Waste Officer arrives on site.	<2 working days	Work order tracking/reporting through Assetfinda	Achieved
	Trade Waste consent processing	Percentage of trade waste consent applications processed within 15 working days.	100%	Authority	Not Achieved - 50%. (1 out of 2), the reason one application wasn't completed within 15 days was due to the time it took for samples to be analysed and reported. The application template has now been amended to allow Council to put it on hold for such occurrences.
Solid Waste	The levels of waste generated are reducing.	Waste to landfill per household (municipal kerbside collection only)	<600kg	Landfill invoices & transactions.	Achieved - 493kg per household
		Percentage (by weight) of council controlled waste stream that is recycled (municipal kerbside collection only).	>20%	Recycling facility invoices & transactions.	Achieved - 21.5%
	The waste collection service meets the needs of the community.	Percentage of customers satisfied with the service provided.	>80%	Customer Satisfaction Survey	Achieved - 83%

Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)	
Water Supply	Water is safe to drink.	The extent to which the local authority's drinking water supply complies with:		Plant & reticulation performance records in water outlook. Includes water quality sampling programme records as well as any plant non-performances.		
		· Part 4 of the drinking water standards (bacterial compliance criteria), and	100% for all plants		Achieved - 100%	
		· Part 5 of the drinking water standards (protozoal compliance criteria).	100%		Achieved - 100%	
		Maintenance of the reticulation network - The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).	<25%	Calculated annually as per NZWWA Water Loss Guidelines.	N/A - Not measured this year as it is a major piece of work which relies on GIS figures as its basis, and there is no GIS officer employed.	
	A reliable water supply is provided.	Fault Response Times – Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured:				
		· Attendance for urgent call-outs: from the time that council receives notification to the time that service personnel reach the site	1 hour	Work order tracking/reporting through Council's Infrastructure asset management system.	Not Achieved - 1 hour, 4 minutes	
		· Resolution of urgent call-outs: from the time that council receives notification to the time the service personnel confirm resolution of the fault or interruption	8 hours	Work order tracking/reporting through Council's Infrastructure asset management system.	Achieved - 3 hours, 12 minutes	
	A reliable water supply is provided.	· Attendance for non-urgent call-outs: from the time that council receives notification to the time that service personnel reach the site	2 working days	Work order tracking/reporting through Council's Infrastructure asset management system. Affected property numbers provided via GIS/Asset Management System	Achieved - 27 hours, 33 minutes	
		· Resolution of non-urgent call-outs: from the time that council receives notification to the time the service personnel confirm resolution of the fault or interruption	5 working days		Achieved - 1.92 days	

2022 - Agenda - Audit and Risk - September - Open - Information Report - Annual Report Update

Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
		Number of unplanned disruptions:			
		· Minor * (between 5 and 50 connections affected)	<6		Achieved - 3
		· Major * (more than 50 connections affected)	<3		Achieved - 0
Water has a pleasant taste and odour.		Customer Satisfaction - Total number of complaints received for: · Drinking water clarity · Drinking water taste · Drinking water odour · Drinking water pressure or flow · Continuity of supply · Council's response to any of these issues expressed per 1000 connections to council's networked reticulation system. <i>Note: This is understood to be limited to supplied properties within the water supply zones.</i>	<32	Reporting against corporate CRM system.	Achieved
					1.3
					1
					0
					5.3
					0
					0
Water has a pleasant taste and odour.		Demand management - The average consumption of drinking water per day per resident within the district (in litres).	<275	Calculated from production records ex SCADA/Water Outlook, deducting commercial users as per water meter records as well as any other non-residential use and losses (as per bench loss), divided by number of residential connections and average number of residents per property.	Achieved -231.6 average across all three supplies

Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
	Water flow and pressure is appropriate for its intended use.	Water pressure at 50 properties within the water supply zone, including any that have complained about pressure and or flow meets council specifications (flow>10l/min & pressure>350kpa).	100%	Pressure and flow to be measured at a minimum of 50 properties per annum. Test results recorded by handheld device directly into asset management system against property's point of supply. Where test at tap inside property fails, test will be repeated at point of supply (toby/meter box) to isolate problems with private pipework from public network. Customer is advised if problem with internal plumbing.	Achieved - 100%
	Water supply meets fire fighting requirements.	Fire hydrants meet NZFS Code of Practice conditions regarding supply.	100%	Flow & pressure testing carried out by council contractor and or NZ Fire Service to NZ Fire Fighting Code of Practice standards.	Achieved - 100%
Percy Thomson Trust	Delivery of art exhibitions	Deliver proposed art exhibitions which will include at least 1 local, 1 regional, and 1 National.	Deliver the target proposed art exhibitions.	Art Gallery Records	Achieved All exhibitions were able to be delivered during Covid-19 restrictions, however there was a reduction in visitor numbers.
		Number of visitors to the Gallery to be not less than 20,000 per year	>20,000	Door Count	Not Achieved There were 14,646 visitors for the year, primarily due to the restrictions on social gatherings and people's reluctance to attend spaces.
	Development and maintenance of arboretum	Develop and maintain the arboretum to the standards in the Facilities Management Contract.	Develop and maintain the arboretum to the standards in the Facilities Management Contract.	Council Records	Not Achieved The trust did not break even , as a result of the reduction of available grant funding. "Break even" is defined by the Trust as a cash surplus only, excluding depreciaiton, and receiving external funding to make up any shortfall in cash and the gain on sale of investments.

Activity	Level of Service	Performance Measure	Target	How Measured	Outcome (if not achieved please add explanation for annual report and auditors)
	Delivery of Herbarium	Explore alternative options to achieve this measure.	To be reset following the conclusion of the 2021/22 review.	Dependent on option selected.	<p>Achieved</p> <p>The arboretum has been maintained by Stratford District Council on behalf of the Trust, and meets the standards as set out in the Facilities Management Contract. The planting programme was also maintained, and continued on in conjunction with the plantings / replacement of native trees.</p>

DECISION REPORT



F19/13 – D22/32248

To: Audit and Risk Committee
From: Director – Corporate Services
Date: 20 September 2022
Subject: Section 17A Reviews – Approve Terms of Reference

Recommendations

1. THAT the report be received.
2. THAT the Terms of Reference for the Section 17A reviews are approved.

Recommended Reason

The Committee’s endorsement of the proposed plan for conducting the Section 17A reviews will enable Council officers to commence work on the reviews.

/
Moved/Seconded

1. Purpose of Report

- 1.1 To seek approval from the Committee for the Terms of Reference for the Section 17A reviews. Approval is being sought from the Audit and Risk Committee, as the Committee is responsible for providing oversight of compliance with statutory obligations, particularly as it relates to financial arrangements, including the cost-effectiveness of Council functions.

2. Executive Summary

- 2.1 Under Section 17A of the Local Government Act 2002, local authorities are required to review “the cost-effectiveness of current arrangements for meeting the needs of communities within its district for good quality local infrastructure, local public services, and performance of regulatory functions”. This must be done no later than 6 years following the last review, which was undertaken in 2017 and approved by Stratford District Council on 8 August 2017.
- 2.2 This report seeks approval from the Audit and Risk Committee to establish a project team to manage the review process, which is expected to be completed by August 2023.

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 – covers all four wellbeings.	
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

Although the driver of Section 17A reviews is economic, all four wellbeings will be considered when looking at the cost-effectiveness of each Council function to be reviewed.

4. Background

- 4.1 The S17A review should involve analysing the various options for governance, funding and service delivery for each Council function, including in-house delivery, delivery by a Council Controlled Organisation, another local authority, or another person or agency, and the rationale for delivering the function in the first place. It is an opportunity for Council to seek efficiencies and investigate options for out-sourcing or partnering with other Councils. The review does not include making operational decisions on a function such as whether or not to own a particular property, or fix a certain road, or have a spa/sauna at the swimming pool, for example. However, it does include looking at processes to achieve internal efficiencies of a function if it continues to be delivered in-house.
- 4.2 Council may opt out of reviewing certain functions if the delivery of that function is governed by legislation or a binding agreement that cannot be reasonably altered within the next two years, or if the cost of undertaking the review outweigh the benefits.
- 4.3 The plan is for the review of each function of Council to be conducted independently of the managers directly involved in that activity to avoid conflict of interest and bias.

5. Consultative Process

5.1 Public Consultation - Section 82

There is no legal requirement to consult with the community on the reviews, however if a recommendation comes out of the review that is considered significant in terms of Council's Significance and Engagement Policy, then consultation may be triggered for that particular decision. It is important though that community views and preferences are considered in this review, including the views of tangata whenua. This may be done through meetings with iwi, or using other data collected such as the Customer Satisfaction Survey 2022.

5.2 Māori Consultation - Section 81

As above, input from iwi should be invited during the review phase.

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 relates to Risk 3 – Statutory Commitments. The Section 17A reviews are also a legal requirement so that Council can attempt to reduce the risk that Council costs increase disproportionately to the value that is provided to the community – this is not a risk that relates to any of the existing risks on Council's risk register.

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?	Yes – the results from the Section 17A reviews will feed into the Long Term Plan 2024-34
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	Direct relationship

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 *Appendix One*, which outlines the Terms of Reference for the Section 17A reviews.

7.3 Significance

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?	No	Not at this stage
Is it:		
• considered a strategic asset; or		
• above the financial thresholds in the Significance Policy; or		
• impacting on a CCO stakeholding; or		
• a change in level of service; or		
• creating a high level of controversy; or		
• possible that it could have a high impact on the community?		

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.
--

- Option 1** Approve the Terms of Reference
- Option 2** Approve the Terms of Reference with amendments to the plan/process
- Option 3** Do not approve the Terms of Reference and to leave the review with Council officers to implement and complete without Council input until the final stage of adoption.

Option 1 is the recommended option.

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. |
|--|

Unlike other Councils, the Terms of Reference does not suggest the use of external consultants to carry out any Section 17A reviews, which would come at a financial cost.

7.6 **Prioritisation & Trade-off**

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

Many Councils carry out Section 17A reviews on a piecemeal basis over time, rather than all at once as is being proposed in this report, to lessen the workload. These reviews were originally done altogether in 2017, and with all the reviews due by 2023, it is ideal that they be completed altogether and used as a precursor and as the foundation for the preparation of the Long Term Plan 2024-34.

7.7 **Legal Issues**

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

There is no involvement by audit in this review, however the review itself and the subsequent conclusions are open to judicial review. The grounds for a judicial review (a legal challenge to public decision-making) are procedural injustice, illegality, and unreasonableness.

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 to consider.

Attachments

Appendix 1 Service Delivery Reviews (Section 17A) – Terms of Reference



Tiffany Radich
Director – Corporate Services



[Approved by]
Sven Hanne
Chief Executive

Date 12 September 2022

APPENDIX 1

Service Delivery Reviews (Section 17a of the LGA) *Terms of Reference*

Background

Under Section 17A of the Local Government Act 2002, local authorities are required to review *“the cost-effectiveness of current arrangements for meeting the needs of communities within its district for good quality local infrastructure, local public services, and performance of regulatory functions”*. This must be done no later than 6 years following the last review, which was undertaken in 2017 and approved by Stratford District Council on 8 August 2017.

The review will feed into the development of the Long Term Plan 2024-34, and associated asset management plans and supporting strategies, plans and bylaws.

There is no involvement by audit in this review, however the review itself and the subsequent conclusions are open to judicial review. The grounds for a judicial review (a legal challenge to public decision-making) are procedural injustice, illegality, and unreasonableness.

The S17A review should involve analysing the various options for governance, funding and service delivery for each Council function, including in-house delivery, delivery by a Council Controlled Organisation, another local authority, or another person or agency, and the rationale for delivering the function in the first place. It is an opportunity for Council to seek efficiencies and investigate options for out-sourcing or partnering with other Councils. The review does not include making operational decisions on a function such as whether or not to own a particular property, or fix a certain road, or have a spa/sauna at the swimming pool, for example. However, it does include looking at processes to achieve internal efficiencies of a function if it continues to be delivered in-house.

Council may opt out of reviewing certain functions if the delivery of that function is governed by legislation or a binding agreement that cannot be reasonably altered within the next two years, or if the cost of undertaking the review outweighs the benefits.

There is no legal requirement to consult with the community on the reviews, however if a recommendation comes out of the review that is considered significant in terms of Council's Significance and Engagement Policy, then consultation may be triggered for that particular decision. It is important though that community views and preferences are considered in this review, including the views of tangata whenua. This may be done through meetings with iwi, or using other data collected such as the Customer Satisfaction Survey 2022.

The Plan

A Project Team is to be established including at least two elected members, at least three of the senior leadership team, and at least two other staff within Council.

The actual reviews for each activity will be undertaken independently of the managers directly involved in that activity to avoid conflict of interest and bias. The project team will prepare a plan for each of the functions to be reviewed and a template by which each function will be reviewed. The team will also decide on the level of engagement with the community for each function review.

It is proposed that the following functions will be reviewed, however that is yet to be finalised by the Project Team:

- Rooding
- Parks and Reserves
- Property
- Pensioner Housing
- Rubbish and Recycling
- Building Control
- Parking and Bylaws
- Environmental Health
- Animal Control
- Liquor Licensing

- Resource Consent
- Economic Development
- Library and Information Centre
- Swimming Pool
- Percy Thomson Art Gallery
- Aerodrome
- Information Technology and Records Management
- Communications
- Financial Administration
- Payroll
- Customer Service Centre
- Farm

It is proposed that the following functions not be reviewed, however again, the final decision will be recommended by the Project Team, with reasoning documented in the final plan as to why they will be excluded from the review:

- Water Supply
- Wastewater
- Stormwater
- Governance

The Process

The efficient and cost-effective delivery of successful and sustainable outcomes for ratepayers (value for money) and the desired service levels for the community (residential, rural, commercial) is the primary driver for these reviews. Taituara have defined cost-effective in terms of these reviews as meaning, *“that the end objective or desired end result is achieved at lowest cost from amongst the options you have considered”*, and is a policy judgment that elected members are to make.

The Project Team will prepare a final plan for the Section 17A reviews, including the functions to be excepted and why, and determine the information requirements for the review of each activity, the evaluation method of alternative delivery options, and make a recommendation on the delivery of the function going forward.

The final plan for the Section 17A reviews will be a decision report to Council.

The initial draft reviews for each function will be taken to a Council workshop, for review and feedback. Following this, a second draft will be prepared for final workshop review.

A decision report will be taken to elected members for final debate and to adopt the draft/final reviews, and seek community consultation (if consultation is required – refer to Significance and Engagement Policy following final draft review step).

After consultation, deliberations, and any further changes, the final review results will be brought to Council for adoption, if not adopted at the earlier step.

The Timeline

Draft Plan and Process approved by Audit and Risk Committee	Sep – 2022
Project Team established by Chief Executive (internal)	Nov – 2022
Final Section 17A Review Plan approved by Council	Feb – 2023
Work commences on Section 17A reviews	Mar to Apr – 2023
Initial draft reviews presented to Council workshops	May to Jun – 2023
Final draft review presented to Council workshop	Jul – 2023
Decision reports on final reviews approved by Council	Aug – 2023



30 June 2022

Dear LGFA stakeholder

Statement of Intent 2022-2025

Please find attached the Statement of Intent (SOI) for the 2022-25 period.

LGFA remains focused on delivering strong results for our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets.

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management.

The following points regarding the 2022-25 SOI are worth noting

- The SOI performance targets are the same as the targets in the prior year SOI except we have included targets relating to improving sustainability outcomes within LGFA and assisting the sector in achieving sustainability and climate change objectives.
- There is a forecast reduction in Net Operating Income compared to prior years. This is due to a lower forecast Net Interest Income arising from
 - A larger amount of liquid assets held in our Liquid Assets Portfolio (“LAP”) financed through issuing long term debt.
 - Markets are pricing in a substantial tightening in monetary policy over the next two years. This has resulted in the widening of the spread between the Official Cash Rate (“OCR”) and 3-month bank bills yields (“BKBM”) to the widest levels on record. This has a negative impact on LGFA as we hold a large LAP that contains sizeable holdings of cash investments that receive the OCR as interest but we have borrowed for longer tenors with the borrowing rate set from the BKBM yield.
 - LGFA issues fixed rate bonds and then swaps the proceeds into a floating rate borrowing cost using interest rate swaps (“IRS”). We swap the bond proceeds into floating rate as most councils borrow from LGFA on a floating rate basis. Our swap positions with the New Zealand Debt Management (“NZDM”) are collateralised and as interest rates rise, we have an unrealised loss on our swaps positions. The swap

losses are offset by the unrealised gains on our fixed rate bond issuance but the bond issues are not collateralised. While the swaps loss is unrealised, we do have to provide collateral or increase the NZDM liquidity facility size. Both options come at a financial cost but we have no choice as we need to provide councils with the flexibility of borrowing on a floating or fixed rate basis.

- Our average term of borrowing is 1 year longer than our average term of lending to councils. This is a conservative approach to minimising risk and ensuring that LGFA has sufficient cash available to lend to councils at times of market distress but it has a financial cost.
- We have increased the base on-lending margin by 5 bps to 20 bps (0.20%) for new borrowing effective 1 July 2022. This is to ensure the LGFA balance sheet remains strong to ensure we maintain a similar credit rating to the New Zealand Government and to maintain the confidence of our investor base.
- There remains some uncertainty within the SOI forecasts relating to the amount of both council loans and LGFA bonds outstanding as this depends upon the magnitude and timing of council borrowing. We have based our forecasts on the Long-Term Plans (“LTPs”) of our seventy-five council and CCO members and the LTPs forecast a significant increase in borrowing in each of the next three years. The actual amount of borrowing will be influenced by the ability of councils to deliver on the capex projections in their LTPs as well as the amount of Central Government assistance in funded capex delivery.
- The Three Waters Reform programme has assumed the establishment of the four new Water Services Entities (“WSE”) will take place on 1 July 2024. This is the start of the 2024-25 financial year and is the final year of this SOI forecast period. At this point in time we are unsure as to
 - Any role by LGFA in lending to the WSEs once they have been established
 - How the transition of debt and assets between the councils and WSEs will occur and
 - The borrowing behaviour by councils ahead of the 1 July 2024 transition date.

The changes made to the Final SOI compared to the Draft SOI that you received in February 2022 for comment have been

- As noted above, we have increased the base on-lending margin by 5 bps to a new margin of 20 bps (0.20%) for new borrowing effective 1 July 2022.
- Net Interest Income has decreased in the 2022-23, 2023-24 and 2024-25 financial years by \$6.0 million, \$2.4 million and \$1.8 million.
- Expenses have increased by \$1 million in each of the three forecast years due to a higher forecast utilisation of the NZDM standby facility and increased IT and consultancy costs relating to Three Waters Reform and sustainability initiatives.
- Forecast Net Operating Profit has reduced by \$7.1 million (2022-23), \$3.6 million (2023-24) and \$3 million (2024-25).

We remain committed to delivering the lowest possible borrowing cost to the sector, providing certainty of access to funding and long dated tenors to councils while at the same time protecting the interests of our guarantors and shareholders.

We thank you for your support of LGFA and please feel free to contact me if you have any questions or require further clarification on anything relating to the SOI or LGFA in general.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Butcher', with a stylized flourish at the end.

Mark Butcher
Chief Executive



29 August 2022

Dear Guarantor

LGFA 2022 Annual Report

The LGFA Annual Report for the 12-month period to 30 June 2022 is now available from the LGFA website: [LGFA 2022 Annual Report](#)

We are pleased to highlight another strong year for LGFA that included several achievements.

- 1. We reached our 10-year milestone during the financial year**

Over the 10-year period since LGFA was established in December 2021, we have grown our membership from 18 foundation councils to 75 councils and one CCO, lent \$20.1 billion to members and issued \$21.7 billion of bonds. We have broadened our product mix to include short-dated lending, bespoke lending, Green Social Sustainable lending, CCO lending and standby facilities. LGFA is now the largest issuer of NZD bonds after the New Zealand Government and the largest bond issuer listed on the NZX. We also received an upgrade to our credit rating to the highest possible rating of AAA in 2021.
- 2. We made longer dated borrowing options available to an increased number of council borrowers**

At 30 June 2022, LGFA had loans outstanding of \$14.08 billion, an increase of \$1.98 billion over the past year, with the longest dated loans out to 15 years (2037). Over the 12 months, we approved three new councils and one CCO member, lifting total members to 76. Over the past year, LGFA provided 80% of the sector borrowing and we are appreciative of the ongoing support from our borrowing members.
- 3. New products and increasing focus on sustainability**

We undertook our first loan to a CCO (Invercargill City Holdings Limited) and launched a Green, Social and Sustainable Loan (GSS) product during the year. We subsequently made two GSS loans during the year and further loans are in the pipeline. We established a Sustainability Committee and are progressing towards fulfilling our Climate Related Disclosure reporting obligations in 2024.

We established a Future Director programme to help grow governance capability within the sector and appointed Anita Furniss to this new position, effective 1 July 2022.
- 4. A strong financial position**

The financial strength of LGFA has been enhanced with a strong net operating profit of \$10.7 million for the 2021/22 year, with total assets of \$16.25 billion and shareholder equity of \$104.6 million as at 30 June 2022.

Our Annual General Meeting (AGM) will be held on Wednesday 23 November 2022 in Wellington (with a virtual attendance option) and will send out a Notice of AGM by Friday 30 September 2022 to our shareholders.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

A handwritten signature in black ink, appearing to read 'Mark Butcher'.

Mark Butcher
Chief Executive



Our reference
F19/13/03-D21/40748

Karakia

Kia uruuru mai
Ā hauora
Ā haukaha
Ā haumāia
Ki runga, Ki raro
Ki roto, Ki waho
Rire rire hau Paimārire

I draw in (to my being)
The reviving essence
The strengthening essence
The essence of courage
Above, Below
Within, Around
Let there be peace.