



Our reference
F19/13/03-D21/26182

14 March 2024

Farm and Aerodrome Committee and Audit and Risk Committee

Notice is hereby given that the meetings of the Farm and Aerodrome Committee and Audit and Risk Committee meetings will be held in the **Council Chambers, Stratford District Council, 63 Miranda Street, Stratford** on **Tuesday 19 March** beginning at **12noon**.

Timetable for 19 March 2024 as follows:

12 noon	Farm and Aerodrome Committee
1.00pm	Workshop - Risk Appetite
1.45pm	Afternoon Tea
2.00pm	Audit and Risk Committee

Yours faithfully

Sven Hanne
Chief Executive

2024 - Agenda - Audit and Risk - March

19 March 2024 12:00 AM



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AGENDA

Audit and Risk Committee



F22/55/05 – D24/8707

Date: Tuesday 19 March 2024 at 2.00PM
Venue: Council Chambers, 63 Miranda Street, Stratford

1. Welcome
 - 1.1 **Opening Karakia**
D21/40748 Page 7
 - 1.2 **Health and Safety Message**
D21/26210 Page 8
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 9

Attendance schedule for Audit and Risk Committee meetings.
6. **Programme of Works**
D21/42807 Page 10

Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to July 2025 be received.

/
Moved/Seconded

7. Confirmation of Minutes
 - 7.1 **Audit and Risk Committee – 21 November 2023**
D23/47249 Page 11

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 21 November 2023 be confirmed as a true and accurate record.

/
Moved/Seconded

8. [Matters Outstanding](#)
D18/27474 Page 19

Recommendation

THAT the matters outstanding be received.

/
Moved/Seconded

9. [Information Report – Health and Safety](#)
D24/7828 Page 20

Recommendation

THAT the report be received.

/
Moved/Seconded

10. [Information Report – LGFA 6 monthly report](#)
D24/8077 Page 24

Recommendations

1. THAT the report be received.
2. THAT the half year report to 31 December 2023 for the LGFA be received.
3. THAT the Statement of Intent for 2024-2027 be received.

Recommended Reason

To inform the Committee of the LGFA's performance for the year to date and plans for the next three years.

/
Moved/Seconded

11. [Information Report – Capital Works Programme – Key Projects Update – March 2024](#)
D24/7852 Page 58

Recommendation

THAT the report be received.

Recommended Reason

To present an update on the progress of our key capital projects in the 2023/24 financial year.

/
Moved/Seconded

12. [Information Report – Risk Management \(update\)](#)
D24/8049 Page 71

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of any risk events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.

/_____
Moved/Seconded

13. [Information Report – 3 Waters Update](#)
D23/46160 Page 81

Recommendations

THAT the report be received.

Recommended Reason

This report is for information purposes only but gives elected members insight into the current state of three waters including current and future legislative changes as well as regional discussions regarding potential shared delivery models.

/_____
Moved/Seconded

14. [Decision Report – Anti Fraud and Corruption Policy](#)
D24/8663 Page 85

Recommendations

1. THAT the report be received.
2. THAT the amendments to the Anti Fraud and Corruption Policy be approved.

Recommended Reason

The policy is due for review, and amendments have been made where appropriate to improve the policy for use.

/_____
Moved/Seconded

15. [Correspondence](#)
15.1 Office of the Auditor General - Long-term plan audit *page 97*
15.2 Audit Proposal Letter *page 99*

16. [General Business](#)

17. [Questions](#)

18. [Closing karakia](#)
D21/40748 Page 106



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.

5. Attendance schedule for 2024 Audit and Risk Committee meetings.

Date	19/03/24	21/05/24	16/07/24	17/09/24	19/11/24
Meeting	A	A	A	A	A
Neil Volzke					
Steve Beck					
Grant Boyde					
Annette Dudley					
Jono Erwood					
Ellen Hall					
Amanda Harris					
Vaughan Jones					
Min McKay					
John Sandford					
Clive Tongaawhikau					
Mathew Watt					
Philip Jones (External Chair)					

Key	
A	Audit and Risk Meeting
D	Meeting deferred
	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)

	Mar-24	May-24	Jul-24	Sep-24	Nov-24	Mar-25	May-25
Standing Items	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status	-Correspondence Received -Health and Safety Report -Risk Management Review - LTP Capital Projects status update - Audit matters raised status
Annual Items		- Insurance Renewal 2024	'- Internal Audit (Plan for 2024, and status report on previous year audit)	- Annual Report draft 2023/24 - Internal Audit Report (outcomes)	- Policy Status Review	- Annual Plan 2025/26 update - Half Year Financial Report	- Insurance Renewal 2025
One-Off Items	- Anti-Fraud and Corruption Policy - Procurement Policy - Three Waters Update - LGFA Report and SOI	- Insurance Renewal Update for 2024/25	'- Risk 32 - Lone Worker - deep dive				

MINUTES

Audit and Risk Committee



F22/55/06 – D23/47249

Date: Tuesday 21 November 2023 at 2.00pm
Venue: Council Chambers, 63 Miranda Street, Stratford

Present

Mr P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor M McKay, Councillors: G W Boyde, J M S Erwood and V R Jones

In attendance

Councillors: S J Beck, E E Hall, AM C Dudley, A K Harris and M J Watt

The Chief Executive – Mr S Hanne, the Director – Corporate Services – Mrs T Radich, the Director – Assets – Mrs V Araba, the Director – Environmental Services – Mr B Sutherland, the Director – Community Services – Ms K Whareaitu, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Projects Manager – Mr S Taylor (*part meeting*), the Corporate Accountant – Mrs C Craig (*part meeting*), the Health and Safety/Emergency Management Advisor – Mr O Konkin (*part meeting*) and the Sustainability Advisor – Ms V Dombroski (*part meeting*)

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 noted from Councillor W J Sandford and C M Tongaawhikau.

Recommendation

THAT the apologies be noted.

BOYDE/McKAY
Carried
A&R/23/48

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 conflicts of interest declared.

5. Attendance Schedule

Page 10

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

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 2025 be received.

ERWOOD/BOYDE
Carried
A&R/23/49

- It was noted that the Treasury Policy would be discussed in a continuation of the workshop at the conclusion of this meeting.
- The Director – Corporate Services noted that the risks relating to the three waters reforms are included in the environmental scan and significant forecasting assumptions, updates would be provided to elected members when received as it was acknowledged it could be some time until some certainty is provided.
- The chair noted the request to discuss insurance earlier than the renewal date of 1 July. Mrs Radich would bring that discussion forward to the May meeting, or earlier if able.

7. Confirmation of Minutes

7.1 Audit and Risk Committee - 19 September 2023

D23/41247 (Open) and D23/41247 (PE)

Page 12

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 19 September 2023, including the public excluded section, be confirmed as a true and accurate record.

V JONES/BOYDE
Carried
A&R/23/50

8. Matters Outstanding

D18/27474

Page 21

Recommendation

THAT the matters outstanding be received.

P JONES/McKAY
Carried
A&R/23/51

9. Information Report - Health and Safety
D23/46185 Page 22

Recommendation

THAT the report be received.

McKAY/BOYDE
Carried
A&R/23/52

Questions/Points of Clarification:

- Councillor Boyde asked if the Health and Safety/Emergency Management Advisor was comfortable with the mechanisms in place for protecting staff against threatening and abusive behaviour. Mr Konkin noted over the past few weeks he was looking into more procedural guidance for staff when working with people who are escalated, aggressive or agitated, processes for trespass orders and additional de-escalation training as well. The Chief Executive noted de-escalation training for elected members would be part of the upcoming work programme as per the earlier request. Councillor Boyde also noted the impact this behaviour can have on staff and their mental wellbeing and hoped there was support in place for these people who are dealing with this.
- The District Mayor noted that he had made a formal complaint regarding the threat to a staff member. Within 24 hours of the complaint he received a letter saying no further action would be taken. Subsequently there have been several conversations with the police and additional evidence provided and they are now actively investigating this.
- Mr Konkin noted he was reviewing the nature of the health monitoring as it is currently not specific for the chemicals used by the pool staff.
- It was clarified that audits of contractor worksites to ensure they are actively abiding by their own health and safety plans will be undertaken and reported back to this committee.

10. Information Report - Internal Audit 2023
D23/46010 Page 26

Recommendation

THAT the report be received.

BOYDE/McKAY
Carried
A&R/23/53

Recommended Reason

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

Questions/Points of Clarification:

- Councillor Boyde supported the audit being done in house but asked if there was a risk of taking a staff member away from their day to day operations to complete the task. Mrs Radich noted that the audit does take a bit of time but they are allowed to complete the work over a three month time period and it also offers a learning opportunity about another area of council.
- Councillor Boyde noted that some of the policies are noted in a later report not to have been reviewed on time, so he asked if the internal audit means staff are getting behind in other areas? It was clarified that the responsibility of the policies does not fall on the staff who were completing the audit. Mr Hanne noted that over the last five years staff had faced significant additional funding, government reforms and other challenges, and were now facing those reforms being undone. All of this had significantly added to workload especially as most of it had been inefficient in the way it had come to council. This has had an impact on staff and mental wellbeing. But he noted additional resources were not the answer due to financial constraints as this would add to the rates increase.
- The District Mayor noted that on two occasions it was written that there was one lifeguard short due to staff illnesses. He noted the team leader had advised that this did not compromise the safety of

pool users and that in the case of a spinal injury there were other team members in the facility that could assist. He noted this was contrary to what elected members had been told previously. The Director – Community Services noted the pool operates on the 1-60 ratio and in these instances there had been three lifeguards rostered on with one unable to work due to illness.

11. Information Report - Policy Status - Annual Review

D23/45937

Page 41

Recommendation

THAT the report be received.

McKAY/V JONES
Carried
A&R/23/54

Recommended Reason

This report provides an update to the Committee in relation to a recommendation from auditors in the final Audit Management Report 2023.

The Corporate Accountant left the meeting at 2.31pm.

The Director – Corporate Services noted the following points:

- This is the first of an annual review that will be presented to the Audit and Risk Committee.
- Audit had raised the concern that a few policies had not been reviewed within the self-imposed three year timeframe. During that three year period management are always reviewing to ensure the policy is still fit for purpose so there are some instances when they are brought back for approval earlier or their review could be delayed.
- There are some policies that are outside of the three year time period due to legislation.
- The policies that are overdue by more than three years will be the priority for reviewing.

Questions/Points of Clarification:

- Councillor Boyde asked if this highlighted an opportunity for a policy person?
- The District mayor noted that the Local Alcohol Policy was a combined policy with New Plymouth District Council and due to a number of objections they have received it could be another 12 months before this review is completed. The Director – Environmental Services noted there was a requirement to review this every five years, however the policy did not lapse if it was not reviewed within these timeframes.
- Councillor Erwood asked if it would help with staff pressure and wellbeing if the self-imposed review period was extended to four years? Mrs Radich noted that the three years aligned with a council term. Mr Hanne noted the three years was used as a default but a shorter or longer time period could always be recommended.
- The Deputy Mayor asked if there was a plan to have a register to clearly identify these policies that are due? Mrs Radich noted that the senior leadership team did review the list on a weekly basis. This report will also be brought to council annually.
- Mrs Radich noted there was an element of risk with training on the policies and ensuring staff are updated/reminded on a regular basis as well.
- It was agreed that where policies are closely related then an effort would be made to combine policies to bring the total number down.

12. Information Report - Capital Works Programme - Key Projects Update - November 2023
D23/45252 Page 49

<p>Recommendation</p> <p><u>THAT</u> the report be received.</p> <p style="text-align: right;">P JONES/ERWOOD <u>Carried</u> <u>A&R/23/55</u></p> <p>Recommended Reason</p> <p>To present an update on the progress of our key capital projects in the 2023/24 financial year.</p>
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The Projects Manager noted the following points:

- It is anticipated that council will spend about 70% of the budget with the shortfall being three major projects that are unlikely to be spent.
- The spreadsheet highlights which projects are unlikely to proceed this financial year, the ones with a warning for completion and the ones that are ok at this stage.

Questions/Points of Clarification:

- It was noted that the issues with the Whangamomona Septic Tank project were that the estimates did not reflect the prices that were received back.
- It was requested that colour coding be added to show how council could mitigate the risks associated with these projects.

13. Information Report - Sustainability (Climate Change Resilience and Risk)
D23/32399 Page 64

<p>Recommendation</p> <p><u>THAT</u> the Sustainability information report be received.</p> <p style="text-align: right;">P JONES/BOYDE <u>Carried</u> <u>A&R/23/56</u></p> <p>Recommended reason: To ensure that council is aware of and meets legislative requirements to have regard to (<i>Emissions Reduction Plan</i>) Climate Change and apply a response framework across all its activities including risk and risk mitigation policy and strategies. Also, the Local Government Act purpose (d) provides for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach.</p>

The Sustainability Advisor noted the following points:

- A news story released today on Inside Government New Zealand about the climate change action audit announced for councils. The results for this will be out in 2024 and will provide some more guidance to councils about what is expected of them.
- Five risks have been suggested to be added to the risk register, however it is likely two of these will be merged creating just three new risks for the register.

Questions/Points of Clarification:

- It was noted that the e-bikes had last been used to undertake a mail drop.
- Councillor Erwood asked what the risk in relation to fire was with the extent of forestry east of Stratford. These forests are getting older and drier and was there a risk to council if the roads are not good enough to get fire trucks out there? Mr Hanne clarified that council was not the primary organisation to control this activity and mitigation would be a difficult conversation. Ms Dombroski noted that the bigger risk was potentially heat waves for people. She noted there were people

working with TEMO who were mapping out scenarios that could happen with climate change and this would provide more information.

- The Deputy Mayor noted the wording “*have regard to*” the national adaption plan asked for definition on this wording? Ms Dombroski noted that council need to make sure they are doing this, they are expected to look at what they have to do and to communicate it with the community as well. The Deputy Mayor noted it was important that a Stratford lens is put on this as it was easy to get caught up with worldwide information but that council needs to take care of its own patch which makes it easier for the community to buy into when they can see it tangibly for themselves.
- Councillor Boyde noted the council farm was making a start in these areas through the Tiaki Environmental Plan. Ms Dombroski noted that by March officers will know what direction this is heading in as it will come as an incurred cost for ratepayers.
- The chair noted that the OAG are expecting all local authorities to describe in their Long Term Plans climate change and how this is being mitigated so auditors will be looking for that information.
- The chair noted that two-thirds of the population live in areas prone to flooding and rising sea levels and he felt this would be useful to know what this statement means for the people of Stratford.
- The chair noted it was important that the community understands the need for this work as there are already pressures on rates from other costs. This could be added as a risk going forward.
- The Deputy Mayor noted her concern with the recommended reason as it was not clear what council was giving regard to.
- The next engagement on this topic will be the sustainability policy which will be discussed in detail next year.

The Projects Manager and Sustainability Advisor left the meeting at 3.06pm.

14. Information Report - Risk Management (update)

D23/46426

Page 83

Recommendation

THAT the report be received.

ERWOOD/P JONES

Carrie

A&R/23/57

Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.

Questions/Points of Clarification:

- The chair asked if community affordability needed to be considered and identified as a risk? Mrs Radich noted that councillors are still working through the capital projects and following that will be presented with some of the impact on the community particularly with loan funding and how it will impact them moving forward, three waters possibly being repealed and council retaining the \$11 million worth of debt associated with this activity and also the operational budget for new infrastructure.

15. Decision Report - Approve draft Environmental Scan and Significant Forecasting Assumptions

D23/46160 Page 92

Recommendations

1. THAT the report be received.
- ~~2. THAT the draft Environmental Scan and Significant Forecasting Assumptions be approved, with the understanding that future updates and amendments will be advised to the Committee in a follow up information report.~~
2. THAT the draft Environmental Scan and Significant Forecasting Assumptions be approved, noting that these are draft and subject to future refinement.

McKAY/BOYDE
Carried
A&R/23/58

Recommended Reason

Approval of the draft forecasting assumptions will provide officers with a clear directive and mandate to proceed with developing the Long Term Plan 2024-34 ("LTP").

The Director – Corporate Services noted the following points:

- This report is asking the committee to approve the document which will form the basis which the Long Term Plan relies on. There are still some missing items but a final document will be brought back to council.
- It highlights that these are the assumptions council is making and these can be approved or amended.
- The revaluation section has been updated to include the final numbers received.

Questions/Points of Clarification:

- The District Mayor noted the new proposal for the forestry differential had not been updated to 10 hectares as discussed previously. He also noted that the Percy Thomson Trust assumption notes that no decision had been made and questioned how a document could be adopted when the committee did not know what it was adopting. Mrs Radich clarified that the decision was to approve the *draft* environmental scan and significant forecasting. A final document will be audited once council has adopted the final version.
- Councillor Hall asked if this document would be publicly available in its draft format as the Percy Thomson Trust had not made any decisions yet and felt that this was not a good start for a trust relationship. The chair noted that the assumptions noted the trusts preferred position and that it is not the final decision. Mrs Radich noted this document stated that discussions were being held on the options.
- Councillor Boyde noted his concern that 100% budgeted capital expenditure will be delivered. He felt to be transparent then it should note that only 80% may be delivered in a good year. The chair noted other councils had budgeted to spent 70% and understood the perception that capital works have not been delivered but have been rated for. It was important to note that 99% of capital works not completed wouldn't actually affect the rates. Mr Hanne noted that if only 80% was budgeted for then the remaining 20% of funding for completion in a subsequent year would have to be found where this way it would carry over. The chair felt transparency could be given with better communication on this topic.
- It was clarified that officers were creating an appendix to have the Year 2 -10 budgets for the three waters activities to ensure transparency to the community. Council only has to include Year 1 in the Long Term Plan due to the original entity transfer date, however it was felt it is important the community see the budgets should there be any changes to this.

16. Correspondence

16.1 Deloitte Management Report *page 128*

Points noted in discussion:

- The chair noted that the audit had auditors form opinions on things that were outside of their scope.
- Mr Hanne noted that the discussions regarding the fees had resulted in a \$25,000 concession from the original pricing. However the fees have continued to be increased for next year as per the proposal. Officers have accepted the discount but requested that, prior to the engagement on the Long Term Plan, Deloitte consider the efficiencies raised so that these can be considered and discussed further.
- Councillor Hall noted her concern that they have not engaged in good conversations around finding the efficiencies because council cannot fire their auditors.

17. General Business

18. Questions

19. Closing karakia

D21/40748 Page 153

The closing karakia was read.

The meeting closed at 3.33pm.

P Jones
Chairman

Confirmed this 19th day of March 2024

N C Volzke
District Mayor

**Audit and Risk Committee
Matters Outstanding Index**

ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE

INFORMATION REPORT



F22/55/04 – D24/7828

To: Audit and Risk Committee
From: Health and Safety/Emergency Management Advisor
Date: 5 March 2024
Subject: Health, Safety and Wellbeing Report

Recommendation

THAT the report be received.

/_____
 Moved/Seconded

1. Purpose of Report

- 1.1 This report presents a summary of four-monthly progress and any highlights for the main areas of activity within for the period to 29 February 2024.

2. Executive Summary

- 2.1 Two significant incidents involving injuries to contractors occurred during the period, including one which was notifiable to Worksafe. The investigation of this incident identified some shortcomings in the oversight of the contractor and has led to a revision of the contractor management guidance to council staff.
- 2.2 Ongoing Health and Safety projects include a review of the Health and Safety Manual, a staff training matrix and a health monitoring matrix.

3. Health and Safety Project Work

- 3.1 A complete review of the Stratford District Council Health and Safety Manual is underway and is nearing completion. The goal of the review is to provide clearer guidance to staff on Health and Safety processes and responsibilities.
- 3.2 Guidance on working with challenging customers and the use of trespass orders have been created and are in the process of being rolled out to staff. Lockdown procedures have also been created for main council facilities.
- 3.3 Facility hazard registers have been created for main council facilities.
- 3.4 A staff training matrix is currently being created, identifying core training requirements for different roles. A similar health monitoring matrix is also being created, identifying exposure risks and monitoring requirements for different roles.

4. Health and Safety Incidents and Responses

1 November 2023- 29 February 2024

	Period 1 November 2023- 29 February 2024		Equivalent Period 1 November 2022 – 28 February 2023	Change From Equivalent Period Last Year	Running YTD Balance (1 July 2023 – 29 February 2024)	
	Pool/Other				Pool/Other	
Events	47	8	89	-34	86	23
<i>Of which:</i>						
Injury(to our staff/ Contractor)	27	(5)	41	-14	50	
Near Miss	7		6	+1	10	
Incident	19		41	-36	47	
Illness	2		1	+1	2	

	Period 1 November 2023- 29 February 2024	Running YTD Balance (1 July 2023 – 29 February 2024)
Type of Incident		
Slips/Trips/Falls	5	18
Sprains/Strains	3	6
Cuts/Abrasions/ Bleeding nose	11	25
Bruising	6	11
Rescues	11	17
Contamination incidents (Pool)	1	1
Aggressive/Abusive Customer	5	14
Trespass	-	-
Vehicle Damage	1	2
Non-compliance of process	1	1
Plant/Building/Equipment	4	5
Other	2	8
Level of Treatment		
First Aid	29	55
Medical/Hospital	4	4
Level of Investigation		
No/Standard Investigation	55	107
Formal Investigation	1	1
Worksafe Investigation	1	1

- 4.1 The number of events reported was 34 less than for the corresponding period in the previous year. Most incidents continue to be minor injuries to members of the public using Wai o Rua – Stratford Aquatic Centre and requiring minimal intervention and/or first aid by staff.
- 4.2 Two significant incidents occurred involving contractors and sub-contractors, which are discussed in more detail below.
- 4.3 A trend in incidents was noted over the school holidays of rescues and near misses at Wai o Rua – Stratford Aquatic Centre involving young children, due to inadequate supervision by caregivers. Lifeguards were asked to be more proactive in monitoring caregiver supervision.
- 4.4 5 incidents of abusive or aggressive customers were reported over the 4 month period. 2 of these incidents were directed towards pool lifeguards when they were enforcing the rules of the facility.
- 4.5 A process change has been undertaken so that all incidents are reviewed and investigated (if necessary) by the Health and Safety Advisor, in conjunction with the person reporting the incident and their line manager as appropriate. This change was made to improve the quality of information recorded in investigations and the statistical data collected.

Incident 1

Incident type: Contractor Injury and Property Damage

Investigation & event details: A contractor undertaking repair work on a leaking water pipe at Wai o Rua – Stratford Aquatic Centre failed to turn the water off in advance. This resulted in a scald injury to the hand of a contractor and damage to a ceiling during a leak of hot water. The building, which was open to the public at the time, was evacuated without any issues. The contractor was treated in ED and has made a full recovery. The incident was notified to Worksafe, who decided not to investigate the incident themselves. Stratford District Council investigation identified that, although the contractor has been involved in the building of the facility, they were not pre-approved

to undertake maintenance work and had not provided a safe work plan in advance. They had also failed to sign in on arrival at the facility.

Specific outcome: Damage to the facility has either been repaired or is in the process of being assessed for further repair. Rewriting of the Contractor Management section of the Health and Safety manual that was due as part of the review was expedited. The revised version provides clearer guidance on pre-approval for contractors, safe work plans and site induction.

Organisation-wide implications: Despite the event being largely caused by an error by the contractor, the council as the site owner has a duty to ensure that the work is being undertaken in a way that protects the safety of the worker and the general public.

Incident 2

Incident type: Sub-Contractor Injury and Vehicle Damage

Investigation & event details: A sub-contractor in a gravel truck was driving along a narrow unsealed rural road to deposit gravel at a road maintenance worksite. The very edge of the road surface appears to have slipped under the front wheel, causing the truck to roll off the road onto its side down a bank. The driver experienced minor injuries and has since recovered. At time of writing, a full investigation by the contractor is awaited.

Incident 3

Incident type: Abuse and Threats to Staff Members

Investigation & event details: A pool lifeguard stopped a young child from entering the water until his caregivers had arrived to supervise. The child was upset by this and the caregivers proceeded to verbally abuse and physically threaten several members of pool staff. They were asked to leave the facility and police were called.

Specific outcome: Police caught up with the family after they had left the facility

Organisation-wide implications: Rules at Wai o Rua – Stratford Aquatic Centre are designed to keep members of the public safe. However, in situations like this, enforcement of the rules can expose staff to risk. Finding an acceptable way to balance these risks is a challenge for the organisation in terms of policy and resource.

5. Contractor Monitoring

- 5.1 5 site/workplace audits have been completed over the last 4 month period, involving 5 different contractors engaged in building and facility maintenance projects.
- 5.2 There were no significant Health and Safety concerns raised by the audits and all contractors were found to be working in accordance with the Safe Work plans they had submitted.

6. Health and Wellbeing

	Period 1 November 2023 – 29 February 2024	Running YTD Balance (1 July 2023 – 29 February 2024)
Health and Wellbeing		
Workstation Assessments	4	9
EAP Referrals	0	3
Health Monitoring Assessments	0	22
Health and Safety Committee Meeting	2	3
Site Reviews	5	

- 6.1 There have been no EAP requests reported in the portal for the period. This was also the case for the equivalent period last year.
- 6.2 A review of health monitoring is currently underway to create a monitoring matrix linked to hazard exposure related to role and ensure that the monitoring tests undertaken are

appropriate to the hazard. It is anticipated this will be completed in advance of the annual health monitoring checks in October, so that any changes can be put into action.

- 6.3 An ergonomic assessment tool has been created and workstation set-up assessments are being offered to all new staff within 2 weeks of starting work. These will be repeated 2 yearly and staff who have not had a workstation assessment in the last 2 years are being gradually offered a reassessment.
- 6.4 A 1-day de-escalation training was provided to Elected Members in February by an external provider.

7. Civil Defence

- 7.1 Foundation and Intermediate training has recommenced locally and new staff are undertaking training again.
- 7.2 New operational software for managing an emergency response is in active rollout across the region. The software will make it easier to activate response plans for common emergencies and speed up the initial stages of a response. It will also assist in co-ordination of response between councils and with the Taranaki Emergency Management Office. A combined staff training exercise in the new system and practice activation of the Stratford Emergency Operations Centre is planned for the 22nd March.
- 7.3 A national Emergency Management exercise is planned for June, based on the scenario of a major earthquake on the South Island. The exercise will involve the practice activation of all Emergency Operations Centres in the country, including Stratford.



O Konkin
Health and Safety/Emergency Management Advisor



[Endorsed by]
Tiffany Radich
Director – Corporate Services



[Approved by]
Sven Hanne
Chief Executive

Date:

INFORMATION REPORT



F22/55 – D24/8077

To: Audit and Risk Committee
From: Director - Corporate Services
Date: 19 March 2024
Subject: Local Government Funding Agency (LGFA) - reports

Recommendations

1. THAT the report be received.
2. THAT the half year report to 31 December 2023 for the LGFA be received.
3. THAT the Statement of Intent for 2024-2027 be received.

Recommended Reason

To inform the Committee of the LGFA's performance for the year to date and plans for the next three years.

Moved/Seconded

1. Purpose of Report

- 1.1 To provide assurance to the Audit and Risk Committee that there is appropriate monitoring of the risks associated with council's relationship with the LGFA.

2. Executive Summary

- 2.1 Council is currently borrowing \$36,700,000 through the LGFA and is a guarantor to the LGFA along with 72 other NZ councils. Therefore, council is exposed to lending risk - with interest rate exposure and accessibility to funding, as well as liquidity risk if there was a call upon the council guarantee.
- 2.2 The half-yearly report shows that the LGFA is achieving all performance targets to date except actual operating expenses is exceeding budget due to additional costs associated with higher lending activity. The LGFA was recently awarded the New Zealand Debt Issuer of the Year Award for the second consecutive year. As at 31 December 2023, LGFA had a market value of loans outstanding of \$18.8 billion.
- 2.3 The Statement of Intent 2024-27 (SOI) sets the strategic priorities, performance targets, and financial budgets for the next three years for the LGFA. The SOI assumes that there are no implications to the LGFA from National's Local Waters Done Well programme, which is yet to be fully revealed.

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:			Not directly.
Social	Economic	Environmental	Cultural

4. Background

- 4.1 Council joined the LGFA in 2018 as a borrowing council, to be able to obtain access to local government specific financing at lower interest rates than what could be accessed elsewhere from other NZ registered banks.
- 4.2 In 2020, the council acceded its status with LGFA to guarantor meaning that council could access a lower margin on borrowing rates, but would in turn be liable along with the other guarantor councils for the overall debt of the LGFA. However, the main reason council became a guarantor was so that council could borrow more than \$20,000,000 at any one time. The accession was carried out in anticipation of the new swimming pool and the associated new borrowing required.

5. Information Summary

- 5.1 Refer to the documents attached to this report, prepared by LGFA.

6. Strategic Alignment

6.1 Direction

This report relates to the Enabling Community Outcome in that having the ability to access debt funding enables council to implement the actions planned for in the Long Term Plan.

6.2 Annual Plan and Long Term Plan

As above.

6.3 District Plan

N/A

6.4 Legal Implications

There are no legal issues to consider.

6.5 Policy Implications

The Treasury Management Policy has recently been reviewed and does not conflict with anything in this report.

Appendices:

- 1. Half-year report to 31 December 2023 – LGFA
- 2. Statement of Intent 2024-27 - LGFA



Tiffany Radich
Director – Corporate Services



[Approved by]
Sven Hanne
Chief Executive

Date 5 March 2024



31 December 2023
HALF YEAR REPORT

Benefiting communities through
delivering efficient financing
for local government.

Ka whiwhi painga ngā hāpori mā te
whakarato pūtea tōtika ki ngā kaunihera.

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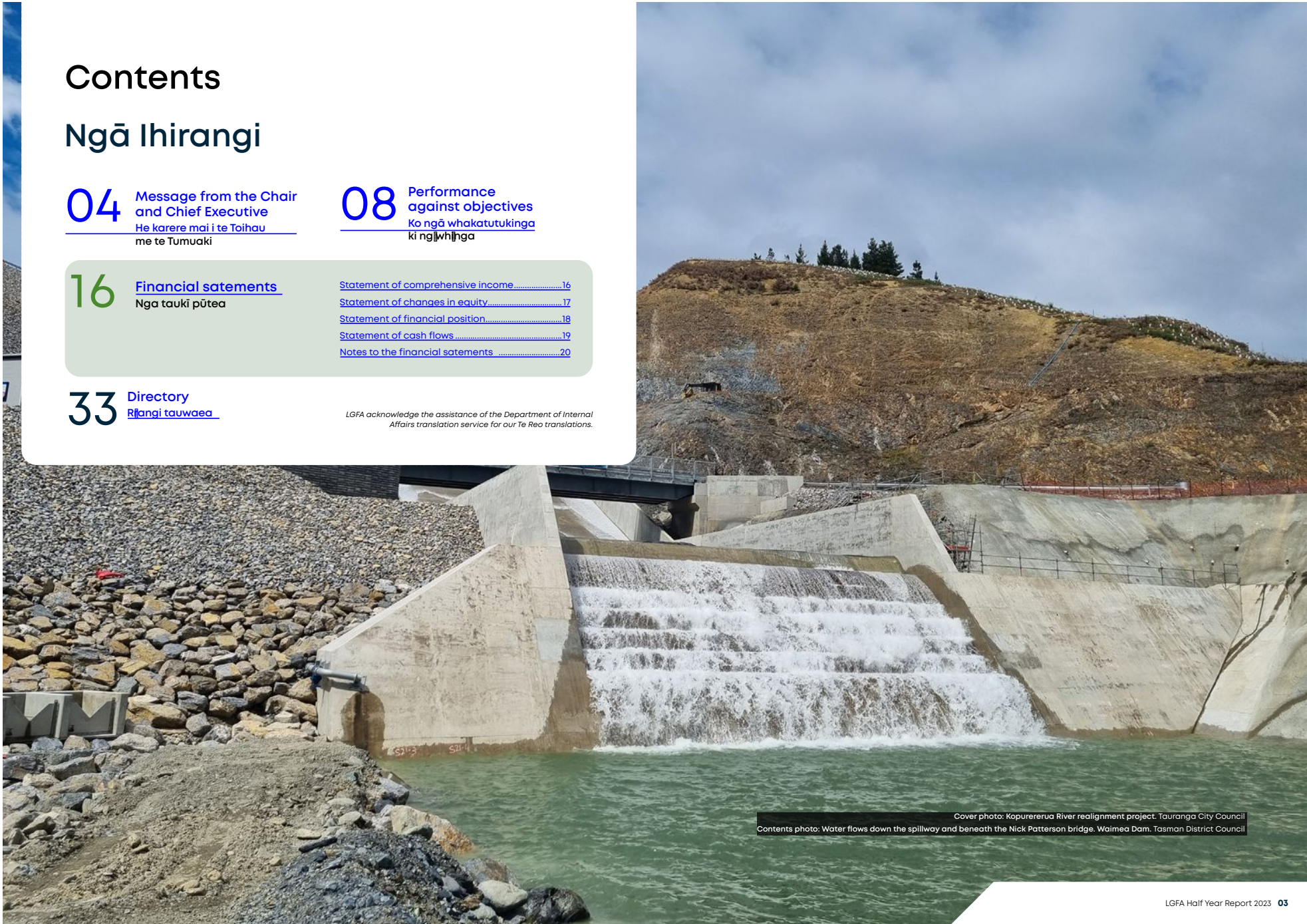
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LGFA acknowledge the assistance of the Department of Internal Affairs translation service for our Te Reo translations.



Cover photo: Kopurererua River realignment project. Tauranga City Council
Contents photo: Water flows down the spillway and beneath the Nick Patterson bridge, Waimea Dam, Tasman District Council

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumukaki

For the six-months ended 31 December 2023

The six months to December 2023 presented a challenging period for bond issuance as markets remained volatile and an increased supply of high-grade bonds impacted sentiment. Over this period, council and council-controlled organisations (CCO) borrowing and LGFA bond issuance increased to record levels and, despite the difficult conditions, LGFA continued to deliver value to members and our investor base.

Highlights over the period included our successful debut issuance in the Australian Dollar (A\$) bond market and LGFA receiving an unprecedented five awards in the annual KangaNews Awards, including New Zealand Issuer of the year for the second consecutive year.

Lending to the sector

LGFA was established in 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders and our membership has grown to 77 council and 5 CCO's.

Over the six months, Infrastructure Holdings Limited and Whanganui District Council Holdings Limited joined as CCO members. We currently have 72 guarantors with West Coast Regional Council moving from non-guarantor to guarantor status during the past six months.

Lending to members over the six month period was a record \$2.63 billion of long-term loans to 56 members, with an average tenor of 5.2 years which was shorter than prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils, with \$617 million outstanding to 36 members at December 2023.

Our estimated market share of total council borrowing of 89% was above our forecast and the long-term average. As at the end of December, outstanding loans totalled \$18.79 billion, as well as \$747 million of standby facilities.

Financial and Operational Performance

LGFA's total interest income for the six months of \$578.1 million was an 85% increase over the 2022 comparable period (\$312.9 million), while net operating

profit of \$5.2 million was a 370% increase (\$1.1 million).

Although net operating profit was significantly higher than the comparable 2022 period, it was in line with historical outturns. The low comparable 2022 period outcome was negatively influenced by the rapid rise in interest rates, mismatches between the Bank Bill Reference Rate and the Official Cash Rate, combined with a planned increased holding of liquid assets.

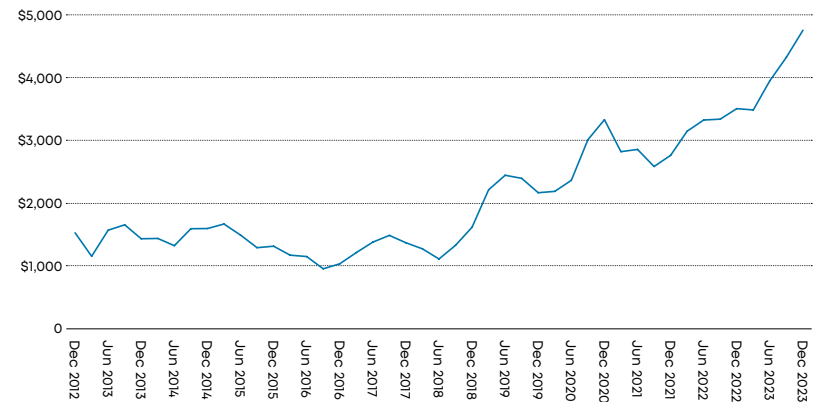
Total operating income was above budget by \$152k, however expenses were \$428k above the SOI budget, with net operating profit \$277k below budget. Our higher expenses were due to increased legal and NZX costs arising from the record levels of member borrowing and associated bond issuance, as well as establishment costs for our Euro Commercial Paper programme, \$A bond issuance and higher Approved Issuer Levy (AIL) payments.

The financial strength of LGFA was affirmed by Fitch Ratings who maintained our domestic currency credit rating at AA+ in October 2023. Our AAA rating from S&P Global Ratings was affirmed in March 2023 and remains the same as the New Zealand Government.

Our borrowing activity

LGFA issued \$1.63 billion of NZD bonds over the past six months, with outstandings bonds totalling \$18.92 billion (including \$1.10 billion of treasury stock) across 11 maturities ranging between 2024 to 2037. The average term of our NZD bond issuance during the six months at 5.7 years was significantly longer than the prior year period.

LGFA Annual Council and CCO Borrowing (NZ\$ millions)



LGFA established an Australian Medium Term Note programme in 2017 to diversify our funding sources but had no reason to utilise the programme until 2023. Given our increased borrowing requirement we successfully debuted issue a A\$1 billion 5-year bond in August 2023 and followed up with an A\$650 million 7-year bond in November 2023.

LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand

Government and our individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors. Secondary market activity in our bonds continues to rise, assisting investors' access to our bonds throughout the year.

Increased high grade bond supply from ourselves and the NZ Government has pushed LGFA spreads wider to swap, but we have outperformed on a spread to NZGBs. The performance of LGFA bonds over the past six

months has been mixed with the spread between LGFA bonds and New Zealand Government Bonds (NZGBs) narrower by between 3 bps (2033s) and 12 bps (2027s) but wider on a spread to swap between 3 bps (2035s) to 13 bps (2026s). Outright yields on LGFA bonds declined between 28 bps (2037s) and 55 bps (2027s) over the six-month period, but it was a volatile period with the 2037 yield trading a 146-bps range between 6.58% and 5.12% and closed on 31 December 2023 at the low of 5.12%.

KangaNews award winner

We are pleased to advise that LGFA scooped an unprecedented five awards at the 2023 KangaNews Awards with the awards being determined by market participant votes. We received awards for the New Zealand Issuer of the Year (for the second consecutive year), NZD Rates Bond Deal, NZ Sustainability Deal, NZ Offshore Deal, and NZ innovative Deal. We want to acknowledge the support from our stakeholders and those who voted for us.

Our role in assisting Local and Central Government

The local government sector continues to face a period of change and uncertainty having to deal with climate-related events, rising cost pressures and managing their three waters assets during the reform process. LGFA is assisting both Central Government and our council members under the previous government’s Affordable Waters Programme and the new government’s Local Water Done Well Programme. LGFA continues to assist as required, the Ratepayer Assistance Scheme project managed by a group of councils with advice from Cameron Partners. If successful, the scheme could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

New products and initiatives

We launched Green, Social and Sustainable (GSS) lending in October 2021 and Climate Action Loans

(CALs) for council and CCOs in December 2022. Both lending products offer discounted loan margins to councils and CCOs.

As at December 2023, we have undertaken \$377.2 million of GSS Loans to six members and CALs of \$1.20 billion to four members.

LGFA established a world first Sustainable Financing Bond (SFB) Framework in March 2023 and issued our first SFB under the Framework in April 2023. We subsequently issued a further \$500 million of the May 2030 SFB in October 2023. The SFBs are notionally backed by our GSS loans and CALs to councils and CCOs.

Increasing focus on sustainability

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including maintenance of CarbonZero certification from Toitū Envirocare, actively marketing our GSS loan product and establishing CALs and the launch of the SFB. We published our first Annual Impact Review Report and have been preparing for our first report under Climate Related Disclosure requirements for the 2024 Annual Report.

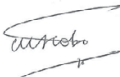
Acknowledgments

Our work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management and Central Government, all whose efforts should be acknowledged.

Anthony Quirk who has been a director since 2017, retired from the Board in November 2023, and we would like to take this opportunity to thank Anthony for his invaluable contribution to LGFA over the past six years. Kumaren Perumal from Bay of Plenty Regional Council also stepped down as Chair of the Shareholders Council and we wish to acknowledge his contribution over the past two years.

Anita Furnis our inaugural Future Director also stepped down in December 2023 after an 18-month term and we appreciated her involvement and engagement that in ensures the success of the Future Director programme. We welcome David Rae to the board as an Independent Director, Kathryn Sharplin as the new Chair of the Shareholders Council and Sarah Matthews as the new Future Director.

We believe LGFA’s future remains positive and look forward to working with all stakeholders in the next six months.



Craig Stobo
Chair



Mark Butcher
Chief Executive



New Zealand Issuer of the Year for 2023

Thank you to our investors, intermediaries and market participants for their support.

How we add value to the local government sector

By working together with LGFA, member councils and Council-controlled organisations (CCO’s) can access cheaper, easier, and more reliable funding.

At the same time, LGFA helps underpin confidence in the local government sector, helps councils and CCOs with their sustainability goals, boosts capital markets in New Zealand, and acts as a centre of expertise that the local government sector can draw on.

Cheaper loans. By borrowing collectively through LGFA, our members get cheaper funding than if they all borrowed individually. There are also major savings in upfront transaction costs.

Easier access to markets. LGFA deals with the complexities of accessing debt capital markets, which simplifies and streamlines the process of raising loans for our members. At the same time, we provide a wide range of financing options, including short-term loans and standby facilities, long-term loans up to 13 years, with either fixed or floating interest rates, and sustainable lending products.

Reliable financing. LGFA has a wider range of financing sources than most councils could access on their own. These include domestic retail and institutional investors, banks, and offshore investors. This makes financing more resilient and reliable, especially in times of stressed markets. LGFA has also provided a vital role by maintaining liquidity to members during difficult market conditions. LGFA has issued under our Australian dollar bond programme and has established a Euro Commercial Paper (ECP) programme to access foreign currency debt capital markets in order to diversify our financing sources.

Underpinning confidence. LGFA monitor and provide oversight for the local government sector, ensuring a higher degree of confidence in council finances. Our financial covenants help ensure prudent financial management by councils. We help maintain the support of investors and the confidence of the credit rating agencies by maintaining a credit rating that is equal to the New Zealand Government. It is important to maintain parity with the New Zealand Government credit rating to protect our operating model and manage borrowing costs.

Encouraging sustainability. LGFA provide Climate Action Loans and Green Social and Sustainable Loans to councils and CCOs to help them make progress on their sustainability goals. On the financing side, we issue Sustainable Financing Bonds to help broaden the ‘sustainable bond’ market in New Zealand. We are currently working with sustainability experts and councils to measure and report on our financed emissions for all our council borrowers in our upcoming 2024 Annual Report.

Enhancing capital markets. LGFA are the largest issuer of NZ Dollar bonds after the New Zealand Government. Our bonds add to market liquidity and provide more options for investors, including retail investors, to support the local government sector. Our bonds act as a stable benchmark that is used for pricing other corporate bonds in the New Zealand market.

A centre of expertise. The LGFA team acts like a centralised Treasury for councils, providing a significant amount of experience and expertise in capital markets and debt raising.

Performance against objectives

Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance provides a summary of LGFA's performance against the objectives and performance targets set out in the LGFA Statement of Intent 2023-26 (SOI)

2023-24 Objectives and performance targets

LGFA objectives and performance targets for 2023-24 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the two quarters' ended December 2023 are available on the LGFA website.

Governance, capability and business practice

LGFA is committed to demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

Objectives	Our performance to 31 December 2023
Demonstrate best practice corporate governance.	LGFA report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The 2023 Annual Report is the most recent report with commentary on our compliance with the NZX Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the six months ended 31 December 2023 is summarised below under our performance targets.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report. The 2023 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, including compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	✓ Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings. Fitch Ratings affirmed our foreign and domestic currency ratings at AA+ with a Stable Outlook on 19 October 2023. S&P Global Ratings affirmed our domestic currency credit rating at AAA and our foreign currency rating at AA+ in March 2023.
LGFA's total operating income for the period to 31 December 2023.	> \$20.6 million.	✓ \$10.6 million for six months to 31 December 2023. Expect to exceed SOI by year end.
LGFA's total operating expenses for the period to 31 December 2023.	< \$10.0 million.	✗ \$5.4 million for six months to 31 December 2023. Year-end operating expenses will exceed SOI due to higher Approved Issuer Levy than budgeted, as well as additional costs from (1) higher levels of issuance and onlending than budgeted; (2) legal and associated costs for inaugural foreign currency issuance, and (3) preparation for potential role in 'Local Water Done Well' and the proposed Ratepayer assistance programme.

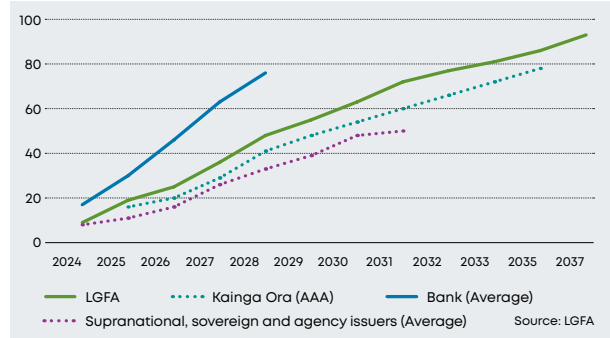
Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Objectives	How we measure our performance
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Provide interest cost savings relative to alternative sources of financing.

Comparison to other high-grade issuers - secondary market spread to swap (bps)
 LGFA's borrowing margins compare favourably to other high-grade issuers in the New Zealand capital markets.



- Supranational, sovereign and agency issuers**
- Kainga Ora (AAA)
 - Asian Development Bank (AAA)
 - IADB (AAA)
 - International Finance Corp (AAA)
 - KBN (AAA)
 - Rentenbank (AAA)
 - World Bank (AAA)
 - Nordic Investment Bank (AAA)
- Banks**
- ANZ (AA-)
 - ASB (AA-)
 - BNZ (AA-)
 - Westpac Bank (AA-)

Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.

LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans and standby facilities.

- Over the six months ended December 2023, our members borrowed \$2.656 billion in 222 long term loans across maturity dates ranging between 2024 and 2033.
- As at December 2023 there was \$617 million short-term loans outstanding to 36 members.
- As at December 2023, standby facilities totalled \$747 million across 16 members.

Deliver operational best practice and efficiency for lending services.

Over the six months ended December 2023, LGFA operations staff successfully:

- settled 1,150 new trades with a gross value of \$14.3 billion,
- processed 7,454 cash flows with a gross value of \$21.9 billion, and
- rate set 5,733 existing trades.

Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the six months ended December 2023, we issued NZ\$1.63 billion and A\$1.65 billion of primary bonds and secondary market turnover totalled \$6.25 billion.

Performance targets	2023-2024 target	Our performance to 31 December 2023
---------------------	------------------	-------------------------------------

Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ Met – 89% as at 31 December 2023
Total lending to Participating Borrowers.	> \$17,870 million	✓ Met – \$18,789 million as at 31 December 2023
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	✓ 100% satisfaction score in August 2023 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ Met



Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand’s shift to a low-carbon economy. LGFA will prioritise social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	Our performance to 31 December 2023
Assist the local government sector in achieving their sustainability and climate change objectives.	Over the six months to 31 December 2023, we approved a new Green, Social and Sustainability Loan (GSS loan) to Tauranga City Council. At 31 December 2023, we have approved six GSS loans with a combined approved value of \$572 million, of which \$377 million has been advanced. On 1 December 2022, we launched Climate Action Loans (CALs) which a discounted loan margin for members who have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets. Over the six months to 31 December 2023, we approved a CAL loan status to Kapiti Coast District Council. At 31 December 2023, we have approved four councils with a CAL loan status: Total loans issued to CAL approved councils total \$1,221 million.
Improve sustainability outcomes within LGFA.	In 2021, LGFA directors committed to reducing our per employee emissions by 30% by 2030, compared with a 2018/19 base year. We are on track to meet our reduction target for the 2023-24 year.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Comply with the Health and Safety at Work Act 2015.	No breaches	✔ No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	✔ Toitū Net Carbon-zero recertification approved August 2023.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✔ On track to meet target
Increase our GSS lending book.	Two new GSS loans undertaken. Three new borrowers enter into CALs	✔ On track to meet target
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✔ 2023 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✔ On track to meet target

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower’s financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	Our performance to 31 December 2023
Proactively monitor and review each Participating Borrower’s financial position, including its financial headroom under LGFA policies. Analyse finances at the Council group level where appropriate and report to shareholders.	Over the six months, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list. We have received compliance certificates for LGFA covenants from 78 (75 councils and 3 Council-controlled organisations) of our members with debt outstanding at June 2023 and no council has requested that they be measured on a group basis.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with 33 borrowers over the six months and are on target to meet with all members by 30 June 2024.

Performance targets	2023-2024 target	Our performance to 31 December 2023
Review each Participating Borrower’s financial position.	100%	✔ On target to meet by 30 June 2024.
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	✔ On target to meet by 30 June 2024.

Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

Objectives	Our performance to 31 December 2023
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	LGFA continues to assist as required, the Ratepayer Assistance Scheme project managed by a group of councils with advice from Cameron Partners. If successful, the scheme could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.
Assist the local government sector with significant matters such as the Affordable Water Reforms.	Throughout the early part of the six-month period, we have had meetings with Treasury and the National Transition Unit team at DIA and their advisers regarding Affordable Waters Reform and the establishment of a collective funding vehicle, similar to LGFA structure, for the Water Services Entities. Following the change in Government, we have met with the Minister of Local Government and Treasury and DIA staff, offering to help with the implementation of the 'Local Water Done Well' programme
Maintain productive relationships with central government representatives.	We met regularly with OAG, Department of Internal Affairs and Treasury over the six month period.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	We continue to roll out the GSS and CALs to councils and CCOs and approved a new GSS loan project and on boarded a new council for CALs. The LGFA Head of Sustainability continues to meet with his counterparts at various councils.



Financial statements

Nga taukī pūtea

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Statement of comprehensive income

For the six months ended 31 December 2023 in \$000s

	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Interest income		578,134	312,883
Interest expense		568,323	307,904
Net interest income	4	9,811	4,979
Other operating income	5	753	671
Total operating income		10,564	5,651
Operating expenses	6	5,355	4,542
Net operating profit		5,209	1,108
Total comprehensive income		5,209	1,108

These statements are to be read in conjunction with the notes to the financial statements.

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.


The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 28 February 2024.

Statement of changes in equity

For the six months ended 31 December 2023 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 1 July 2022		25,000	79,560	104,560
Net operating profit			2,505	2,505
Total comprehensive income for the year			2,505	2,505
Transactions with owners			-	-
Dividend paid on 2 September 2022			(1,218)	(1,218)
Equity as at 1 July 2023		25,000	80,847	105,847
Net operating profit			5,209	5,209
Total comprehensive income for the year			5,209	5,209
Transactions with owners			-	-
Dividend paid on 1 September 2023			(1,713)	(1,713)
Unaudited closing balance as at 31 December 2023		25,000	84,343	109,343


Craig Stoba, Director
Board Chair


Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 31 December 2023 in \$000s

	Note	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Assets			
Financial assets			
Receivables		1,086	492
Cash and bank balances		359,688	226,222
Cash pledged as collateral		85,389	93,175
Marketable securities		1,613,984	1,127,879
Deposits		822,148	348,492
Derivatives in gain		101,535	63,845
Loans	8	18,788,758	16,313,562
Non-financial assets			
Prepayments		1,228	919
Other assets	9	26	58
Total assets		21,773,843	18,174,644
Equity			
Share capital	16	25,000	25,000
Retained earnings		79,135	80,847
Total comprehensive income for the period		5,209	-
Total equity		109,343	105,847
Liabilities			
Financial liabilities			
Payables and provisions	10	29,850	6,132
Bills	11	856,894	782,630
Bond repurchases	12	129,987	130,043
Derivatives in loss		1,291,310	1,628,316
Bonds	13	18,924,712	15,160,432
Borrower notes	14	430,751	360,348
Non-financial liabilities			
Other liabilities	15	995	896
Total liabilities		21,664,499	18,068,797
Total equity and liabilities		21,773,843	18,174,644

These statements are to be read in conjunction with the notes to the financial statements.

Statement of cash flows

For the six months ended 31 December 2023 in \$000s

	Note	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Cash flows from operating activities			
Cash applied to loans	8	(2,407,840)	(1,639,024)
Interest paid on bonds issued		(243,566)	(228,725)
Interest paid on bills issued		(26,733)	(10,088)
Interest paid on borrower notes		(558)	(131)
Interest paid on bond repurchases		(5,303)	(1,738)
Interest received from loans		475,616	224,165
Interest received from cash & cash equivalents		12,273	2,396
Interest received from marketable securities		19,511	13,570
Interest received from deposits		16,943	5,897
Net interest on derivatives		(247,902)	2,276
Cash proceeds from provision of standby facilities		753	671
Payments to suppliers and employees		(6,011)	(5,317)
Net cash flows from operating activities	18	(2,412,818)	(1,636,047)
Cash flows from investing activities			
Purchase of marketable securities		(458,717)	206,657
(Purchase)/maturity of deposits		(458,062)	(462,937)
Net cash flows from investing activities		(916,778)	(256,280)
Cash flows from financing activities			
Cash proceeds from bonds issued	13	1,485,329	1,477,890
Cash proceeds (outflows) from bills issued		74,264	74,146
Cash proceeds (outflows) from bond repurchases		(168)	76,195
Cash proceeds from borrower notes		59,984	41,598
Dividends paid		(1,712)	(1,218)
Cash applied to derivatives		1,845,365	130,604
Net cash flows from financing activities		3,463,063	1,799,215
Net (decrease) / increase in cash		133,467	(93,112)
Cash, cash equivalents at beginning of year		226,222	158,033
Cash, cash equivalents at end of year		359,688	64,921

These statements are to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 28 February 2024.

2. Statement of compliance

The interim financial statements are for the six months ended 31 December 2023 and are to be read in conjunction with the annual report for the year ended 30 June 2023.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in compliance with NZ IAS 34 Interim Financial Reporting.

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any issued standards or interpretations not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

Revenue and expenditure

4. Net interest income

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Interest income		
Cash and cash equivalents	16,804	4,098
Marketable securities	33,313	18,342
Lease liability	-	16
Deposits	20,237	9,668
Derivatives	-	-
Loans	507,780	280,759
Fair value hedge ineffectiveness	-	-
Total interest income	578,134	312,883
Interest expense		
Bills	26,733	10,088
Bond repurchase transactions	5,415	1,949
Lease liability	17	-
Derivatives	227,217	66,245
Bonds	298,564	224,425
Borrower notes	10,377	5,196
Total interest expense	568,323	307,904
Net interest income	9,811	4,979

5. Other operating income

As at 31 December 2023, LGFA had provided credit standby facilities totalling \$747 million (2022: \$662 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Standby facilities fee income	753	671
Total other operating income	753	671

6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Issuance and on-lending expenses		
Approved issuer levy ¹	541	343
Rating agency fees	343	333
NZDMO facility fee	750	652
Legal fees – issuance	502	205
NZX	402	367
Trustee fees	56	55
Regulatory, registry, other fees	184	106
	2,779	2,062
Other operating expenses		
Information technology	360	341
Consultants	131	127
Directors fees	249	213
Insurance	49	47
Legal fees	23	156
Other expenses	204	230
Auditors' remuneration		
Statutory audit	60	55
Advisory services	-	-
Personnel	1,500	1,312
	2,577	2,481
Total operating expenses	5,355	4,542

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

7. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps and cross currency swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in \$000s	Unaudited gain/(loss) for the six months ended 31 December 2023	Unaudited gain/(loss) for the six months ended 31 December 2022
Hedged items attributable to the hedged risk	(357,392)	329,876
Hedging instruments – interest rate swaps	357,392	(329,876)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps, cross currency swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

8. Loans

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans ¹	Loans	Short-term loans	Loans
Ashburton District Council	12,089	104,554	12,110	74,243
Auckland Council	-	3,631,775	-	3,225,659
Bay of Plenty Regional Council	57,991	176,577	57,428	161,353
Buller District Council	-	20,036	-	20,030
Canterbury Regional Council	5,013	77,336	10,116	65,272
Carterton District Council	-	20,552	-	17,523
Central Hawkes Bay District Council	-	38,324	4,072	38,314
Central Otago District Council	5,020	20,288	20,117	5,072
Christchurch City Council	-	2,331,650	-	2,200,409
Clutha District Council	11,583	88,191	7,554	62,905
Dunedin City Treasury	-	252,736	-	126,119
Far North District Council	10,079	92,000	-	91,984
Gisborne District Council	-	149,330	-	126,028
Gore District Council	8,554	44,478	8,556	41,915
Greater Wellington Regional Council	-	804,623	-	678,358
Grey District Council	3,971	26,801	3,990	26,799
Hamilton City Council	-	804,733	-	803,843
Hastings District Council	-	385,854	-	294,992

1. As at 31 December 2023, \$2,757 million of loans are due to mature within 12 months. This comprises all short-term loans and \$2,140 million of loans.

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans ¹	Loans	Short-term loans	Loans
Hauraki District Council	-	88,971	-	62,620
Hawkes Bay Regional Council	25,193	74,856	25,313	55,262
Horizons Regional Council	9,906	54,923	9,936	51,871
Horowhenua District Council	23,218	159,390	15,175	151,192
Hurunui District Council	9,060	49,571	8,092	38,435
Hutt City Council	-	479,870	-	373,239
Infrastructure Holdings Ltd	9,852	104,503	-	-
Invercargill City Council	61,774	73,889	55,448	68,788
Invercargill City Holdings Ltd	39,236	48,411	12,323	78,514
Kaikoura District Council	-	7,365	-	5,346
Kaipara District Council	-	44,572	-	44,545
Kapiti Coast District Council	-	308,407	-	277,935
Kawerau District Council	-	4,048	-	2,024
Mackenzie District Council	3,007	11,205	3,001	8,086
Manawatu District Council	15,241	79,598	15,136	79,502
Marlborough District Council	14,694	184,017	21,241	131,594
Masterton District Council	-	62,462	-	52,336
Matamata-Piako District Council	-	52,637	-	45,520
Napier City Council	-	10,095	-	10,014
Nelson City Council	-	247,217	-	186,666
New Plymouth District Council	20,136	237,018	10,114	221,668
Northland Regional Council	-	18,578	-	18,565
Opotiki District Council	-	11,584	-	9,557
Otago Regional Council	49,336	109,419	46,665	104,177
Otorohanga District Council	9,194	-	6,052	-
Palmerston North City Council	-	273,375	-	214,483
Porirua City Council	-	239,409	-	198,906
Queenstown Lakes District Council	56,097	524,697	56,007	454,003
Rangitikei District Council	-	31,238	-	31,207
Rotorua District Council	1,889	391,976	1,889	351,358
Ruapehu District Council	8,049	45,161	8,050	42,130
Selwyn District Council	-	126,430	-	116,198
South Taranaki District Council	3,072	117,496	-	117,428
South Waikato District Council	-	44,474	-	44,457

in \$000s	Unaudited as at 31 December 2023		Audited as at 30 June 2023	
	Short-term loans ¹	Loans	Short-term loans	Loans
Southland District Council	-	22,020	-	21,960
South Wairarapa District Council	-	29,174	-	29,148
Stratford District Council	-	34,885	2,030	31,858
Taranaki Regional Council	-	23,687	-	19,652
Tararua District Council	4,050	52,839	4,047	53,778
Tasman District Council	26,863	263,664	25,515	246,751
Taupo District Council	-	146,315	-	146,271
Tauranga City Council	-	930,197	-	823,933
Thames-Coromandel District Council	-	80,006	-	67,813
Timaru District Council	19,343	187,700	19,456	187,561
Upper Hutt City Council	-	182,803	-	113,212
Waikato District Council	-	156,572	9,975	111,225
Waikato Regional Council	-	30,298	5,120	25,276
Waimakariri District Council	-	182,028	-	181,960
Waimate District Council	-	3,541	-	3,540
Waipa District Council	51,618	200,515	20,010	207,374
Wairoa District Council	8,259	11,110	8,015	11,109
Waitaki District Council	8,852	52,501	8,978	33,280
Waitomo District Council	4,077	24,209	4,071	24,204
Wellington City Council	-	1,552,273	-	1,178,503
West Coast Regional Council	2,986	13,310	3,243	9,991
Western Bay Of Plenty District Council	-	86,106	-	80,992
Westland District Council	-	30,130	-	27,078
Westland Holdings Ltd	625	5,457	1,618	5,456
Whakatane District Council	-	145,172	-	114,768
Whanganui District Council	7,559	136,527	7,557	110,179
Whangarei District Council	9,921	228,466	9,927	228,151
Fair value hedge adjustment	-	(26,855)	-	(37,850)
	617,406	18,171,352	547,944	15,765,618

9. Other assets

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Right-of-use lease asset	26	58
Total other assets	26	58

10. Payables and provisions

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Loans/purchases to be advanced	29,000	5,000
Trade creditors	323	804
Credit provision	320	123
Other provisions	204	205
Total receivables	29,847	6,132

11. Bills

Unaudited as at 31 December 2023 in \$000s	Face value	Unamortised premium	Accrued interest	Total
12 January 2024	190,000	(266)	-	189,734
17 January 2024	75,000	(178)	-	74,822
1 February 2024	25,000	(120)	-	24,880
7 February 2024	50,000	(282)	-	49,718
16 February 2024	50,000	(336)	-	49,664
28 February 2024	50,000	(441)	-	49,559
8 March 2024	70,000	(700)	-	69,300
15 March 2024	95,000	(1,063)	-	93,937
21 March 2024	46,000	(555)	-	45,445
5 April 2024	25,000	(369)	-	24,631
10 April 2024	25,000	(385)	-	24,615
16 April 2024	15,000	(246)	-	14,754
8 May 2024	25,000	(486)	-	24,514
5 June 2024	25,000	(591)	-	24,409
19 July 2024	100,000	(3,088)	-	96,912
	866,000	(9,106)	-	856,894

Audited as at 30 June 2023 in \$000s	Face value	Unamortised premium	Accrued interest	Total
7 July 2023	45,000	(32)	-	44,968
12 July 2023	100,000	(142)	-	99,858
19 July 2023	35,000	(87)	-	34,913
2 August 2023	25,000	(112)	-	24,888
11 August 2023	75,000	(442)	-	74,558
17 August 2023	20,000	(144)	-	19,856
8 September 2023	70,000	(713)	-	69,287
15 September 2023	55,000	(630)	-	54,370
22 September 2023	102,000	(1,277)	-	100,723
28 September 2023	40,000	(549)	-	39,451
11 October 2023	25,000	(381)	-	24,619
17 October 2023	5,000	(81)	-	4,919
8 November 2023	20,000	(397)	-	19,603
28 November 2023	50,000	(1,166)	-	48,834
6 December 2023	25,000	(609)	-	24,391
14 December 2023	50,000	(1,282)	-	48,718
20 December 2023	50,000	(1,325)	-	48,675
	792,000	(9,370)	-	782,630

12. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2023, \$1,100 million of LGFA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
15 April 2024	37,803	
15 April 2025	-	16,619
15 April 2026	-	1,920
15 April 2027	-	52,513
20 April 2029	3,412	19,437
15 May 2030	17,736	-
15 May 2031	37,957	3,287
14 April 2033	4,487	1,750
15 May 2035	-	34,518
15 April 2037	28,593	-
	129,987	130,043

13. Bonds

Bonds on issue do not include \$1,100 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 12: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2024	2,218,000	(801)	10,635		2,227,834
15 April 2025	2,719,000	(37,783)	15,935		2,697,152
15 April 2026	2,155,000	(45,072)	6,889		2,116,817
15 April 2027	2,211,000	54,970	21,204		2,287,174
15 May 2028	1,553,000	(70,223)	4,512		1,487,289
20 April 2029	1,882,000	(105,057)	5,631		1,782,574
15 May 2030	1,500,000	(44,075)	8,716		1,464,640
15 May 2031	1,245,000	(81,469)	3,617		1,167,148
14 April 2033	1,515,000	5,936	11,445		1,532,381
15 May 2035	450,000	(7,496)	1,743		444,248
15 April 2037	860,000	(53,559)	3,666		810,107
AUD Fixed interest bonds					
1 August 2028	1,077,426	(2,784)	21,054		1,095,696
28 November 2030	700,327	(2,598)	3,336		701,065
Fair value hedge adjustment				(889,414)	(889,414)
	20,085,754	(390,010)	118,382	(889,414)	18,924,712

Audited as at 30 June 2023 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
NZD Fixed interest bonds					
15 April 2024	2,218,000	(2,151)	10,499		2,226,348
15 April 2025	2,409,000	(36,176)	13,937		2,386,761
15 April 2026	2,155,000	(54,361)	6,801		2,107,440
15 April 2027	2,011,000	68,977	19,039		2,099,016
15 May 2028	1,423,000	(60,216)	4,089		1,366,873
20 April 2029	1,722,000	(83,580)	5,081		1,643,501
15 May 2030	1,000,000	(17,002)	5,747		988,745
15 May 2031	1,120,000	(60,338)	3,218		1,062,880
14 April 2033	1,350,000	33,003	10,070		1,393,073
15 May 2035	450,000	(7,728)	1,724		443,997
15 April 2037	820,000	(41,281)	3,450		782,170
Fair value hedge adjustment				(1,340,372)	(1,340,372)
	16,678,000	(260,853)	83,656	(1,340,372)	15,160,432

14. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

15. Other liabilities

in \$000s	Unaudited as at 31 December 2023	Audited as at 30 June 2023
Lease liability		58
Accruals	995	838
Total receivables	995	896

16. Share capital

As at 31 December 2023, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. The 20 million of uncalled shares are held by the 30 council shareholders in proportion to the paid-up shares. The Minister of Finance and Minister for Local Government do not hold any uncalled shares.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

17. Shareholder information

The holdings outlined in this table include the 25 million of paid-up ordinary shares and 20 million of uncalled ordinary shares. The uncalled ordinary shares are held by the 30 council shareholders.

Registered holders of equity securities	As at 31 December 2023		As at 30 June 2023	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

18. Reconciliation of net profit to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Net profit/(loss) for the period	5,209	1,108
Cash applied to loans	(2,407,840)	(1,639,024)
Non-cash adjustments		
Amortisation and depreciation	(9,728)	2,643
Working capital movements		
Net change in trade debtors and receivables	(476)	(378)
Net change in prepayments	(309)	(298)
Net change in accruals	126	(98)
Net Cash From Operating Activities	(2,412,818)	(1,636,047)

19. Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 17.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 14.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Directory

Rārangi tauwaea

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Wellington

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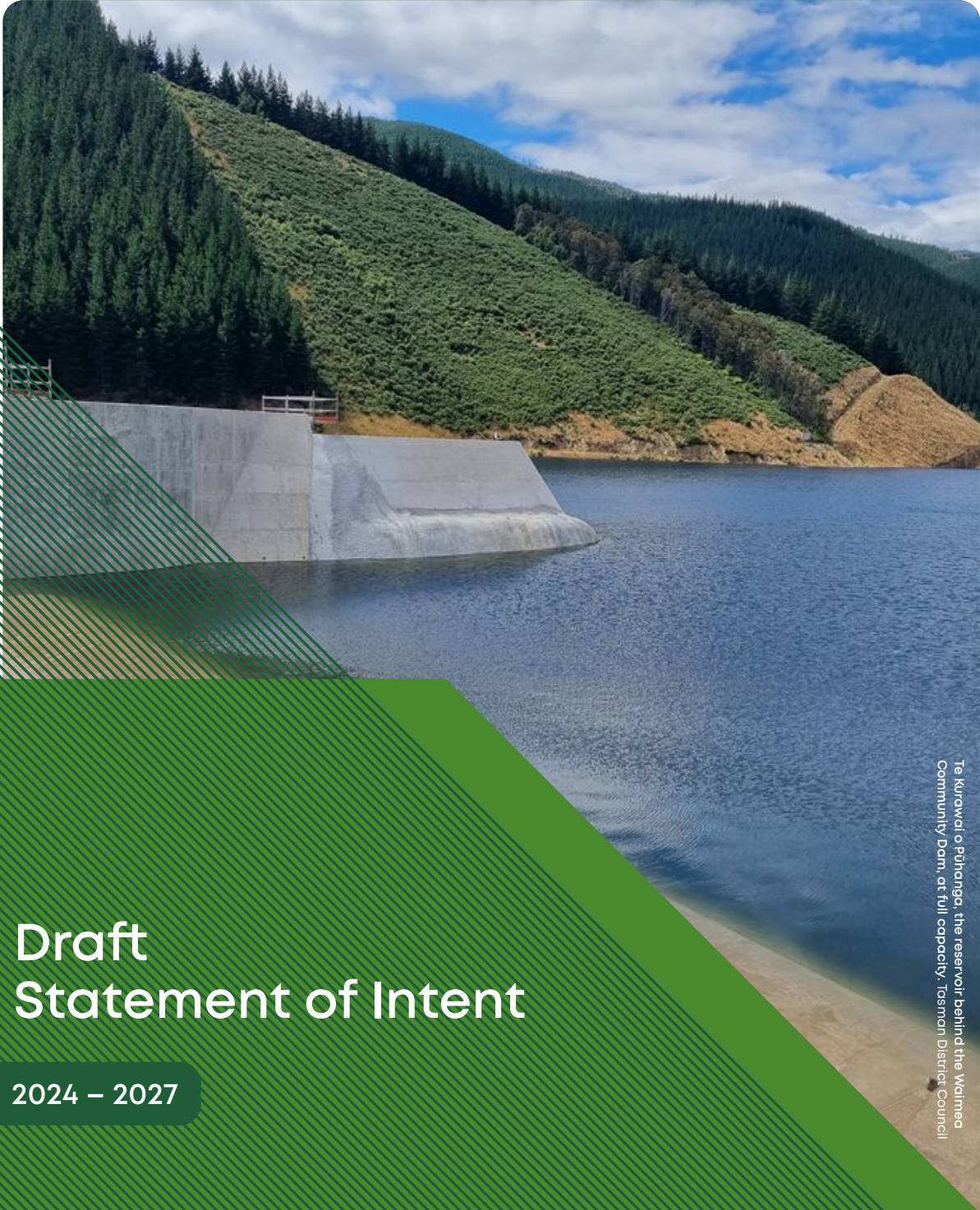


Auckland

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010







Te Kurawai o Pūhanga, the reservoir behind the Waimaea Community Dam, at full capacity. Tasman District Council

Draft Statement of Intent

2024 – 2027

1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2024 to 30 June 2027. LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

Note: This SOI, including financial forecasts, assumes that LGFA continues to lend to the water sector, either through councils as it does at present, or through any new structures under the Local Water Done Well reforms. We are awaiting further information relating to the establishment of the Water CCOs; how Water CCOs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and Water CCOs, and the impact on future council borrowing intentions.

2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding domestically or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidental to, or in connection with that business.

3. Our purpose Ta tatou kaupapa

Benefiting local communities through delivering efficient financing for local government.

Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.

4. Our values Ō mātau uara

<p>We act with integrity</p> <p>E pono ana mātau</p>	<p>We are customer focused</p> <p>E arotahi ana mātau ki te kiritaki</p>	<p>We strive for excellence</p> <p>E whakapau kaha mātau kia hiranga te mahi</p>	<p>We provide leadership</p> <p>He kaiārahi mātau</p>	<p>We are innovative</p> <p>He auaha mātau</p>
<p>We are honest, transparent and are committed to doing what is best for our customers and our company.</p>	<p>Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.</p>	<p>We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.</p>	<p>We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.</p>	<p>To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.</p>

5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

- (a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;
- (b) be a good employer;
- (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- (d) conduct its affairs in accordance with sound business practice.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

Governance, capability and business practice

LGFA is committed demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2024-2027.

The financial performance targets are focused on the 2024-2025 year and, as applicable, are based on the financial forecasts outlined in section 8.

Governance, capability and business practice

Objectives	How we measure our performance
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. The Shareholders' Council has requested a focus on succession planning for the Board.
Set and model high standards of ethical behaviour.	LGFA has adopted a Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual and Half Year Reports.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual and Half Year Reports.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff	The Annual Report reports on our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2024-2025 target
Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.
Succession plans be put in place for the Board and staff and be reviewed annually.	Plan established and shared.
LGFA's total operating income for the year to 30 June 2025.	>\$29.8 million.
LGFA's total operating expenses for the year to 30 June 2025.	<\$15.6 million.

Optimising financing services for local government

Objectives	How we measure our performance
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high-grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Monitor settlements errors for new trades and cashflows. Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges.

Performance targets	2024-2025 target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%
Total lending to Participating Borrowers.	> \$22,000 million.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%

Environmental and social responsibility

Objectives	How we measure our performance
Develop our sustainability strategy to include the estimated financial impacts of climate change.	LGFA sustainability strategy incorporates an assessment of the estimated financial impacts of climate change.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and maintaining formalised processes to measure our greenhouse gas (GHG) emissions.

Performance targets	2024-2025 target
Comply with the Health and Safety at Work Act 2015	No breaches.
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new GSS loans undertaken. Three new borrowers enter into CALs.
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%
Meet all mandatory climate reporting standards	100%

Effective management of loans

Objectives	How we measure our performance
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.
Analyse finances at the Council group level where appropriate and report to shareholders.	Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	Number of participating borrowers visited in a year.
Work with central government and local government to facilitate a sector-wide successful transition of debt under the Local Water Done Well Programme.	LGFA is an active participant in the Local Water Done Well Programme.

Performance targets	2024-2025 target
Review each Participating Borrower's financial position.	100%
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%

Industry leadership and engagement

Objectives	How we measure our performance
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Report on actions undertaken and progress made on sector issues.
Assist the local government sector with significant matters such as the Local Water Done Well Reforms and Future for Local Government	Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or informal submissions.
Maintain productive relationships with central government representatives.	Assist the local government sector to understand any legislative or Central Government policy changes that may impact LGFA.
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	Report on the alignment of LGFA and councils climate and emissions reporting requirements
	Report back in how we are helping smaller councils' understand future reporting requirements.

8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2027:

Comprehensive income \$m	Jun 25	Jun 26	Jun 27
Net Interest income	28.3	28.3	27.0
Other operating income	1.5	1.5	1.5
Total operating income	29.8	29.8	28.5
Approved Issuer Levy	4.2	5.8	7.2
Issuance & onlending costs	4.1	4.2	4.3
Operating overhead	6.3	6.6	6.9
Issuance and operating expenses	14.6	16.6	18.4
P&L	15.1	13.1	10.1
Financial position (nominals) \$m	Jun 25	Jun 26	Jun 27
Liquid assets portfolio	2,379	2,788	2,769
Loans to local government	22,086	24,456	26,053
Total Assets	24,465	27,244	28,823
Bonds on issue (ex Treasury stock)	22,332	25,017	26,486
Bills on issue	1,350	1,350	1,350
Borrower notes	508	573	623
Total Liabilities	24,190	26,940	28,459
Capital	25	25	25
Total Liabilities	19,308	20,509	21,577

Capital	25	25	25
Retained earnings	106	118	126
Dividend	(2)	(2)	(2)
Shareholder equity	130	141	149
Ratios	Jun 25	Jun 26	Jun 27
Liquid assets/funding liabilities	10.4%	10.9%	10.2%
Liquid assets / total assets	9.7%	10.2%	9.6%
Net interest margin	0.13%	0.12%	0.10%
Cost to income ratio	49.2%	55.9%	64.5%
Return on average assets	0.06%	0.05%	0.04%
Shareholder equity/total assets	0.5%	0.5%	0.5%
Shareholder equity + BN/total assets	2.6%	2.6%	2.7%
Asset growth	12.8%	11.4%	5.8%
Loan growth	11.3%	10.7%	6.5%
Return on equity	13.0%	10.1%	7.2%
Capital ratio	13.0%	13.1%	13.4%

The above forecasts assume a gross bond issuance programme of \$5.25 billion (FY25), \$5.04 billion (FY26) and \$4.72 billion (FY27) based upon term lending to councils of \$4.60 billion (FY25), \$4.86 billion (FY26) and \$5.08 billion (FY27).

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the impact on councils from the Local Water Done Well Reforms.

9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

10. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrowers (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

12. Acquisition / divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's approved lending and investment policies.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares – \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

Statement of Accounting Policies

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have no changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

INFORMATION REPORT



F22/55/04 – D24/7852

To: Audit and Risk Committee
From: Projects Manager
Date: 19 March 2024
Subject: Capital Works Programme – Key Projects Update – March 2024

Recommendation

THAT the report be received.

Recommended Reason

To present an update on the progress of our key capital projects in the 2023/24 financial year.

/_____
Moved/Seconded

1. Purpose of Report
 - 1.1 The purpose of this report is to provide the Audit and Risk Committee with an update on the progress of key capital projects in the 2023/24 financial year.
 - 1.2 The intent is to track these projects and provide confidence both to the Council and ratepayers that the capital works programme will be delivered as indicated in the 2021-31 Long Term Plan (LTP).
2. Executive Summary
 - 2.1 The Council approved a total of \$16,243,998 for the 2023/24 financial year. This includes carryovers from the 2022/23 financial year and grant funding received.
 - 2.2 Council officers are proactively managing all aspects of risks being identified in the delivery of these capital projects, which are mainly:
 - Cost overruns.
 - Not delivering to timeframe.
 - Not delivering what was expected.
 - 2.3 It is anticipated Council will spend 58% of this budget, approximately \$9.5 million. The shortfall is made up from the following projects (Council funding):
 - Stratford 2035 – \$1.5 million.
 - Council Subdivision – \$1.1 million.
 - 3 Waters – \$3 million.

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:			Yes
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

3.1 Good risk management and regular monitoring supports the Council’s social, economic, environmental, and cultural outcomes.

4. Information Summary

4.1 The Council approved a total of \$16,267,054 for the 2023/24 financial year. This includes carryovers from the 2022/23 financial year and grant funding received.

4.2 Council officers are proactively managing all aspects of risks being identified in the delivery of these capital projects, which are mainly:

- Cost overruns.
- Not delivering to timeframe.
- Not delivering what was expected.

4.3 It is anticipated Council will spend 57% of this budget, approximately \$9.2 million. The shortfall is expected to be made up from the following projects (Council funding):

- Stratford 2035 – \$1.5 million.
- Council Subdivision – \$1.1 million.
- 3 Waters (Stormwater, Wastewater, and Water) – \$3 million.

Refer to **Appendix 1**, which shows all Year 3 (2023/24) projects.

4.4 The following table below shows the forecasted expenditure for the various activities:

Activity	2023/24 Budget	Projected Expenditure	Percentage
Civic Amenities (including Prospero Place)	\$3,144,432	\$217,163	7%
Democracy	\$188,600	\$211,710	112%
Economic Development (Council Subdivision)	\$1,126,331	\$100,000	9%
Parks, Reserves, & Cemeteries	\$405,490	\$478,040	118%
Rental and Investment Properties	\$16,300	\$11,700	72%
Roading	\$4,792,655	\$4,859,130	101%
Solid Waste	\$7,000	\$7,000	100%
Stormwater	\$1,099,845	\$650,000	59%
Wastewater	\$1,418,420	\$1,223,610	86%
Water	\$4,067,981	\$1,660,022	41%
Total	\$16,267,054	\$9,206,877	57%

4.5 Updates on key projects are provided below (items referenced to Appendix A)

4.5.1 **Transport Choices Package (Item 35)**

The Government has cancelled the Transport Choices Project. This package of works was worth \$7.7 million for this financial year, of which \$1.5 million was Council's share.

4.5.2 **Better Off Funding Projects**

In 2022, Council received \$10.27 million for the Better off Funding in two instalments (\$2.57 million and \$7.7 million). This funding will be spent by the end of the 2027 financial year. The Better off Funding Package is part of the 3 Waters Reform.

The Government announced in April that Tranche 2 of the Better off Funding will not proceed. This amounted to \$7.7 million to SDC. Tranche 1 (\$2.57 million) is unaffected by this decision.

4.5.3 **Capital Projects**

SDC has allocated funding to the following capital projects:

- **Town Centre Project – Prospero Place and Broadway Beautification (Item 3)**

Current Actions:

The concept plan was approved by the Policy and Services Committee in January 2024. Officers are preparing a scope of works for detailed design to be completed by the end of this financial year.

Financial:

Of the budget of \$1,461,401 (Council funding) and \$1,250,000 (Better off Funding) for the development of Prospero Place, 0% has been spent. It is anticipated that Council will not spend its share in this financial year.

Of the budget of \$200,000 (Better off Funding) for the beautification of the CBD, 0% has been spent.

- **Town Centre Project – Victoria Park Drainage (Item 19)**

Current Actions:

Works for the installation of drainage for Field One is complete. Additional investigations of the groundwater is programmed to be analysed between the cricket and rugby seasons for any future drainage works.

Financial:

Of the budget of \$27,800 (Better off Funding), 103% was spent.

- **Town Centre Project – Skate Park Development (Item 20)**

Current Actions:

The Skate Park Development was completed at the end of December 2023, with positive feedback from the users.

Financial:

Of the budget of \$175,912 (Better off Funding and TET funding), 99% was spent.

- **Stratford Park – Wastewater Enabling Infrastructure (Items 50 and 51)**

Current Actions:

The development of a wastewater network model is under way. This is required to determine the appropriate location for tie in of the planned extension and to identify any capacity issues that this work may relieve in addition to its primary purpose of bringing wastewater services closer to the A&P showgrounds.

Financial:

Of the budget of \$9,483 (Council funding) and \$50,000 (Better off Funding), 42% has been spent. It is anticipated that this budget will be spent in this financial year.

4.5.4 **Projects predicted to overspend.**

- **Whangamomona Camp – Septic Tank (Item 15)**

Current Actions:

Tendered prices for the design and build of a wastewater system are significantly higher than the estimated costing the Concept Design Consultant had estimated.

Officers are now working with the Preferred Design and Contractor team to provide a system that is closer to the budgeted amount.

It is still planned to have a new system installed by June 2024.

Financial:

Of the budget of \$136,778 (Council funding), 7% has been spent. It is anticipated that this project will go over budget by approximately 50%.

- **Sealed Road resurfacing (Item 24)**

Current Actions:

Due to the continued requirement of maintenance, this budget, that was already reduced will be overspent by more than 100%. It is anticipated that Council will underspend in other NZTA subsidised projects to allow for this overspend.

Financial:

Of the budget of \$154,854 (Council funding) and \$263,670 (NZTA funding), 42% has been spent. It is anticipated that this project will go over budget by approximately 140%.

- **Unsealed Road metalling (Item 25)**

Current Actions:

Due to the continued requirement of maintenance, this budget, that was already reduced will be overspent by more than 20%. It is anticipated that Council will underspend in other NZTA subsidised projects to allow for this overspend.

Financial:

Of the budget of \$199,514 (Council funding) and \$339,712 (NZTA funding), 114% has been spent. It is anticipated that this project will go over budget by approximately 20%.

- **Drainage Renewals – Special Purpose Roads (Item 38)**

Current Actions:

Due to the continued requirement of maintenance, this budget, that was already reduced will be overspent by more than 100%. It is anticipated that Council will underspend in other NZTA subsidised projects to allow for this overspend.

Financial:

Of the budget of \$3,700 (Council funding) and \$6,300 (NZTA funding), the final budget for this project is \$29,830.

4.5.5 **Projects predicted to underspend.**

- **Pavement Rehabilitation (Item 39)**

Current Actions:

This project, amongst other roading projects, have been reduced or cancelled to fund the overspend in Sealed Road Resurfacing.

Financial:

Of the budget of \$240,500 (Council funding) and \$409,500 (NZTA funding), 6% has been spent. It is anticipated that 15% of this budget will be spent. The remaining 85% will be transferred to fund the Sealed Road resurfacing budget.

- **41 Flint Road (Item 13)**

Current Actions:

Due to the potential wetlands within the site, progress of this subdivision has slowed. A Specialist in Wetlands is currently being procured to produce a report that can be used as part of our Resource Consent application. This report will guide the subdivision layout.

Financial:

Of the budget of \$1.1 million (Council funding), 0% has been spent. It is anticipated that approximately 10% of this budget will be spent in this financial year, which is the procurement of the wetlands report..

- **Reticulation Capacity Increase for Stormwater and Wastewater (Items 44 and 51)**

Current Actions:

Stage One of the modelling projects for stormwater and wastewater have identified no issues with our existing networks.

Stage Two will investigate the impact of new development in Stratford, including:

- Stratford Park
- Ngaruahine Subdivision of the old Hospital grounds
- 41 Flint Road Subdivision.

Any capacity increases resulting from new development is included in Year 3 of the draft 2024/34 LTP.

Financial:

Of the budget of \$680,145 (Council funding) and \$50,000 (Better off Funding) for both reticulation capacity increases, 12% has been spent.

- **Treatment Plant Upgrade (Diatomix) (Item 49)**

Current Actions:

The addition of Diatomix to improve the quality of discharge into the Patea River does not appear to have achieved the required results. As such, the addition of the Diatomix will likely to be discontinued and an alternative treatment methodology will be explored for implementation after consultation with Iwi and TRC.

Financial:

Of the budget of \$176,405 (Council funding), 61% has been spent. It is anticipated that 70% will be spent in this financial year. This represents a savings to Council.

- **Reservoir Overflow to Pond (Item 64)**

Current Actions:

To manage environmental risks of treated water entering the riverways, it is proposed to discharge the overflow from the reservoirs to the adjacent backwash pond. This will ensure proper water management and compliance of environmental issues.

The tendered prices came at over three times the budget amount. Officers are now investigating options to ensure this project remains within budget.

Financial:

Of the budget of \$74,042 (Council funding), 6% has been spent. It is anticipated that approx. 20% of this budget will be spent in this financial year. Due to the infrequency of the Reservoirs overflowing, this project will not proceed at this stage beyond design and represents a savings to Council..

- **Raw Water Delivery Line / Grit Tank Replacement (Item 65)**

Current Actions:

It has been identified that:

- The pipe from the inlet to the grit tanks at the Water Treatment Plant is unstable and could fail without notice.
- The Grit Tanks are over 100 years old, and the concrete is disintegrating.

Officers have been investigating solutions to remedy these issues. Costs have ballooned since this project was identified for the 2021/31 LTP due to further issues being raised.

This is a very complex and expensive project that the Officers are working on to get the issues solved in the most effective manner. As such, it has now been identified that this project will not be completed in this financial year.

Procurement for the detailed design is programmed for April 2024, while construction is included in Years 1 and 2 of the draft 2024/34 LTP.

Financial:

Of the budget of \$1,968,698 (Council funding), 6% has been spent. It is anticipated that approximately 15% of this budget will be spent in this financial year. This represents a savings to Council.

- **Reservoir Cleaning – 3 Waters Scheme (Item 66)**

Current Actions:

Council has engaged with a contractor to inspect the reservoirs at Stratford and Midhurst. Video footage is currently under review to determine what, if any, cleaning is required. Initial findings suggest that cleaning is not required at this stage. This is included in Years 1 and 6 of the draft 2024/34 LTP.

Financial:

Of the budget of \$65,507 (Council funding), 0% has been spent. It is anticipated that approximately 15% of this budget will be spent. This represents a savings to Council.

- **Water meter Renewals (Item 67)**

Current Actions:

This project is an 'as necessary' project, replacing meters that fail. At this present point in time, a minimal amount of meters have failed and this is likely to continue.

All mechanical meters that have been replaced with electronic meters that were purchased under the Universal Water Metering project.

Financial:

Of the budget of \$110,850 (Council funding), 0% has been spent. It is anticipated that approx. 10% of this budget will be spent in this financial year. This represents a savings to Council.

- **Midhurst Resource Consent (Item 68)**

Current Actions:

Officers are working through the requirements to renew the resource consent for the Midhurst water supply. An Impact Statement from Iwi has been submitted to TRC and they are now working on the processing of the consent.

Financial:

Of the budget of \$303,240 (Council funding), 0% has been spent. It is anticipated that only 5% of this budget will be spent in this financial year. This represents a savings to Council.

- **Pembroke Road Watermain Renewal (Items 71 and 72)**

Current Actions:

This project was completed within the timeframe and under budget.

Financial:

Of the budget of \$302,500 (Council funding), 72% has been spent. This represents a savings to Council.

4.5.6 **Projects that will not proceed**

- **Upgrade of Broadway Roundabout (Item 17)**

Current Actions

This project is on hold while a Broadway Beautification Plan is developed.

Financial:

Of the budget of \$60,000 (Council funding), 0% has been spent. This represents a savings to Council.

- **Camper Van Drainage Facility (Item 54)**

Current Actions:

Officers have investigated drainage issues that could affect the resource consent for this facility. No issues have been identified and this project is unlikely to proceed further.

Financial:

Of the budget of \$7,900 (Council funding), 0% has been spent. This represents a savings to Council.

- **Toko Bore (Item 69)**

Current Actions:

A resource consent has been reissued for the Toko Water Supply. It is anticipated that this budget is therefore not required.

Financial:

Of the budget of \$134,500 (Council funding), 0% has been spent. This represents a savings to Council.

5. Strategic Alignment

5.1 **Direction**

This report is consistent with our Long-Term Plan Outcomes and directly relevant to supporting the work of the Audit and Risk Committee.

5.2 **Annual Plan and Long-Term Plan**

This report is consistent with the Annual and Long-Term Plan outcomes.

5.3 **District Plan**

There is no direct relationship with the District Plan.

5.4 **Legal Implications**

There are no legal implications.

5.5 **Policy Implications**

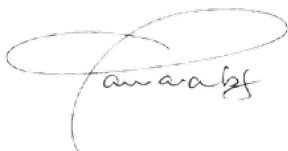
The report is consistent with Council policies relating to service delivery.

Attachment:

Appendix 1 – 2023-24 Capital Work Projects Update



Steve Taylor
Projects Manager



Victoria Araba
Director – Assets



[Approved by]
Sven Hanne
Chief Executive

Date: 7 March 2024

APPENDIX 1

Key

Colour	Description
	Predicted overspend by > 125%
	Predicted overspend 100% to 125%
	Predicted spend up to 100%
	Completed / will not proceed

		Consequences				
		Minor	Important	Serious	Major	Catastrophic
Likelihood	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	1-Low	1-Low	1-Low	4- Moderate	5- High

Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
Civic Amenities													
1	TET Multi Sports Centre	Upgrade of exit doors. Upgrade of Fire system from type 2 hybrid to type 4.	Level of Service	\$77,071		\$30,144	100%	> No tenders received for installation of doors - a builder on our Pre Approved list has been approached. > Upgrade of Fire System nearly complete - restaurant to do.	Completed	Oct-23	Jun-24	8 - High Unlikely / Major	External Resources - Architect and Contractors Unlikely - Suppliers are currently being sought (no carryover). Major - If fire system is not updated, then liquor licence will be revoked, causing reputational damage.
2	WMC - Carparking lighting upgrade	Upgrade of lights to LED	Level of Service	\$57,600		\$0	100%	Being delivered through the Streetlight Maintenance Contract.	Sep-23	To be determined	Jun-24	1 - Low Possible / Minor	Is current infrastructure suitable - if not, then budget might be insufficient. Possible - Audit may determine that current infrastructure will not support upgrade of LED, meaning the budget may be exceeded (carryover may be required). Minor - No unforeseen issues identified.
3	Stratford 2035 Projects:	Future of Broadway Future of Whangamomona	Level of Service	\$1,461,401	\$1,450,000	\$0	1%	Discussions with landowner has delayed this project.	To be determined	To be determined	To be determined	6 - High Likely / Serious	This project could be further delayed in the purchase of land adjacent to Prospero Place. This will result in less time to identify projects to be completed before June 2024. Likely - Underspend for financial year (carryover). Serious - reputational damage.
4	Healthy Homes Upgrade	Upgrade of Pensioner housing to Healthy Homes standard	Level of Service	\$29,500		\$26,215	100%	Completed					
5	Play equipment	Play equipment for the Pool	Replacement	\$0		\$8,860		Completed					
6	Broadway LED Sign	Replacing the LED screen on sign at Northern entrance to town	Replacement	\$0		\$24,132		Completed					
Democracy													
7	Furniture Replacement - Miranda Street	Replacement and update of furniture as required	Replacement	\$3,100		\$2,774	113%	Replacement as required	N/A	N/A	Jun-24	1 - Low Rare / Minor	Rare - No unforeseen issues (no carryover). Minor - No unforeseen issues.
8	Computers and Peripherals	Replacement and update of computers and peripherals as required	Replacement	\$131,000		\$112,104	100%	Replacement as required	Jul-23	Jul-23	Jun-24	1 - Low Rare/Minor	Rare - Supply issues is the only concern (no carryover). Minor - No unforeseen issues

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Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
9	Miranda Street Office - Partial Roof Replacement		Replacement	\$31,400		\$0	100%	Areas have been identified, Procurement documents underway.	Jul-23	Nov-23	Jun-24	1 - Low Possible / Minor	Procurement Plan underway. Budget dependent on audit results. Possible - Audit results may result in exceeding budget (carryover may be required). Important - If not repaired, further damage to Admin building may occur.
10	Furniture Replacement - WMC	Replacement and update of furniture as required	Replacement	\$3,100		\$0	100%	Replacement as required	N/A	N/A	Jun-24	1 - Low Rare / Minor	Rare - No unforeseen issues (no carryover). Minor - No unforeseen issues.
11	Vehicle replacements	Replacement and update of vehicle fleet as required	Replacements	\$20,000		\$42,069	170%	Completed					
12	Pool Software		Level of Service			\$8,710		Completed					
Economic Development													
13	Council Subdivision	Purchase of 41 Flint Road & extend Midsummer Ave to Flint Road	Level of Service	\$1,126,331		\$3,871	9%	Meeting with TRC has identified two areas that may be wetlands. Further discussions are underway with TRC to investigate implications.	Jul-23	To be determined	Jun-24	12 - Very High Possible / Major	Stormwater issues and resource consent has been highlighted as a risk. This could cause Council to not meet the agreement of the purchase of the land. Possible - Given stormwater issues, this may go into the next financial year Major - If this does not go ahead due to Geotech, Council would be in breach of the Sale and Purchase agreement
Parks, Reserves, and Cemeteries													
14	Whangamomona Camp - septic tank	Increase in visitors leading to more pressure on current septic tank. To provide quality service, infrastructure and future needs to the community	Replacement	\$136,778		\$9,410	146%	Original Design and Build tender was significantly over budget. Officers are exploring options with Preferred Supplier as to what steps can be taken. Likely to run over budget.	Jul-23	To be determined	Jun-24	3 - Moderate Possible / Important	Resource consent has not been identified as a requirement in the concept design, however final design may mean that it is required, delaying project to beyond Summer 2023/24. Possible - Resource Consent may take some time meaning that installation may not occur in time for Whangamomona Republic Day in January 2024. Important - While this will not stop the Republic Day from proceeding, A new septic tank will ensure no issues at the campground during this time.
15	Walkway upgrade	Some parks & walkways are under developed - therefore underutilised. Increased usage of asset & improved safety	Level of Service	\$20,000		\$13,080	100%	Work as required - remedial works	Ready Response	N/A	Jun-24	1 - Low Rare / Important	Given the environment and surfacing of the walkways, regular maintenance is required to keep the walkways operational. Rare - budget will be spent this financial year (no carryover). Important - public safety.
16	Park development	Some parks & walkways are under developed - therefore underutilised. Increased usage of asset & improved safety	Level of Service	\$13,600		\$0	100%	Work as required - remedial works	Ready Response	N/A	Jun-24	1 - Low Rare / Important	Given the environment of the parks, regular maintenance is required to keep the parks operational. Rare - budget will be spent this financial year (no carryover). Important - public safety.

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Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
17	Upgrade of Broadway Roundabout	Roundabouts are ageing - risk to contractors while completing maintenance Removal of gardens will minimise maintenance/balance safety at key entry points	Level of Service	\$60,000		\$0	0%	Will not proceed this financial year.					
18	Midhirst Cemetery Pathway Upgrade	Cemetery paths are ageing/disintegrating with no future maintenance programme	Level of Service	\$31,400		\$35,052	112%	Completed					
19	Victoria Park Drainage	Installation of drainage for Field One.	Level of Service		\$27,800	\$30,673	110%	Completed					
20	Skate Park Upgrade - Victoria Park	Replace Skate Bowl as the existing bowl was a health and safety risk. Prepare overall plan of skate park	Level of Service		\$175,912	\$174,487	99%	Completed					
21	Cemetery Water Tank	Replacement of water tank after it was destroyed by vandalism.	Replacement			\$4,228		Completed					
Rental and Investment Properties													
22	Farm - Landscaping and riparian planting	Yearly planting to meet TRC requirements	Level of Service	\$3,700		\$0	100%	TRC have reviewed planting in October 2023 and has identified that only fencing is required. Programmed for May/June 2024.	N/A	May-24	Jun-24	1 - Low Unlikely / Minor	TRC may not get there report in time for SDC to purchase plants for planting in May/June. Unlikely - If report is issued in time, supply of plants may be delayed (no carryover). Minor - No unforeseen issues identified.
23	Farm - Waterlines and trough upgrade	Replace / upgrade waterlines and troughs on the farm.	Level of Service	\$12,600		\$1,704	63%	Sharemilker carries out works as and when required.	N/A	Feb-24	Jun-24	1 - Low Unlikely / Minor	Unlikely - Reliant on Farmer to purchase and install infrastructure (no carryover). Minor - No unforeseen issues identified
Roading													
24	Sealed Road resurfacing	Maintenance Contractor to identify and programme	Replacement	\$154,854	\$263,670	\$173,770	215%	Ongoing.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
25	Unsealed Road Metalling	Maintenance Contractor to identify and programme	Replacement	\$199,514	\$339,712	\$616,094	121%	Ongoing.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
26	Sealed road resurfacing - special purpose		Replacement	\$20,149	\$34,309	\$0	110%	Identifying sites on Manaia Road.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
27	Low cost low risk roads	Cardiff Road re-alignment Beaconsfield Road curve re-alignment	Replacement	\$229,997	\$391,617	\$253,053	101%	Works planned for April to June 2024	To be determined	To be determined	Jun-24	3 - Moderate Possible / Important	Delay in negotiations for land purchase. If land is not purchased, Cardiff Road project will not be the desired result.

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Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
28	Structure Component Replacement	Site Specific - Identified and contract managed by Consultant Two retaining walls to replace - Croyden and Mangaotuku Roads Concrete lining of culvert on Pembroke Road	Replacement	\$335,396	\$571,081	\$143,775	100%	Replacing retaining walls on Croyden Road and Mangaotuku Road.	To be determined	To be determined	Jun-24	3 - Moderate Possible / Important	Time constraints due to lack of resources to construct the repairs.
29	Road to Zero	Works as required	Level of Service	\$217,671	\$370,629	\$121,941	100%	Speed management programme in front of schools (tied with Transport Choices) endorsed by the Director for Land Transport. Updating of National. Cardiff Road project starting March 2024. Works to be programmed on Beaconsfield Road once funding is determined (leftover budget)	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Speed Management Plan has been adopted and will be implemented with Transport Choices projects outside schools. Serious - Safety of children at the school is paramount. This project compliments Transport Choices
30	Drainage Renewals	Maintenance Contractor to identify and programme	Replacement	\$222,000	\$378,000	\$364,435	100%	Ongoing. Focusing on culverts and water tables rather than kerb and channel replacement.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
31	Traffic Services		Replacement	\$40,700	\$69,300	\$35,248	100%	Ongoing.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
32	Low cost low risk roads - special purpose roads	Dawson Falls carpark	Replacement	\$22,200	\$37,800	\$0	100%	Identifying sites for the installation of a road side barrier.	To be determined	To be determined	Jun-24	5 - High Certain / Important	Delay from DOC due to differing priorities. Biodiversity plan may be required and DOC is unwilling to pay for it.
33	Unsealed Road resurfacing - special purpose	Metalling Plateau Carpark	Replacement	\$3,700	\$6,300	\$0	50%	Programmed for late Summer/early Autumn.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
34	Traffic Services - special purpose		Replacement	\$1,850	\$3,150	\$0	0%	Ongoing - replacement of signs etc.	To be determined	To be determined	Jun-24	1 - low Rare / Serious	Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.
35	Transport Choices	Installation of cycle lanes and shared footpaths as part of the school safety Project.	Level of Service	\$1,540,000	\$6,160,000	\$0	0%	Cancelled					
36	Walking and Cycling improvements	Cordelia St - Regan to Fenton St	Level of Service	\$57,720	\$98,280	\$125,635	100%	Completed					
37	Footpath renewals	Small length replacements - typically 20 m to 30 m	Replacement	\$14,800	\$25,200	\$35,911	100%	Completed					
38	Drainage Renewals - special purpose roads	Pembroke Road culvert replacement	Replacement	\$3,700	\$6,300	\$29,830	298%	Completed					
39	Pavement Rehabilitation	Flint Road (by showgrounds)	Replacement	\$240,500	\$409,500	\$42,000	15%	Complete. Budget transferred to reseals.					

2024 - Agenda - Audit and Risk - March - Information Report - Capital Works Programme – Key Projects Update – March 2024

Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
Solid Waste													
40	Healthy Homes Upgrade	Upgrade of house at the transfer station to Healthy Homes standard	Level of Service	\$7,000		\$1,833	100%	Works underway (Window, hood range and extractor fan for bathroom)	N/A	Oct-23	Nov-23	1 - Low Rare / Serious	Rare - Contractors to install insulation in August. Further works to be completed by Winter 2024 (no carryover). Serious - If works are not complete, Council will not meet the Healthy Homes regulations.
Stormwater													
41	Silt retention lake bypass	Silt cleaning of Victoria Park lake	Level of Service	\$265,400		\$2,145	113%	Works started. Due to be complete May 2024.	To be determined	To be determined	Jun-24	3 - Moderate Unlikely / Serious	Project timeframe determined by TRC's guidance for de-silting the lake. Unlikely - Once TRC's requirements are determined, Officers will be able to proceed with this project. Serious - If this project is not done with TRC's guidance, we will be in breach of TRC's stormwater requirements.
42	Safety improvements	Breakages as required - Maintenance Contract	Level of Service	\$349,477		\$147,152	57%	Ongoing as required.	N/A - Maintenance Contract	Jul-23	Jun-24	1 - Low Rare / Important	Works as required. Rare - Day to day operations Important - If safety improvements are not carried out, damage could occur to neighbouring private property.
43	Reticulation renewals	Breakages as required - Maintenance Contract	Replacement	\$157,983		\$1,163	32%	Ongoing as required.	N/A - Maintenance Contract	Jul-23	Jun-24	1 - Low Rare / Important	Works as required. Rare - Day to day operations Important - If safety improvements are not carried out, damage could occur to neighbouring private property.
44	Reticulation capacity increase	Achilles Street stormwater Miranda Street stormwater	Level of Service	\$320,622		\$68,659	25%	Achilles St project completed. On hold until stormwater capacity for catchment is determined	Jul-23	Jul-23	Jun-24	3 - Moderate Possible / Important	If the catchment is surrounding areas determines a retention pond is required, this works may be delayed until that is constructed. Possible - A consultant has advised that a retention pond is necessary in the catchment. Important - Flooding in Miranda Street may damage private property.
45	Modelling	Catchment 6	Level of Service	\$6,363		\$0	314%	Completed					
Wastewater													
46	Infiltration renewals	Ongoing - Sewer Lining Contract	Replacement	\$351,795		186,395	53%	Complete for this financial year. Budget in conjunction with Infiltration Programme.	Completed	Jul-23	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - This work is underway Important - This works helps to repair/replace weak points in our wastewater network.
47	Inflow and Infiltration programme	Ongoing - Sewer Lining Contract	Level of Service	\$281,452		\$455,966	162%	Complete for this financial year. Budget in conjunction with Infiltration Renewals.	Completed	Jul-23	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - This work is underway Important - This works helps to repair/replace weak points in our wastewater network.
48	Routine step / aerate renewals	As required	Replacement	\$31,800		\$0	100%	Ongoing as required.	Jul-23	Jul-23	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - Only as required Important - This works helps to maintain a functioning wastewater treatment plant that meets consent requirements.
49	(Treatment Plant Upgrade) Diatomix to enhance growth of good algae	Improve the quality of discharge into the Patea River	Level of Service	\$171,105		\$104,384	79%	Diatomix has not achieved the expected results. Officers investigating further options.	Jul-23	Jul-23	Jun-24	1 Low Rare / Serious	Works continuing from 2022/23 financial year. Rare - This work is underway Serious - If this works is not completed, discharge into the Patea River may be contaminated.
50	Modelling	Ongoing - Modelling contract to June 2026	Level of Service	\$9,483	\$100,000	\$25,074	100%	Existing model built. Training scheduled March 24.	Completed	N/A	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - This work is underway Important - This works identifies any weak points in our wastewater network.

2024 - Agenda - Audit and Risk - March - Information Report - Capital Works Programme – Key Projects Update – March 2024

Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
51	Reticulation capacity increase		Level of Service	\$359,523	\$50,000	\$11,798	28%	Wastewater model complete. Evaluation underway.	To be determined	Jul-23	Jun-24	1 - Low Rare / Serious	Works as required. Rare - Day to day operations Serious - If safety improvements are not carried out, damage could occur to neighbouring private property.
52	Bulk discharge renewals	Esk Road	Replacement	\$18,262		\$0	100%	Ongoing as required.	Jul-23	Jul-23	Jun-24	1 Low Rare / Serious	Works continuing from 2022/23 financial year. Rare - This work is underway Serious - If this works is not completed, discharge into the Patea River may be contaminated.
53	Pumps and electrics	Replacement of Esk Road pumps and electrics as required	Replacement	\$31,800		\$0	100%	Ongoing as required.	Jul-23	Jul-23	Jun-24	4 - Moderate Rare / Major	Only as required. Rare - This work is only required if the pumps and/or electrics fail. Major - If the pumps / electrics fail, discharge into the Patea River could be contaminated.
54	Camper Van Drainage facility	To improve drainage system where the camper van facility is located	Level of Service	\$7,900		\$0	0%	Will not proceed.					
55	Stage 2 Treatment Upgrade	Improve the quality of discharge into the Patea River	Level of Service	\$5,300		\$0	0%	Budget transferred to Treatment Plant Upgrade					
56	Oxidation Pond Fencing	Installation of fencing around oxidation ponds	Level of Service			\$154,388		Completed.					
Water Supply													
57	Generator for Treatment plant	Installation of backup generator at WTP	Level of Service	\$9,819		\$8,709	204%	Certification not required for fuel tank. Wiring and venting of Generator underway.	Completed	Jun-23	Nov-23	5 - High Rare / Catastrophic	Rare - Certification of the Fuel tank has become an issue - officers are looking at options; All other aspects for the project is complete. Catastrophic - If certification is not achieved for the Generator fuel tank, then the plant will not be certified for usage.
58	Membranes		Replacement	\$146,044		\$0	103%	New supplier found. Membranes ordered.	Jul-23	Jul-23	Jun-24	1 - Low Rare / Important	Continuing from 2022/23 financial year. Rare - Council has a supply in stock Important - If the membranes are not replaced, Stratford may have contaminated water.
59	Universal water metering implement	Manifold Contract	Level of Service	\$846,851		\$161,983	100%	Contract awarded. Works to commence in April. First shipment of manifolds received.	Jul-23	Jul-23	Jun-24	1 - Low Rare / Important	Rare - Contract documents are being prepared. Important - If the tobies are not replaced, then the meters cannot be installed.
60	Hydrants	As required - 3 water Maintenance Contract	Replacement	\$15,700		\$2,019	100%	Ongoing as required.	Jul-23	Jul-23	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - This work is underway Important - This works helps to repair/replace weak points in our water network.
61	Laterals	As required - 3 water Maintenance Contract	Replacement	\$32,500		\$0	100%	Ongoing as required.	Jul-23	Jul-23	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - This work is underway Important - This works helps to repair/replace weak points in our water network.
62	Instructure general - 3 waters scheme		Replacement	\$26,100		\$4,927	100%	Ongoing as required.	To be determined	To be determined	Jun-24	1 - Low Rare / Important	Works as required. Rare - Day to day operations Important – If repairs/replacements do not occur, our network will not meet requirements
63	Instructure general - Midhirst		Replacement	\$3,400		\$0	100%	Ongoing as required.	To be determined	To be determined	Jun-24	1 - Low Rare / Important	Works as required. Rare - Day to day operations Important – If repairs/replacements do not occur, our network will not meet requirements

2024 - Agenda - Audit and Risk - March - Information Report - Capital Works Programme – Key Projects Update – March 2024

Item	Project	Description	Category	Budget Y3	Other Funding	Actual Spent	Projected budget Spend	Project Status	Expected start of procurement	Expected start of physical works	expected completion date	Risk Level	Risk concerns
64	Reservoir overflow to pond		Replacement	\$74,042		\$4,488	20%	Tenders exceeded budget. Scope of works being re-worded.	To be determined	To be determined	Jun-24	1 - Low Unlikely / Important	Unlikely – Currently, treated water could discharge into the Patea River if the reservoirs overflow. Important – TRC may issue a fine for discharge of treated water into the Patea River
65	Raw water delivery line / grit tank replacements	Replacement of Grit Tanks at WTP. Replacement of tunnel from Patea River to Grit Tanks.	Level of Service	\$1,968,698		\$114,687	13%	Concept Design completed. Detailed design to be completed this financial year.	To be determined	To be determined	To be determined	4 - Moderate Likely / Important	Likely - The raw delivery line is unlikely to g ahead due to budget constraints Important - The grit tanks have reached the end of their life a while ago; if the raw delivery line fails, a temporary measure can be installed until such time as a permanent repair/replacement is made
66	Reservoir cleaning - 3 waters scheme		Replacement	\$65,507		\$0	15%	Video footage under review to determine if cleaning is required.	To be determined	To be determined	Jun-24	1 Low Rare / Serious	Rare - If cleaning is not required, this will be underspent. Serious - If cleaning is required and not completed, water maybe contaminated.
67	Meter renewals	As required - 3 water Maintenance Contract	Replacement	\$110,850		\$547	9%	Ongoing as required.	Jul-23	Jul-23	Jun-24	1 - Low Rare / Important	Works continuing from 2022/23 financial year. Rare - This work is underway Important - This works helps to repair/replace weak points in our water network.
68	Midhirst Resource Consent		Replacement	\$303,240		\$0	5%	Iwi report received and submitted to TRC - Ongoing	To be determined	To be determined	Jun-24	6 - High Likely / Serious	Likely - Project waiting on Iwi report Serious - If a resource consent is not obtained, water may not be provided to Midhirst users.
69	Toko Bore	Review source water & risk management plan	Replacement	\$134,500		\$0	0%	Will not proceed.					
70	Raw water analyser		Level of Service	\$28,230		\$47,961	170%	Completed					
71	Street water ridermains - 3 waters schemes	Pembroke Road Watermain renewal	Replacement	\$270,700		\$214,069	79%	Completed					
72	Street work ridermains	Pembroke Road Watermain renewal	Level of Service	\$31,800		\$3,442	11%	Completed					

INFORMATION REPORT



F22/55/04 – D24/8049

To: Audit and Risk Committee
From: Director - Corporate Services
Date: 19 March 2024
Subject: Risk Management

Recommendation

THAT the report be received.

Recommended Reason

To provide an update to the Audit and Risk Committee of any risk events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.

/
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 following significant risks have been actively managed by management since the last Committee meeting:
- Risk 58 – Contractor Damage or Breach
 - Risk 78 – Government Policy impacting on Local Government
 - Risk 9 – LTP / Annual Plan
 - Risk 92 – Community Engagement
 - Risk 32 – Lone Worker
 - Risk 74 – Inadequate provision to fund Asset Replacement
 - Risk 72 – Elected Member Decision Making
- 2.2 Risk 94 – Consider climate change in decision making. Although this risk is not a significant risk, council officers are seeking advice from this committee on the proposed risk mitigation control, and whether it is still appropriate given climate change has been disregarded by council, during its consideration of the draft Significance and Engagement Policy, as a significant factor for consideration in decision making.
- 2.3 Risk 31 – Abusive Customers. This risk is now ranked as very high, and at a level similar to the Lone Worker risk, as it is becoming a more common occurrence and the level of aggressiveness seems to be becoming more intense. The Committee may consider adding this risk to the Significant Risks Register. Refer to the Health and Safety report for this meeting for specific related incidents.

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 well-beings in some way.	
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

3.1 Risk Management is about managing risk exposure for all areas of Council operations and therefore indirectly meet the purpose of all four well-beings.

4. Background

4.1 The Council maintains a full risk register, which now has 98 organisational risks. Of these, the most significant risks in terms of likelihood and consequence are monitored by the Audit and Risk Committee, via the Significant Risks Register.

4.2 The risk register includes a description of the risk and provides an evaluation of 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 New Risks to the Risk Register

It is the responsibility of all staff to identify new risks, which are presented to and discussed by the senior leadership team before they may be added to Council’s risk register. The raw risk is assessed against the matrix below, and then controls are identified to minimise the likelihood and impact of a risk event and then re-evaluated with controls being effective and in place.

	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

The following new risks have been identified and added to the council’s risk register. These risks all relate to Climate Change. Staff are seeking feedback from the Committee in terms of the risk description / definition, the proposed risk controls, and the risk assessment. In particular, with Risk 94 – council officers recommend that elected members have regard to climate change in all decision reports going forward.

Risk Alert Number	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
94	Consider climate change in decision-making	If Council does not have regard to climate change issues in decision making, THEN it may result in decisions that are in breach of legislation and not meeting community expectations - which could lead to reputational, legal and financial harm.	2 - Moderate	All decision reports to have regard to the impacts of climate change and sustainability on proposals, recommendations and options presented. Develop policy and sustainability strategy with Mana whenua and the community to adapt and mitigate climate change in our district.	1 Low
95	Manage Drought or Extreme Heat	IF the Stratford District experiences drought and or extreme heat THEN water infrastructure capacity may be impacted. With 15,000 hectares of forestry in the district land and livelihoods are at risk of drought that exacerbates the risk of wildfires. Lives may be put at risk, and access routes blocked.	8 - High	Reduce emissions wherever possible. Work closely with mana whenua, TEMO and other agencies that can assist with planning for alternative exit routes, alternate water supplies and evacuation plans. Consider, all new builds to have alternative water supplies, enable retrofitting of alternative water supplies.	3 Moderate
96	Significant Population Increase	IF the Stratford district population was to increase significantly THEN we may not be prepared to cope with the increased demand and reduced capacity for council services which would impact on all four community wellbeings.	2 - Moderate	Create strategies for housing that is both sustainable and allows for more people to live in smaller footprints. Be prepared for potential environmental migrants coming from coastal areas	1 Low
97	Non-council owned Infrastructure Failure	IF council experiences disruption of essential lifeline services such as energy, gas, internet, and communications THEN Council may not be able to operate effectively, if at all.	8 - High	Prepare backup plans for the outages of all key lifeline areas. Plan to reduce energy use / reliance, plan to access and alternative energy sources. Local energy produced is used locally- Circular systems.	3 Moderate
98	Environmental Degradation and Biodiversity Loss	IF council owned properties, including the farm, suffer due to lack of consideration of climate adaptation and mitigation THEN we may be at risk of	3 - Moderate	Undertake independent emissions profile of all council assets. Work with mana whenua to design and implement biodiversity nature-	2 Moderate

creating emissions beyond our ability to offset.

based solutions to restore ecosystems in the rohe. (Fund with proposed Biodiversity credits) Explore large scale carbon sinks on council land.

5.2 Risk Events in relation to the Significant Risks Register

Risk 58 – Contractor Damage or Breach

In January 2024, a contractor at Wai o Rua Stratford Aquatic Centre was requested to come and fix a leaking pipe. The contractor ultimately ended up getting a hot water burn and the leak and damaged area was worsened due to the water not being turned off during the repair work being carried out. There were a number of learnings from this incident including ensuring all contractors are health and safety pre-qualified and have completed an approved Job Safety Analysis before commencing work, and ensuring contractors doing one-off jobs sign into council premises and are properly inducted to the work site.

Risk 78 – Government Policy Impacting on Local Government

Three Waters Reforms

Refer to the Three Waters update report in the agenda to this meeting.

Other Legislation

Council is expecting to proceed with the development of a District Plan and is budgeting for this cost in years 1-10 of the LTP.

With regards to the Future for Local Government review and recommendations, Council was been involved with the sector and Local Government New Zealand in a response on behalf of the sector that was put forward to the new government in December 2023.

Staff were pleased to see the Business Payment Practices legislation repealed recently, which would have required additional work from staff in publishing payment information on council's website.

Recent changes to government policy in relation to the funding of Transport Choices project meant that the project and funds spent to date of \$365,284 have been put on hold, but may be reshaped under the banner of Walking and Cycling and/or Low Cost Low Risk Safety Improvements projects.

Risk 9 – Long Term Plan / Annual Plan

Council staff and elected members have been actively involved in developing the Long Term Plan 2024-34 from November 2023 to now, with numerous workshops held, and a number of decisions being made to date.

Council has approved the following in draft form already:

- Community Outcomes
- Levels of service and Performance Measures by Activity
- Significant forecasting assumptions
- Revenue and Financing Policy
- Significance and Engagement Strategy
- Not have the Consultation Document audited, and adopt final LTP by 31 July 2024
- Financial Strategy
- Infrastructure Strategy
- LTP Capital Projects
- Draft financial budgets
- Fees and charges for 2024/25

Auditors are currently on site from 26 February to 15 March 2024. Council will adopt the Consultation Document for the LTP and supporting information on the 26 March 2024, for release for consultation in April 2024.

At this stage, council is on track to adopt the final LTP by 30 June, but there is a low risk that this may not occur which is largely related to audit factors and the timing of the final audit which is yet to be confirmed.

Risk 92 – Community Engagement

With the LTP in full swing, it is important that Council continues to engage with the community to ensure that the priorities within the strategic document are shaped and owned by the people it will affect. A successful LTP is grounded in an understanding of the demographic, economic, cultural, environmental and social factors that shape the world around it, and of the needs and aspirations of the community. Elected Members and Council officers gain this understanding through a number of ways, but one of the most important avenues is through community engagement.

Council has seen an increase in the number of community members attending council workshops on the LTP.

The Communications Team is planning for three public meetings in April 2024 at the Stratford War Memorial Centre, the Whakaahurangi Marae, and the Whangamomona Hall.

Risk 32 – Lone Worker

The Health and Safety Adviser is currently reviewing management of Lone Workers with the following revised section being inserted into the Health and Safety Manual, which is currently under review:

Lone Workers

Working alone can be associated with potential additional risks including confrontation with members of the public, accidents and medical events that are unwitnessed, so assistance is unavailable and, particularly for long periods of lone work, social isolation and stress.

Like other work processes, situations requiring workers to work alone should be assessed to determine whether it is possible to eliminate the hazards and risk associated with the work. When it is not reasonably practicable to eliminate working alone, management and supervisors need to consider the risks and have effective control measures in place to reduce those risks to workers.

In situations where there is anticipated risk of confrontation with a member of the public, it is advisable for staff to consider working in pairs rather than attending alone. Factors to consider when assessing the risk of attending a situation alone include

- *Visiting a person with a known history of aggressive, threatening or violent behaviour*
- *Visiting an address where other people are likely to be present who may pose a risk of threatening or violent behaviour*
- *Interactions that are likely to cause anger or distress, such as enforcement actions or removal of an animal*
- *Visits to isolated locations*

Council has a system of lone work devices that are allocated to certain roles with regular lone work, and a number of shared devices available to all workers who may be undertaking lone work on an occasional basis. In addition, there is a lone worker device allocated to each pool vehicle.

The devices should be taken each time a worker is working alone. The device allows a supervisor or the Health and Safety Advisor to determine the location of the worker if they are unable to be contacted. In addition, the device has a panic button that can be pressed in the event of an emergency. All devices are monitored 24 hours a day

by an alarms and security service provider (Direct Safety.) If the panic button is pressed, the service provider will contact the device and the worker will be able to speak to them through the device. If necessary, Direct Safety will lead the emergency response. Managers and Teamleaders relevant to each device will receive a notification by text and email if a device is activated.

The devices should be returned to their charger on return to the office. Any faults should be reported to the H&S Advisor.

In addition to the use of lone worker devices, staff working alone should carry their cell phone with them to enable ongoing communication with their co-workers and to summon assistance in the event of an emergency. If it is safe and possible to do so, workers should alert the emergency services directly by calling 111.

Managers And Team Leaders application to Lone Worker Management

Managers and Team leaders must, in consultation with workers, ensure the risks presented when working alone have been assessed and procedures are implemented to reduce risk as much as reasonably practicable.

Worker application to Lone Worker

Whilst undertaking any lone work, workers are required:

- To do so in a manner that does not adversely affect their own health and safety. Where appropriate, ensure that prior to undertaking lone work the relevant details of the intended lone work are documented and approved by management.*
- This may include and is not limited to:*
- Advising of lone work.*
- Participating in, and abiding by, relevant risk assessments/job safety analysis and procedures implemented.*
- Ensuring clear procedures are in place for check-ins with a designated contact including emergency situations.*
- Buddy system check in at pre – agreed times with departures and arrivals.*
- Update phone system to show whereabouts with subject, location and expected return.*
- Use of lone worker devices and carrying a cell phone with you.*

Additionally, the use of lone worker safety devices is being encouraged and has improved slightly as a result of deactivating features that were routinely setting off false alarms. The three Building Control, Aquatic Centre, and IT devices are still not being used.

Risk 74 – Inadequate Provision to Fund Asset Replacement

Council has recently made the decision to fully rates fund all three waters depreciation (previous two years funded 80%), in the full ten years of the LTP. This reduces the risk that council has insufficient funds in the future to fund the replacement of critical infrastructure.

Additionally, council has proposed to continue to rates fund 55% of the depreciation on the new swimming pool, and no depreciation for particular buildings it does not intend to replace including the TET Stadium and Centennial Restrooms. The risk impact is mitigated as these are not critical council assets – although the TET Stadium is currently being considered for council's Emergency Operations Centre in the event of a local civil defence emergency.

Risk 72 - Elected Members Decision Making

Due to the number of decisions elected members have been asked to make recently, there is a risk that elected members may not make decisions that will create good outcomes for the community and align with the adopted Community Outcomes. The best way we can manage this risk is to ensure elected members are provided with quality information, including consideration of all available options, in a timely manner.

Recent decisions made by Elected Members since the November 2023 Audit and Risk Committee meeting are noted below.

5 December

- Adopt decisions on the Consensus Outcome Paper on the Future for Local Government to be submitted to LGNZ.

12 December

- Approve draft Environmental Scan and Significant Forecasting Assumptions.
- Adopt Beauty Therapy, Tattooing and Skin Piercing Bylaw and Code of Practice.
- Approve draft Easter Sunday Trading Policy to be released for public consultation.
- Approve Activities, Activity Groups, Levels of Service, Performance Measures and Targets for the Long Term Plan 2024-34.
- Approve draft Reserve Management Plan for the King Edward Park to be released for public consultation.
- Approve level of service for the new Solid Waste collection contract.
- Approve the demolition of the old TSB Pool complex and return the underlying land to a park at an estimated cost of \$450,000.
- Approve to progress the proposed Prospero Place concept plan designs for the Northeast Plaza area only.
- Approved the temporary road closure for Americarna.

13 February

- Approve the draft Communications and Engagement Strategy to be released for consultation.
- Approve the draft Significance and Engagement Policy to be released for consultation.
- Approved the amendment of the LTP to include three waters for the full ten years of the LTP, do not require an audit of the Consultation Document, and allow for the LTP to be adopted by 31 July 2024.
- Expand the application of the Forestry Differential to include areas of forestry more than 10 hectares that are not currently captured under the differential and increase the amount collected under this differential to \$350,000 for 2024/25.
- Approve the draft Revenue and Financing Policy to be released for consultation.
- Approve the draft Housing for Older Persons Policy to be released to key stakeholders for feedback.
- Approve the draft Fees and Charges 2024/25 to be released for consultation.
- Approve the estimated seismic strengthening costs for the War Memorial Centre (strengthen to 67%) of \$1,400,000 and TET Multi Sports Centre (strengthen to 100%) of \$1,220,000.

- Approve the draft LTP Capital Projects to include in the LTP Financial budget model.
- Approve further investigation into the option of in-house service delivery and direct procurement for the Building Facilities Maintenance Contract, as per the section 17a Review recommendation.
- Approve status quo for the delivery of the Open Space Maintenance Contract for Parks and Reserves.
- Adopts decision to put on hold the implementation of the draft Stratford Speed Management Plan, pending finalisation of relevant legislation.
- Approval to dispose of three council owned surplus properties at Beaconsfield Road, Mountain Road, and Regan St.
- Approve road closure for Mangaotuku Road and Junction Road for a car club event.
- Approve draft financial budgets for Long Term Plan 2024.
- Approve amendments to the Treasury Management Policy.

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 Significant Risks Register



Tiffany Radich
Director – Corporate Services

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[Approved by]
Sven Hanne
Chief Executive

Date 5 March 202

INFORMATION REPORT



F22/55/04 – D24/9085

To: Audit & Risk Committee
From: Chief Executive
Date: 19 March 2024
Subject: Three Waters Reforms - State of Play and current developments

Recommendations

THAT the report be received.

Recommended Reason

This report is for information purposes only but gives elected members insight into the current state of three waters including current and future legislative changes as well as regional discussions regarding potential shared delivery models.

/_____
Moved/Seconded

1. Purpose of Report

- 1.1 This update has been prepared for the Committee to provide insight into the fluid situation of council's three waters operations and the ongoing implications of the Three Waters reforms, including the repeal of the original legislation and further foreshadowed changes. The report also provides an opportunity to formally inform councillors of work underway to explore regional delivery options for water services.

2. Executive Summary

- 2.1 A short history of the recent Three Waters reforms is covered in section 4 of this report.
- 2.2 Following the repeal of the original reform legislation and largely based on indications by the coalition government that councils will have a choice in the delivery of their water services, work is currently underway, sponsored by the Taranaki Mayoral Forum, to investigate regional options for the delivery of water services as an alternative to the current local delivery model.
- 2.3 It is currently unclear whether status quo (ownership and service provision by each council individually) will be an option within the parameters of upcoming legislation. The work to date strongly focuses on the establishment of a regional CCO (or similar structure).
- 2.4 This work is coordinated by NPDC with input from SDC and STDC.

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:		Depending on the direction this work takes, public consultation may be required in the future. While multiple wellbeings have been identified as potential beneficiaries of this work, the aim is primarily to achieve financial savings.	
Social	Economic	Environmental	Cultural
	X		

1.1 The report subject sits at the core of local government services and the original purpose of local government. It covers the implications of a changing legal landscape with regards to the delivery of water services, which historically have been provided by individual councils.

2. Background

2.1 In October 2021, the Government announced it would introduce legislation to establish four new publicly owned Water Services Entities to manage the Three Waters infrastructure – including drinking water, wastewater, and stormwater infrastructure and service delivery. These new entities were planned to be operational from 1 July 2024.

2.2 The proposed model would have seen the responsibility for Stratford district's Three Waters services transferred to a multi-regional entity, currently being referred to as Entity B, comprising 22 councils from the Waikato, Bay of Plenty, Taranaki and top of the central North Island. The entity would have remained in public ownership, with Stratford District Council (SDC) owning one share in the WSE.

2.3 Council made a submission to the proposed Water Services Entities Bill in July 2022, requesting that government pause the 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.

2.4 In August 2023, the government passed two bills that completed the Water Services Reform Programme: the Water Services Economic Efficiency and Consumer Protection Act 2023 and Water Services Legislation Act 2023. The bill increased the number of water services entities from four to ten and delayed the start of the entities from 2024 to 2026. This legislation effectively phased out council management of water, wastewater and stormwater services and transferred the responsibility for the delivery to one of 10 entities.

2.5 On 27 November 2023, the newly formed National-led coalition government announced that it would revoke the Three Waters reforms as part of its plans to repeal several of the previous Labour Government's policies.

2.6 To provide councils with certainty regarding the treatment of water, wastewater and stormwater services with regards to their Long Term Plan deliberations, Minister of Local Government Simeon Brown wrote to all councils in December 2023, confirming the government's expectation that contrary to then-current legislation, funding for three waters was to be included in councils' Long Term Plan for the full 10 years.

- 2.7 In February 2024 the government completed the repeal of the previous government's Three Waters programme and restored local ownership and control of water services. As part of the repeal, it indicated that it was working on replacement legislation - set to be in place by mid-2025. The new legislation will set out requirements for long-term financial sustainability and introduce backstop powers for central government. There is also mention of a new class of CCO that will be established for the purpose of multi-council water entities that would provide independence from council balance sheets. Details, such as asset ownership are yet to become clear.
- 2.8 It is currently unclear whether the status quo (ownership and service provision by each council individually, servicing their communities directly) will be an option within the parameters of upcoming legislation.

3. Information Summary

- 3.1 A short history of these reforms is covered in section 4 of this report.
- 3.2 Following the repeal and largely based on indications by the coalition government that councils will have a choice in the delivery of their water services, work is currently underway, sponsored by the Taranaki Mayoral Forum, to investigate regional options for the delivery of water services as an alternative to the current local delivery model.
- 3.3 This work is coordinated by NPDC and proposes the engagement of external consultants to undertake an initial Options Analysis followed by a detailed assessment. NPDC and STDC have dedicated Three Waters Reforms roles that have been assigned to undertake this work. SDC does not have any comparable role(s). As a result this work is covered by existing staff in addition to their normal responsibilities, translating to a lesser involvement than that of the other two councils.
- 3.4 The draft Project Mandate covers the full range of options from Status Quo to CCO to be considered and is scheduled to be presented and endorsed at the Mayoral Forum on 14 March 2024.
- 3.5 There is a variety of views between the councils regarding the most appropriate timing of these works. Unlike for the original Three Waters and RMA reforms, there does not appear to be any financial or other central government support or incentive provided to early adopters. Therefore it is the authors opinion to await more sector advice (LGNZ, Taituara, etc) to be developed and watching initial steps in other regions (learn from others) to avoid direct costs (legal and consultant advice etc that will become available for free over time) and indirect costs (cost of having to re-adjust once the legislation arrives and or cost of not choosing the best model for Stratford/Taranaki if not all options are understood/explored at the time). Other project participants however have a strong desire to get into this ahead of others.
- 3.6 A political mandate to engage in this work and contribute financially is likely to be required in the near future.

4. Strategic Alignment

4.1 Direction

This report directly relates to council owned and operated infrastructure delivering water, wastewater and stormwater services and the future management of these services. Direction on ownership and operation of these assets and services has changed twice recently through legislative change. Further legislative change in this space has been announced but is yet to be enacted.

It would be useful to receive feedback from the chair and committee on their views regarding the appropriate timing of any regional investigation into delivery models to guide our engagement and feedback in that environment as per item 3.5 above. This would also provide guidance to staff regarding the prioritisation of staff resources as this project competes for limited staff time with other important work.

4.2 Annual Plan and Long Term Plan

The current Long Term Plan assumes long term ownership and direct service provision of water, wastewater and stormwater services. This follows the revocation of legislation

that had seen all waters related budgets removed after the entity establishment date partway through the first three years of the plan.

As new legislation is likely to be introduced within the first three years of the upcoming Long Term Plan, it is possible that this will impact the plan. Any future change may require consultation with the community (depending on legislation and outcomes) and will be impacted by legislation announced but yet to be developed and enacted by central government.

4.3 District Plan

There is no direct relationship between water services reforms and the District Plan.

4.4 Legal Implications

There is a wide range of legal implications arising from past, current and announced future reforms. Any move to a regional delivery model would require legal advice and guidance and needs to consider legislation which has been announced but is yet to be drafted. Council's ability to continue the status quo with regards to water services will only be known once the relevant legislation has been enacted. Commentary is currently divided on this matter.

4.5 Policy Implications

There are no policy implications arising from this report. A move to a regional delivery model would however have significant policy implications.



[Approved by]
Sven Hanne
Chief Executive

Date 08 March 2024

DECISION REPORT



F22/55 – D24/8663

To: Audit and Risk Committee
From: Director - Corporate Services
Date: 19 March 2024
Subject: Approve amendments to Anti Fraud and Corruption Policy

Recommendations

1. THAT the report be received.
2. THAT the amendments to the Anti Fraud and Corruption Policy be approved.

Recommended Reason

The policy is due for review, and amendments have been made where appropriate to improve the policy for use.

/
 Moved/Seconded

1. Purpose of Report

- 1.1 To enable review of the Anti Fraud and Corruption Policy and the proposed amendments.

2. Executive Summary

- 2.1 The current policy is appropriate and fit for purpose, however, some tweaks to the policy are recommended, but these are not expected to change the substance of the policy.
- 2.2 The Audit and Risk Committee has a specific responsibility in its Terms of Reference to review the Anti Fraud and Corruption Policy periodically.
- 2.3 Since the policy was last reviewed, there have been no confirmed incidences of fraud or corruption.

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 – the policy helps protect council from the risk of financial and reputational harm.

Social	Economic	Environmental	Cultural
x	x	x	x

4. Background

What is the history of this proposal? Section 78 states the current views of persons likely to be affected. *(Delete this box when background is typed)*

- 4.1 The policy was last reviewed in July 2019 and is now due for review.
- 4.2 Training and awareness of this policy is regularly implemented through staff newsletters and all of staff emails.

5. Consultative Process

5.1 Public Consultation - Section 82

N/A

5.2 Māori Consultation - Section 81

N/A

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 Relevant risks on council's risk register includes:

Risk 19 – Internal Controls

IF internal financial controls are compromised and ineffective, THEN possible fraud, budget blowout, delayed service.

Risk Mitigation: Good quality controls. Implement annual external and internal audit recommendations. Adhere to Procurement and Delegations Policy. Communications of internal controls to all staff. Recommend internal audit conducted every year. Annual leave not to accrue > 2 years. Electronic signature images not to be relied upon.

Risk 79 – Bribery and Corruption

IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.

Risk Mitigation: Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.

Risk 81 – Management Override of Financial Controls

IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets/funds and incorrect/misleading financial statements.

Risk Mitigation: Audit and Risk Committee oversight. Internal and External audits annually. Fraud Policy awareness training for all staff at least three yearly. Regular review of policies to ensure in line with best practice. SLT to undergo ethics training. Prior to new employment, full reference checking of at least one recent, direct manager (particularly for financial and management roles). Zero tolerance for any bullying type behaviour.

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?	Not directly
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	Ensuring public trust in council will enable council to continue to invest in the communities current and future needs.

7.2 Data

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

As advised previously, the current policy is fit for purpose and requires minimal changes. The proposed changes to the policy include:

- Remove reference to petty cash and cheques as council no longer uses either method of payment.
- Remove cyber attacks and hacks by third parties as a form of fraud or corruption.
- Reduce the timeframe within which a valid referee could be contacted for pre-employment screening from within the last 3 years to a former direct manager within the last 2 years.
- State that qualifications should be checked in pre-employment screening if they are relevant and necessary for the role.

7.3 Significance

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

In terms of the Council's Significance Policy, is this proposal of high, medium, or low significance?		
High	Medium	Low
		x

7.4 Options

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

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

1. Approve the Anti Fraud and Corruption Policy with amendments.
2. Do not approve the policy and request further information, or further amendments.

7.5 Financial

- 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.

The amendments to the policy do not have any financial impacts.

7.6 Prioritisation & Trade-off

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

N/A

7.7 Legal Issues

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

No legal issues to consider.

7.8 Policy Issues - Section 80

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

N/A

Appendix – Amended Anti Fraud and Corruption Policy 2024



Tiffany Radich
Director – Corporate Services



[Approved by]
Sven Hanne
Chief Executive

Date 6 March 2024

POLICY



Policy:	Anti-Fraud and Corruption
Department:	Corporate Services
Approved by:	Council
Effective date:	March 2024
Next review date:	March 2027
Document Number:	D23/22153

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1 Purpose

- 1.1 The purpose of this policy is to:
- Define fraud,
 - Outline prevention mechanisms,
 - Establish responsibilities for fraud prevention and detection,
 - Prescribe the process for reporting suspected fraud, and
 - Set out the actions that will be taken to respond to suspected fraud.

2 Scope

- 2.1 This policy shall apply to all employees of the Stratford District Council and shall also apply to elected members and all persons with honorary or unpaid staff status, and former employees where relevant.

3 Objectives

- 3.1 To reduce the risk of reputational damage to Council and the loss of public trust and confidence.
- 3.2 To reduce the risk of financial harm to Council.
- 3.3 To eliminate conditions and an environment where fraud and corruption may occur.

4 Principles

The following principles shall guide the Council in making decisions about how to manage the risk of fraud and deal with any incidents that may arise.

- 4.1 **Public trust and confidence in the Council is of utmost importance**
- The Council must maintain and promote high ethical standards. The Council must provide confidence to the community regarding the administration of ratepayer funds.
 - Council assets are owned by the community to which it serves and there is an expectation on all staff and elected members to act with integrity to safeguard public resources.
 - The Council is committed to being transparent, open, and fair in all dealings with the public.
- 4.2 **Financial Loss from fraud**
- The cost of fraud can range from no financial damage, to millions of dollars over several years. The potential impact of a financial loss due to fraud is particularly high where there is a culture of fraud throughout the organisation, or an environment where fraudulent behaviour is ignored or overlooked.

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<ul style="list-style-type: none"> The Council will at all times, where there is a financial loss, seek to recover the full amount of losses from the person, or people, who perpetrated the fraud, including interest, and costs relating to the investigation. <p>4.3 Employees and elected members have obligations and responsibilities in preventing, detecting, and reporting fraud</p> <ul style="list-style-type: none"> All employees and elected members are expected to act honestly and with integrity, and to safeguard the public resources for which the Council is responsible. Employees and elected members who suspect fraud are obligated to report details of the suspected fraud to the Fraud Control Officer as per the fraud procedures outlined in this Policy. The Council's Fraud Control Officer is the Director - Corporate Services. The Fraud Control Officer is responsible for implementing and updating this policy and the controls and procedures prescribed within this policy, receiving fraud-related complaints, and managing the fraud reporting process as outlined within this policy. "Zero tolerance" means all fraud is required to be reported and the procedures within this policy must be followed. All proven cases committed by employees will be treated as misconduct and result in formal disciplinary procedures, as outlined in the Council's Human Resources Policy. All proven cases committed by elected members will be addressed via the Stratford District Council's Code of Conduct. Reporting of fraud to the Police is at the Chief Executive Officer's discretion, irrespective of the role (e.g. staff, elected member, contractor) of the perpetrator. Where the perpetrator is the CEO, this responsibility transfers to the district mayor. 	<p>Tiffany Radich Deleted: ¶</p> <p>Tiffany Radich Formatted: Indent: Left: 1.25 cm, Hanging: 1.25 cm</p>
<p>5. Background</p> <p>5.1 Section 101(1) of the Local Government Act 2002 requires the Stratford District Council ("Council") to manage its financial affairs prudently and in a manner that promotes the current and future interests of the community.</p> <p>5.2 For the purposes of this policy, fraud, in its basic form, is defined as a deliberate act of deception by one or more persons that is intended to secure private benefit, and cause actual or potential harm to the Council. Private benefit is not limited to personal gains, but also includes benefits to associated third parties such as friends and family.</p> <p>5.3 Corruption is the abuse of a position of trust for dishonest gain. It can include bribery and coercion, accepting bribes, destruction or inappropriate use of Council records, or similar forms of conduct.</p> <p>5.4 Both fraud and corruption involve an element of intention, on behalf of the perpetrator.</p> <p>5.5 Fraudulent behaviour may result in loss of Council funds and other assets, loss of productive staff time, incompetent decision making, and public distrust. The Council regards fraud as entirely unacceptable and will apply a 'Zero Tolerance' approach to fraudulent behaviour.</p> <p>5.6 Maximum penalties a person can face if they are convicted of fraud or corruption offences under the Crimes Act 1981 or the Secret Commissions Act 1910 range from substantial fines to 14 years' imprisonment – in addition to a criminal conviction for fraud.</p>	<p>Tiffany Radich Deleted: ¶</p>
<p>6. Fraudulent Behaviour</p> <p><u>Fraudulent</u> behaviour includes, but is not limited to the following, whether or not it actually results in a benefit:</p> <p>Purchasing and Payroll</p> <ul style="list-style-type: none"> Inappropriate or false expenditure reimbursement claims; Unauthorised use of a Council credit card; Presenting false credentials or qualifications to gain employment; Creating false invoices or presenting false invoices for payment; Knowingly authorising creditor invoices without the financial delegated authority; Failure to observe the Council's one-up principle for authorising creditor invoices; Deliberately not recording leave taken, or any other employee theft of time. 	<p>Tiffany Radich Deleted: For the purposes of this policy, "fraud" shall include all acts of deception, misrepresentation or omission committed with the intention of gaining an unjust or illegal financial, or personal, advantage or to cause an unjust or illegal loss or disadvantage to gain any form of private benefit. Such</p> <p>Karla Lawrence Deleted: <#>Misuse of petty cash by not providing complete receipts; ¶ Altering cheques for personal benefit.¶</p>

- [Deliberately falsifying time sheets or not working expected hours](#);
- Creating false employees or falsifying wages.

Corruption

- Where an employee or elected member abuses their power for personal gain, by seeking bribes or blackmailing others;
- Forgery or alteration of documents or accounts belonging to Council;
- Accepting or seeking anything of material value from contractors or persons, including before, during and after, any procurement or consenting processes;
- Obtaining funds or any other benefit through misleading claims, representations or by false pretences;

Asset Security

- Misappropriation or improper disposal of assets, including cash, assets, and supplies;
- Unapproved removal of records, furniture, fixtures, and equipment;
- Excessive personal use of Council data or IT systems, hardware or software without permission;
- Unauthorised personal use of Council facilities, vehicles or office equipment and stationery;
- Unauthorised issuing of credit notes and refunds for rates and debtors.

Reporting and Communications

- Manipulating reporting to obscure wrong doing;
- Making a false insurance claim;
- Concealing or misrepresenting a financial loss or loss of an asset;
- Making a false representation on behalf of Council;
- Supporting others in, or in any way being party to, fraud or not reporting known instances of fraud.

Information Security

- Disclosing confidential or proprietary information to third parties resulting in a real or perceived personal advantage;
- Profiteering for personal or another person or entities gain as a result of insider knowledge of Council's activities;
- [The release of confidential Council data for personal gain](#);
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7. Fraud Prevention

The Council will proactively take all reasonable steps to prevent fraud by developing and maintaining a policy framework that clearly sets out expectations of behaviour, and promotes robust internal controls for all aspects of the protection of assets, procurement processes, payroll, and treasury and cash management.

The Council recognises that there are three particular conditions often associated with fraud and corruption. These are incentives/pressures on the perpetrator, opportunities to be able to perpetrate fraud, and rationalising attitudes towards fraud. The Council acknowledges that it is able to influence and manage these conditions to some degree by:

1. Establishing an Environment / Culture that discourages Fraud

- Regular fraud training for all staff, and implementing fraud awareness activities;
- Expectations for employees' and elected members' behaviour are clear and visible. For employees, these are documented in the [Human Resources policy D19/9905](#) while for elected members, these are set by the Stratford District Council Code of Conduct.
- Induction processes for new employees and elected members that include fraud awareness and code of conduct training;
- A safe, documented, and widely available process for employees and elected members to report suspected fraud;
- Instilling a sense of pride and loyalty by employees and elected members towards the Council;
- Encouraging staff and elected members to be curious, ask questions, and not be afraid to speak out and disclose mistakes or potential anomalies;

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<ul style="list-style-type: none"> Discouraging bullying and intimidating behaviour that could lead to coercion or pressure on someone to <u>not report potential fraudulent behaviour</u>; Ensuring staff, elected members and suppliers are fully aware of the Council's policies on tendering processes, acceptance of gifts, and conflicts of interest; <p>2. Implementing Controls to prevent and detect Fraud</p> <ul style="list-style-type: none"> Segregation of duties, where appropriate, to ensure checks and balances are in place; Limiting system and records access and ensuring audit trails are in place; Monthly balance sheet reconciliations reviewed by authorising manager; Regular, random physical audits of high-risk assets including IT hardware, and annual stock-takes of inventory; Robust confirmation and sign-off process for adding and amending new creditors; Regular suspicious transaction analysis; All creditor invoices, and expense reimbursement claims to be reviewed and approved by the purchasers direct manager (enforcement of one-up principle); Pre-employment screening that includes checking for criminal convictions for all new staff, and comprehensive, direct, referee checking with at least one former direct manager within the past 2 years; Ensuring that staff appointed to positions of responsibility are appropriately qualified and experienced <u>by checking qualifications that are relevant and necessary for the role</u>; Enforcement of annual leave being taken, managers to review leave balances regularly; Conduct biennial independent fraud risk assessments, and ensure internal controls are being complied with through regular independent internal audits; Internal Quality Management Systems to be followed for the signing off of Consents; Requirement to regularly change passwords. <p>3. Senior Leadership Team displaying Ethical Leadership</p> <ul style="list-style-type: none"> Demonstrate the highest standards of ethical behaviour – all Directors should undertake ethical leadership training; Identifying and managing the fraud risks to which systems, operations and procedures are exposed; Following up, strictly in accordance with this policy, on any reports of fraud; Following a confirmed fraud incident, taking all appropriate actions to avoid any further harm to the Council and if necessary implementing root-cause analysis to identify whether any systemic issues exist that need to be eliminated; Update the Declaration of Interests Register (for senior management) <u>at least</u> annually. <p>4. Making everybody Accountable</p> <ul style="list-style-type: none"> All Council officers must take reasonable steps to safeguard Council funds and assets against fraud, theft, unauthorised use and misappropriation; If there is evidence of irregular or improper behaviour, or that a fraud may have been committed, it must be reported immediately as per the Fraud Response Plan below. All employees and elected members must fully cooperate with any investigation into suspected fraud or corruption. 	<p>Tiffany Radich Deleted: act in a way that could be in breach of this policy</p> <p>Karla Lawrence Deleted: petty cash and</p> <p>Tiffany Radich Deleted: at the i-Site and TSB Pool/Wai O Rua</p> <p>Karla Lawrence Deleted: <#>Mandatory purchase ordering and goods receipting,¶</p> <p>Tiffany Radich Deleted: <#>3</p> <p>Tiffany Radich Deleted: , or as necessary where there are new dangers</p>
<p>REPORTING - FRAUD RESPONSE PLAN</p>	
<p>1. Notification Process</p> <ul style="list-style-type: none"> All suspected cases of fraud should be reported to the Fraud Control Officer. Staff can report fraud in person, by letter, or by email to fraudofficer@stratford.govt.nz. Formal notifications must be in writing. The report should include sufficient detail to initiate an investigation. It must include an explanation of the alleged fraud and the name/s of the alleged perpetrator/s. It may also include dates, amounts, and documentation to support the claims made. 	

- If reporting the allegation of fraud to the Fraud Control Officer is not appropriate, the alternatives are the Chief Executive Officer, the Chair of the Audit and Risk Committee, or The District Mayor.
- If the Chief Executive Officer is suspected of fraud then the Fraud Control Officer will immediately notify the Chair of the Audit and Risk Committee and the Mayor.
- Staff and elected members reporting suspected fraud are covered by the Council's Procedures for the Protected Disclosure Act 2000, incorporated in the Human Resources Policy. The Act gives the person making a protected disclosure immunity from legal or disciplinary proceedings, and gives an employee the right to take a personal grievance against their employer if they suffer any retaliatory action as a result of making the disclosure.
- The Fraud Control Officer shall acknowledge the receipt of a fraud notification as soon as practically possible. The acknowledgement must advise the person reporting the fraud that they will be protected under the Protected Disclosure Act 2000.
- The Fraud Control Officer (or if implicated, one of the alternates) shall maintain a confidential log of all notifications and investigations.
- Except where a notification involves one of the alternates (or the circumstances notified may reasonably be regarded as having the potential to involve), the Fraud Control Officer shall ensure notification to all of the alternates as soon as is reasonably practical.
- Where the notification is of a significant nature, as defined above, it shall be reported by the Fraud Control Officer to:
 - o The CEO, the Chair of the Audit and Risk Committee and the Mayor within 48 hours,
 - o The Audit and Risk Committee at the next Committee meeting (summary nature, particularly having regard to whether the fraud involves an Audit and Risk Committee member).

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2. Investigation Process

- Suspected fraud will be investigated in an independent, open minded and professional manner. The interests of the person reporting the fraud, the Council, and the suspected individual, will be protected as much as possible and good employer processes will be followed at all times.
- The investigation shall be carried out by the Fraud Control Officer (the Director - Corporate Services) or their delegate. Where it is has been determined that one or more of the specified delegates should not be advised of the notification, the Chief Executive Officer shall determine who should conduct the investigation. No other employees or elected members may undertake their own investigations, unless assigned to do so in the Fraud Control Officer or Chief Executive Officer's absence.
- Evidence will be protected and all reasonable steps will be taken to ensure it is not contaminated, lost or destroyed. Immediate steps will be taken to secure physical assets including computers, and paper or electronic records. This may mean that an employee under investigation is required to take leave immediately, and during the full period of investigation.
- Recovery of assets and protection from financial loss of insurance cover will be priorities of the investigation.
- The investigation process will start with a preliminary investigation, the purpose of which shall be to determine whether a more comprehensive investigative process should commence, and will involve obtaining as much information as possible before anyone is questioned or interviewed.
- Where the initial investigation reveals there are reasonable grounds to believe fraud may have occurred, the initial process followed will include advising the person(s) in writing of the expected process, including whether a disciplinary process may ensue.
- Natural principles of justice shall apply, where a person shall be treated as innocent until proven guilty. A fraud may be 'confirmed' by considering the following:
 - o An admission of guilt,

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- o Supporting documentation, invoices, emails, audit trails, IT records, computer history,
 - o Confirmation from an independent source e.g. bank, police, elected member, auditors,
 - o Other staff members written accounts,
 - o A consistent or regular pattern of similar behaviour.
- The Investigating Officer will seek independent HR advice and the services of appropriately experienced and qualified third parties, where appropriate, to assist in the investigation, to ensure that the Council remains legally compliant throughout the investigation.
 - For employees, an allegation of fraud may result in an employee being subject to the Council's Disciplinary Policies. Where fraud is found to have occurred it may amount to serious misconduct and may result in appropriate disciplinary action (up to and including dismissal). The Council's HR Policy provides further guidance on the disciplinary process. For elected members, where fraud is found to have occurred, this may result in an elected member being subject to the process of Council's Code of Conduct. Reporting of fraud to the Police is at the Chief Executive Officer's discretion, irrespective of the role (e.g. staff, elected member, contractor) of the perpetrator.
 - The Investigating Officer will be responsible for comprehensive recording and reporting of all aspects of the investigation.

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3. Confidentiality

Subject to the requirements of the investigation or any legal requirements, everyone involved in a formal investigation or informal process has:

- The right to have information they disclose kept confidential.
- The duty to respect the rights of others to the maintenance of confidence.
- The right to have any limits of confidentiality explained to them.
- The identity of the person making the notification, or any details which may identify them, shall be confidential, to the extent provided for under the Council's Protected Disclosures Act 2000 Procedures. Exceptions under the Act include where disclosure is essential to the effective investigation of the allegations, to prevent serious risk to public health and safety, or to comply with the principles of natural justice.
- The Fraud Control Officer must keep all fraud officer emails secure and must not print these out.
- It is important that throughout the process confidentiality is maintained and any disclosure of personal details such as names, is on a need to know basis only.

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4. Reporting

- Throughout any investigation the Investigating Officer may keep the following informed of progress and developments on a regular basis:
 - o District Mayor,
 - o Chief Executive Officer,
 - o Chair of the Audit and Risk Committee,
 - o Council's external auditors,
 - o NZ Police or Serious Fraud Office ("SFO"), if appropriate, and
 - o Any other relevant bodies, including where appropriate, the Chairs of the Council Committees.
- The SFO investigates serious or complex fraud where there are multiple victims and the alleged perpetrator is in a position of trust, or there are allegations of bribery and corruption, particularly involving public officials. Anyone is able to make a complaint to the SFO, whose mandate is to prosecute the perpetrators of fraud, and not to recover any losses (which is considered a civil matter). The Council will report a fraud event to the SFO where it warrants prosecution of the perpetrator. The decision to report to the SFO will be made by the Chief Executive Officer.

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- On completion of an investigation where fraud has been confirmed, there will be a full report to the Audit and Risk Committee setting out:
 - a. The background of the fraud and how the investigation arose,
 - b. What action was taken in response to the allegations,
 - c. The conduct of the investigation,
 - d. A brief summary of the facts and supporting evidence,
 - e. Whether legal action is to be undertaken, and if other authorities have been alerted,
 - f. Recommendations to minimise the opportunity for fraud through improvements in controls and processes and the plan for implementing these,
 - g. Actions and outcomes in the recovery of losses through restitution and insurance,
 - h. The recommendations of the police, external auditors, and any other third party involved in the investigation.

8. Other Relevant references

- Procurement Policy
- Delegations Policy
- Sensitive Expenditure Policy
- Human Resources Policy (internal policy)
- Protected Disclosures (Protection of Whistleblowers) Act 2022
- Employment Relations Act 2000
- Privacy Act 1993
- Crimes Act 1961
- Secret Commissions Act 1910
- Local Government Act 2002

Tiffany Radich
Deleted: Appendices

Christine R Craig
Deleted: 00



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PO Box 3928, Wellington 6140, New Zealand

Email: john.ryan@oag.parliament.nz
Telephone: +64 4 917 1500

Website: www.oag.parliament.nz www.auditnz.parliament.nz

14 February 2024

John Ryan

Tēnā koe

Long-term plan audit

This letter sets out a number of matters relating to the audit of your council's long-term plan.

First, I want to acknowledge the uncertainty you have faced over the past few months as you prepare for your council's 2024-34 long-term plan and consultation document. I appreciate you keeping my auditors updated on your progress at a time when there are many other pressures on you and your team.

The Government has announced its intention to pass legislation to repeal the Water Services Entities Act 2022 by 23 February. If enacted as intended, it will provide the legal basis for councils to include water assets as part of their 2024-34 long-term plans and consultation documents.

You will be aware that there are also proposals to give councils the option to not have consultation documents for this year's long-term plan audited, and for councils to be able to extend the time frame in which their long-term plan is completed and audited.

What does this mean for the 2024-34 long-term plan audit?

While we are better placed with audit capacity across all my providers, it is still critically important that your auditor is aware of your time frames for issuing the consultation document and completing the long-term plan. Auditors will also need to know whether you intend to adopt your consultation document without an audit. Knowing this will help auditors to schedule and plan the work that needs to be done within your required time frames. I know these conversations are well advanced in many councils and with my auditors.

The amount of work to audit only the final long-term plan will be marginally less than if both the consultation document and long-term plan are audited. This is because much of the work that would be required to audit the consultation document, such as the underlying assumptions, is also required to complete the long-term plan audit.

This year's audit fee

We have carefully considered our approach to setting fees for the audit of the 2024-34 long-term plans. Given current economic pressures, we will not increase audit fees in this round to the extent necessary for

the hours we expect the audit to take. Auditors will be proposing fees based on the same number of hours as the 2021 audit, adjusted for the significant cost pressures on the audit profession since 2021¹.

If the consultation document and long-term plan are both audited, the audit fee will be based on the fee for the 2021-31 consultation document and long-term plan audits plus an increase of 23%. For the reasons set out above, the audit fee will be only marginally less if only the long-term plan is audited.

For most councils, the fee increase will be less than \$30,000.

As always where there are inefficiencies on the audit side, these inefficiencies will not be on-charged to councils. I also expect auditors to provide you with a breakdown of the hours and costs and set out the reasons for any additional fee recoveries, if needed.

Future years' audit fees

In future, long-term plan audit fees will need to increase to reflect the hours and costs to carry out an efficient audit. I expect the post-audit discussion between you and the auditor will also provide insight into where efficiency can be gained in future.

Working together

As you know, good preparation is key to delivering timely and efficient audits. Please work with your auditor to ensure that the audit process is as efficient as possible, and the information needed for the audit is available when required.

As always, your auditor or sector manager will be happy to answer any questions you may have about this letter. I encourage you to work directly with them if there are issues you would like to discuss.

Nāku noa, nā

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

John Ryan
Controller and Auditor-General

¹ A recent KPMG report presents a summary of the costs of audit, and demonstrates a 27% cost increase for NZX listed companies between 2020 to 2022 ([audit-quality-transparency-report-2023.pdf \(kpmg.com\)](https://www.kpmg.com/au/issuesandinsights/articlespublications/audit-quality-transparency-report-2023.pdf)).



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4 December 2023

Ref.: EN/LCA/03-0038

Sven Hanne
Chief Executive
Stratford District Council
PO Box 320
Stratford 4352

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington

Dear Sven

Proposal to conduct the audit of Stratford District Council and subsidiary on behalf of the Auditor-General for the 2023 financial year

1 Introduction

Referring to the audit proposal dated 11 May 2022, the Auditor General proposes to appoint me to carry out the audit of your organisation for the 2022 to 2024 financial years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audits of Stratford District Council and Percy Thomson Trust for the financial years ending 30 June 2023. The proposed fees 30 June 2024 and 30 June 2025 will be revised annually.

The purpose of this proposal is to provide information on:

- the statutory basis for the audits and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audits and reasons for any change in hours;
- our proposed fees for the audits for the financial years ending 30 June 2023;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audits in accordance with the Auditor-General's Auditing Standards.



2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. The Act requires the Auditor-General to make sure that audit fees are “reasonable” for both the auditors who complete the audits for Auditor-General, and for each of the entities audited.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3 Entities covered by this proposal

This proposal covers the audits of the financial statements of:

- Stratford District Council; and
- Percy Thompson Trust

4 Key members of the audit team

Appointed Auditor	Pam Thompson
Quality Control Reviewer	Bruno Dente
Audit Manager	Luke Van Der Walt
Information Technology Partner	Reenesh Bhana

5 Estimated audit hours

We estimate that the following hours will be required to carry out the audit (compared to budgeted and actual data from the previous financial year):

5.1 Stratford District Council ('SDC')

Audit team member	2022 budget	2022 actual (*)	2023 budget (***)
Appointed Auditor	65	73	65
EQCR Partner **	-	11	11
Audit Manager	90	108	95
Other CA qualified staff	180	380	283
Non CA qualified staff	380	601	467
Other specialists	26	180	50
Total audit hours	741	1,353	971

* Actual hours (1,353) have been adjusted to eliminate any hours that were due to auditor inefficiencies. The actual hours that remain are the reasonable hours that were attributable to the audit in that year. The hours were also significantly more than the estimated hours going forward as this was the first year that Deloitte Limited was involved



in the audit, transitioned the audit from Audit New Zealand in 2022. Going forward, the estimated hours are expected to be 971 hours which is closely aligned to the hours incurred by Audit New Zealand in previous years (903 hours). In determining the hours going forward, a detail budget was performed and this was sense checked through the performance or a benchmarking exercise that was performed across all Council's that we audit.

** As noted in our audit proposal dated 11 May 2022, there is a Quality Control Reviewer allocated to this engagement.

*** This assumes that the revaluations will occur in the current year of your core infrastructure assets and these valuations will be performed at year end rather than the beginning of the financial year. The total estimated budgeted hours have been benchmarked against other council audits and the total budgeted hours above represents the average time it takes to complete the audit.

5.2 Percy Thomson Trust ('PTT')

Audit team member	2022 budget	2022 actual	2023 budget
Appointed Auditor	10	10	10
EQCR Partner	3	3	3
Audit Manager	18	18	18
Other CA qualified staff	88	88	110
Total audit hours	119	119	141

5.3 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audits are:

Reasons for increased or decreased audit hours compared to previous period <u>budgeted</u> hours:	SDC	PTT
Over time the complexity of the audit has increased. Additional audit work has been required to be undertaken due to changes in auditing standards and regulatory requirements. These changes have not been reflected in the historical fees and the historical budgeted hours have been under the requisite hours required to complete the audit.	206	-
IT specialist involvement in understanding and testing the Council's IT control environment	24	-
Valuation of land and buildings due for valuation at 30 June 2023	-	22
Total increase (decrease) in audit hours	230	22

6 Proposed audit fees

Our proposed fees for the next year audit (compared to budgeted and actual data from the previous financial year) is:



6.1 Stratford District Council

Structure of audit fees	2022 budget fees	2022 actual fees charged	2023 budget (*)
	\$	\$	\$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements) **	102,495	102,495	183,500
Discount**			(20,000)
Total Net audit fee	102,495	102,495	163,500
OAG Audit Standards and Quality Support charge	9,523	9,523	18,468
Total audit fee (excluding disbursements)	112,018	112,018	181,968
Estimated Disbursements, including 2% technology charge ***	14,000	14,873	21,058
Total billable audit fees and charges	126,018	126,891	203,026
GST	18,903	19,034	30,454
Total (including GST)	144,921	145,925	233,480

* The audit fee includes an assumption that only one asset class is due for valuation for the year ending 30 June 2023. Should an out of cycle valuation be required or if the valuation is performed at the beginning of the financial year, an additional fee will be agreed.

** Based on the various options provided to Council in terms of phasing the audit fee increase, Council has opted to take the full discount of \$20,000 in the 2023 financial year.

*** As the audit has been completed, budgeted disbursements have been updated to reflect actual disbursements.

6.2 Percy Thomson Trust

Structure of audit fees	2022 budget fees	2022 actual fees charged	2023 budget
	\$	\$	\$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	7,566	7,566	24,740
OAG Audit Standards and Quality Support charge	385	385	1,128
Total audit fee (excluding disbursements)	7,951	7,951	25,868
Estimated Disbursements, including technology charge (2%)	500	500	995
Total billable audit fees and charges	8,451	8,451	26,863
GST	1,268	1,268	4,029



Structure of audit fees	2022 budget fees	2022 actual fees charged	2023 budget
	\$	\$	\$
Total (including GST)	9,719	9,719	30,892

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

6.3 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period <u>budgeted</u> fees.	SDC	PTT
Predicted staff salary cost movements - inflation	8,200	605
Increase in hours due to increased requirements and complexity in the audit process	38,930	3,860
Additional costs incurred to perform the audit which have not kept pace with historical rate adjustments applied over the past three years.	28,875	12,709
IT specialist involvement in understanding and testing the Council's IT control environment	5,000	-
Total increase (decrease) in audit fees	81,005	17,174

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit. This includes appropriate add checks and check notes are internally consistent.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).



- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.
- The audit does not include any climate change scope of work.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The



schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Pam Thompson
Partner
For Deloitte Limited

I accept the audit fees for the audit of 30 June 2023 as stated above.

Full name: _____ Position: _____
Authorised signature: _____ Date: _____
Entity name: _____

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Pam Thompson
Deloitte Limited
PO Box 1990
Wellington 6140



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.