



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

Wednesday 14 October 2015

Commencing at the conclusion of the Commercial Subcommittee

Ruma Mārama

Level 2A, Civic House

110 Trafalgar Street, Nelson

Membership: Mr John Peters (Chairperson), Her Worship the Mayor Rachel Reese, Councillors Ian Barker and Brian McGurk, and Mr John Murray

Guidelines for councillors attending the meeting, who are not members of the Committee, as set out in Standing Orders:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings (SO 2.12.2)
- At the discretion of the Chair, councillors who are not Committee members may speak, or ask questions about a matter.
- Only Committee members may vote on any matter before the Committee (SO 3.14.1)

It is good practice for both Committee members and non-Committee members to declare any interests in items on the agenda. They should withdraw from the table for discussion and voting on any of these items.

14 October 2015

Page No.

1. Apologies

Nil

2. Confirmation of Order of Business**3. Interests**

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

4. Public Forum**5. Confirmation of Minutes**

5.1 10 September 2015

5 - 10

Document number M1459

Recommendation

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 10 September 2015, be confirmed as a true and correct record.

6. Status Report - Status Report - 14 October 2015**11 - 12**

Document number R4982

Recommendation

THAT the Status Report Audit, Risk and Finance Subcommittee 14 October 2015 (R4982) and its attachment (A1324298) be received.

7. Chairperson's Report

8. Draft Asset Disposal Policy 13 - 18

Document number R4823

Recommendation

THAT the report Draft Asset Disposal Policy (R4823) and its attachment (A1412442) be received.

Recommendation to Governance Committee and Council

THAT the Draft Asset Disposal Policy (A1412442) be approved;

AND THAT the Delegations Manual is updated to reflect the delegations in the Asset Disposal Policy.

9. Draft Risk Management Framework 19 - 34

Document number R4887

Recommendation

THAT the report Draft Risk Management Framework (R4887) and its attachment (A1431591) be received.

Recommendation to Governance Committee and Council

THAT the Draft Risk Management Framework (A1431591) be approved.

10. Corporate Report to 31 August 2015 35 - 51

Document number R4939

Recommendation

THAT the report Corporate Report to 31 August 2015 (R4939) and its attachments (A1422506, A1432835, A793514, and A1436178) be received and the variations noted.

Recommendation to Governance Committee and Council

THAT \$350,000 for the upgrade of the Civic House verandah be deferred until 2017/18;

AND THAT \$200,000 for the upgrade of the Hunter Furniture roof be deferred until 2016/17.

Minutes of a meeting of the Audit, Risk and Finance Subcommittee

Held in Ruma Mārama, Level 2A, Civic House, 110 Trafalgar Street, Nelson

On Thursday 10 September 2015, commencing at 1.03pm

Present: Mr J Murray (Chairperson), Her Worship the Mayor R Reese, Councillors I Barker, and B McGurk

In Attendance: Councillors P Matheson, G Noonan and T Skinner, Chief Executive (C Hadley), Group Manager Infrastructure (A Louverdis), Group Manager Corporate Services (N Harrison), Senior Accountant (T Hughes), Senior Strategic Adviser (N McDonald), Administration Adviser (G Brown), and Audit New Zealand (B Kearney)

Apology: Mr J Peters

1. Apologies

Resolved AUD/2015/033

THAT an apology be received and accepted from Mr Peters.

Barker/Her Worship the Mayor

Carried

2. Confirmation of Order of Business

The Chairperson advised that item 8, Draft Annual Report 30 June 2015, would be considered first on the agenda.

3. Interests

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

4. Draft Annual Report 30 June 2015

Document number R4210, agenda pages 15 - 83 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

In response to a question, the Chief Executive, Clare Hadley clarified that the draft Annual Report was in two sections, written text and financials as different officers compiled these sections.

It was discussed that comments needed to be requested from Councillors in relation to the draft Annual Report. Mrs Hadley advised that she would advise all Councillors of today's discussion and ask for feedback while clarifying the document split.

It was highlighted that there were some good stories to be told in relation to the draft Annual Report rates and debt levels.

In response to a question, Ms Harrison clarified that water was measured by consumption and not classified as rates. Audit New Zealand, Auditor, Bede Kearney added that clearer classification for water consumption would be published next year from a change in local government regulations.

It was discussed that the status of receivables for 2014 illustrated in attachment 1 included the Everyman and Marina bad debts.

In response to a question, Ms Hughes said that Port Nelson and Tasman Bays Heritage Trust Land were all showing as zero on page 48 of the agenda as this illustrated only Council results and not group results.

It was discussed that the wording on page 50 in the Port Nelson section in relation to the 'title to this area of seabed' should be reworded if possible.

There was a discussion regarding Related party transactions on page 52 of the agenda in that it should include external appointees, however it was advised that external appointees would be included under key management personnel.

With regards to Working with Maori in attachment 2, it was highlighted that there was no reference to engagement with councillors.

In response to a question, Mrs Hadley advised that documentation was still being prepared in relation to an agreed process with iwi to tender for cultural impact assessments work for infrastructure resource consents.

It was highlighted that there was no commentary around inner city parking and it was questioned whether this topic formed part of the Residents Survey.

In addition it was noted that motor camps, the Trafalgar Centre, and Waahi Taakaro Golf Club needed commentary under Recreation and Leisure.

It was noted that the New Zealand Transport Agency R Funding in relation to Rocks Road would be worthwhile mentioning also in the commentary.

It was suggested that it should be highlighted that the shift in focus to improve footpaths was not only for mobility scooters but for the elderly and sight impaired.

In response to a question, Ms Hughes said that infrastructure revaluations were on a two yearly cycle. She said last year was a full revaluation and this year was an off year. She added the actual revaluation amounts for 2014 and 2015 in the Statement of Comprehensive Revenue and Expense represented the increase in each respective year.

Mr Kearney advised the Committee that the audit was progressing well. He highlighted that there would be changes to auditing standards next year but brought emphasis into these focus areas this year.

In response to a question, Mr Kearney said that it was good practice to adopt a business case approach.

Resolved AUD/2015/034

THAT the report Draft Annual Report 30 June 2015 (R4210) and its attachments (A1417003 and A1396738) be received.

Barker/McGurk

Carried

5. Public Forum

There was no public forum.

6. Confirmation of Minutes

6.1 30 July 2015

Document number M1385, agenda pages 5 - 12 refer.

Resolved AUD/2015/035

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 30 July 2015, be confirmed as a true and correct record.

Barker/McGurk

Carried

7. Status Report - Audit, Risk and Finance Subcommittee - 10 September 2015

Document number R4799, agenda pages 13 - 14 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

Resolved AUD/2015/036

THAT the Status Report Audit, Risk and Finance Subcommittee 10 September 2015 (R4799) and its attachment (A1324298) be received.

Her Worship the Mayor/McGurk

Carried

8. Chairperson's Report

There was no Chairperson's Report.

9. Carry Forwards from 2014/15

Document number R4211, agenda pages 84 - 88 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

In response to a question, Group Manager Infrastructure, Alec Louverdis, advised that subject to no major changes to the work programme he believed Nelson City Council was adequately resourced for the capital programme of \$55.3 million. It was noted that the programme included large projects such as the Trafalgar Centre strengthening, Rutherford Park, the Suter and Nelson School of Music developments.

Mrs Hadley highlighted that part of the organisational restructure was to provide more support in the capital projects area however, at times resource consents, New Zealand Transport Agency approval, engagement with landowners and easements could hold projects up.

Resolved AUD/2015/037

THAT the report Carry Forwards from 2014/15 (R4211) be received.

Barker/McGurk

Carried

Recommendation to Governance Committee and Council AUD/2015/038

THAT \$4,233,000 of unspent capital budget from 2014/15 be carried forward for use in 2015/16;

AND THAT \$403,000 of capital spent in 2014/15 be offset against 2015/16 budgets;

AND THAT an amount of \$107,000 operating budget be carried forward for use in 2015/16.

McGurk/Barker

Carried

10. Draft Internal Audit Charter

Document number R4777, agenda pages 89 - 95 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

There was a discussion regarding the work programme. Ms Harrison advised that a Standard Operating Procedures Manual would be compiled and that the Audit, Risk and Finance Subcommittee would review this document.

It was requested that the following changes be made to the draft Internal Audit Charter:

- Add the word 'directly' to section 5.1 in relation to interaction with the Chair
- Change the wording 'if required' to 'as required' in section 5.3
- Add the words to the fifth bullet point in section 7.1 at the end 'and integrated, and their contribution to council outcomes'
- Add the words 'and testing' to the second and subsequent bullet points in section 7.1 so it reads 'Evaluating and testing the reliability...'
- Section 8.2, recommended changes to be reviewed by Group Manager Corporate Services and Manager Organisational Assurance
- Remove additional wording in section 10.2

There was a discussion regarding a whistle blower mechanism. The Chief Executive, Clare Hadley advised the Committee that Nelson City Council had a 'Report it Now' system to report any unethical behaviour. She added that this function was the responsibility of Human Resources.

It was suggested that contractors should also be made aware of the 'Report it Now' system.

It was noted that the Fraud Policy was included in the work programme for the Audit, Risk and Finance Subcommittee.

There was a discussion regarding expectations in relation to internal audit reporting and it was agreed that progress against the work programme would be adequate showing high level findings such as areas being worked on, findings and work going forward at each meeting, as well as more structured reporting on a six monthly basis.

Resolved AUD/2015/039

THAT the report Draft Internal Audit Charter (R4777) and its attachment (A1395134) be received.

Barker/McGurk

Carried

Recommendation to Governance Committee and Council AUD/2015/040

THAT the Draft Internal Audit Charter (A1395134) as amended as per the Audit, Risk and Finance Subcommittee minutes 10 September 2015 be approved.

Her Worship the Mayor/McGurk

Carried

There being no further business the meeting ended at 2.44pm.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

Status Report - Status Report - 14 October 2015

1. Purpose of Report

- 1.1 To provide an update on the status of actions requested and pending.

2. Recommendation

THAT the Status Report Audit, Risk and Finance Subcommittee 14 October 2015 (R4982) and its attachment (A1324298) be received.

Gayle Brown
Administration Adviser

Attachments

Attachment 1: Status Report - Audit, Risk and Finance Subcommittee - October 2015

Outstanding Actions

Status Report - Audit, Risk and Finance Subcommittee - 14 October 2015

MEETING DATE	SUBJECT	MOTION	RESPONSIBLE OFFICER	COMMENTS
30 July 2015	Chairperson's Report	<p><u>THAT</u> the verbal Chairperson's Report be received;</p> <p><u>AND THAT</u> information on the risk management framework, Subcommittee work plan, internal audit work plan, and internal audit charter be provided at the next Subcommittee meeting.</p>	Nikki Harrison	<p>Risk management framework - on agenda</p> <p>Subcommittee work plan - now targeted to be brought to a subcommittee meeting after the subcommittee terms of reference have been approved.</p> <p>Internal audit work plan - workshops are being held September/October so that a risk based program can be developed - targeted to be brought to 12 November subcommittee meeting</p> <p>Internal audit charter - actioned 10 September subcommittee meeting</p> <p>Ongoing</p>

Draft Asset Disposal Policy

1. Purpose of Report

- 1.1 To approve the Draft Asset Disposal Policy.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has responsibility for risk management and internal control.

3. Recommendation

THAT the report Draft Asset Disposal Policy (R4823) and its attachment (A1412442) be received.

Recommendation to Governance Committee and Council

THAT the Draft Asset Disposal Policy (A1412442) be approved;

AND THAT the Delegations Manual is updated to reflect the delegations in the Asset Disposal Policy.

4. Discussion

- 4.1 It is best practice to have an Asset Disposal Policy to provide clear guidance to staff on how and when to dispose of assets. Although Council has robust internal processes around approving asset disposals it does not have a formal policy.
- 4.2 In documenting the policy, it is noted that there is not currently a formal delegation in the Delegations Manual relating to asset disposals which needs to be addressed.

5. Options

- 5.1 Accept the recommendation – approve the Draft Asset Disposal Policy.

5.2 Reject the recommendation – not approve the Draft Asset Disposal Policy.

6. Alignment with relevant Council policy

6.1 This decision is not inconsistent with any other previous Council decision.

7. Assessment of Significance against the Council's Significance and Engagement Policy

7.1 This is not a significant decision under the Council's Significance and Engagement Policy.

8. Consultation

8.1 No consultation has been undertaken in preparing this policy.

9. Inclusion of Māori in the decision making process

9.1 No consultation with Maori has been undertaken in preparing this policy.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: A1412442 - Draft Asset Disposal Policy

Draft Asset Disposal Policy

Effective Date: September 2015

Review Date: September 2018

Contact: Senior Accountant, Finance

1. Introduction

- 1.1. Entities that dispose of capital assets must ensure they have clearly set out processes to ensure that the disposal of unwanted resources takes place in a transparent and accountable manner.
- 1.2. Disposals should be carefully planned and conducted so that they maximise value for money for the Council and minimise opportunities for exploitation by individual employees, private persons or organisations.

2. Purpose

3. The purpose of this policy is to set out the principles and processes for disposal of Council assets and to provide clear guidance to staff on how and when to dispose of Council assets.

4. Definitions

- 4.1. Assets – include, but may not be limited to, financial assets (debtors, loans), real property, plant and equipment, computer hardware, furniture and fittings, collections, vehicles, intellectual property, data and information. Land disposals must be approved by Council. Library books are excluded as they are covered by the Libraries Content management guidelines which covers book disposal.
- 4.2. Disposal – includes the sale, scrapping, write off, barter, trading or any other means of ceasing beneficial ownership or custody of assets.
- 4.3. Write off – specially refers to the removal of the asset from the Council asset register, or Statement of Financial Position, at nil value.

5. Principles

- 5.1. Assets will be disposed of in the manner that ensures Council achieves the best net value for the assets.
- 5.2. Disposals will be conducted in an efficient, effective and transparent manner.
- 5.3. All asset disposals will be appropriately authorised and adequately documented.
- 5.4. Disposal processes will ensure that assets that are sold or scrapped are removed appropriately from the asset and financial records and insurance register.
- 5.5. Tight controls will be in place to ensure that Council staff and elected members are not advantaged over members of the public.
- 5.6. All assets to be disposed of are:
 - 5.6.1. assessed for health and safety impacts prior to sale which are included in the sale documentation and;
 - 5.6.2. a disclaimer is stated that any buyer shall be responsible for ensuring the health and safety risks of any future use of the asset and ensuring it meets any legal and other requirements for its intended use.
- 5.7. All asset disposals must be in accordance with any relevant provisions of the Local Government Act 2002 (Section 133, 138 and 140), Consumer Guarantees Act 1993 and Fair Trading Act 1988.

6. Policy content

- 6.1. The Council expects the disposal of assets to achieve the best net value for money possible.
- 6.2. Proper authorisation, in accordance with the Officers Delegation Manual/this policy will be obtained before any asset is disposed of.
- 6.3. All disposals of assets will be through an open, fair and transparent process.
- 6.4. Every asset disposal will be fully documented, clearly identifying the asset, who authorised its disposal, the sale price, whom it was disposed to and recorded in a timely and accurate manner in the fixed asset records.
- 6.5. Proceeds from the sale of assets must be correctly and expediently recorded in the financial accounting systems.
- 6.6. Independent appraisals of value will be obtained for higher value assets prior to their disposal as set out in the procedure.

7. Authorisation

- 7.1. The initial decision to dispose of an asset must be made by a third tier manager (Business Unit Manager) responsible for the asset. This should occur when the manager becomes aware that the asset is redundant, obsolete, replaced, damaged, stolen or surplus to requirements. Written authorisation to dispose of the asset must be obtained from a Group Manager or the Chief Executive (depending on the value) prior to commencing the process.
- 7.2. Any sales above \$50,000 must be authorised by Council. All land disposals must be approved by Council.

8. Methods of disposal

- 8.1. To establish a perceived value, find examples of like items being sold in similar circumstances by other sellers.
- 8.2. The valuation for the authorisation and method of disposal is based on the total perceived value of the items being disposed of on one day to a seller ie if selling 300 \$30 phones, the perceived value would be \$9,000 and would required CE signoff.
- 8.3. The below table sets out the methods of disposal to be used:
- 8.4.

Estimated sale value of asset	Method	Approval
Under \$500	Internal tender available to all staff or Trade-in or Gift to non-profit organisation	GM Corporate Services or GM Infrastructure

Estimated sale value of asset	Method	Approval
\$500 - \$5,000	Public auction or Trade-in or Sell to dealer (3 quotes)	GM Corporate Services or GM Infrastructure
\$5,000-\$50,000	Public auction or Trade-in or Sell to dealer (3 quotes)	Chief Executive
Over \$50,000	Public auction or Trade-in	Council

- 8.5. The reserve prices for auctioned items should not be less than the book value of the asset unless there is a tangible reason, such as market belief that the asset is obsolete or the condition of the asset is such that it is reduced in value. With vehicles, if selling by auction, set the reserve price by reviewing similar vehicles on the auction site.
- 8.6. Technology items that hold data will not be on sold. The hard drive of the device will be destroyed and then the item will be disposed of.

9. Related policies and procedures

- 9.1. Officers Delegations Manual

Draft Risk Management Framework

1. Purpose of Report

- 1.1 To approve the Draft Risk Management Framework.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has responsibility for risk management and internal control.

3. Recommendation

THAT the report Draft Risk Management Framework (R4887) and its attachment (A1431591) be received.

Recommendation to Governance Committee and Council

THAT the Draft Risk Management Framework (A1431591) be approved.

4. Background

- 4.1 The Council risk register was last reported to the Audit, Risk and Finance subcommittee at the 18 June 2015 meeting. At that meeting a high level plan for the development of a risk management framework was put forward with the intent to present the Draft Risk Management Framework to this Subcommittee by 30 September 2015.

5. Discussion

- 5.1 The Draft Risk Management Framework confirms the commitment of the Council to good corporate governance through risk management. It defines the broad accountabilities and structures the Council will maintain in order to manage risk. The intent of the Framework is to ensure that sound risk management practices are an integral part of all Council processes.

6. Options

- 6.1 Accept the recommendation – approve the Draft Risk Management Framework.
- 6.2 Reject the recommendation – not approve the Draft Risk Management Framework. However not having a Risk Management Framework in place would mean that ensuring sound risk management practices were in place would be difficult.

7. Alignment with relevant Council policy

- 7.1 This decision is not inconsistent with any other previous Council decision.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision under the Council's Significance and Engagement Policy.

9. Consultation

- 9.1 No consultation has been undertaken in preparing this policy.

10. Inclusion of Māori in the decision making process

- 10.1 No consultation with Maori has been undertaken in preparing this policy.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: A1431591 - Draft Risk Management Framework

Risk Management Framework

Effective Date: September 2015

Review Date: September 2018

Contact: Organisational Assurance Manager

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Section 1 : Overview and Governance

1. Introduction

- 1.1. Nelson City Council's (Council's) strategy consists of its strategic objectives, goals and plans. Risk Management is a well-recognised key governance and management tool that underpins the Council's approach to achieving its objectives.
- 1.2. The successful achievement of strategic and operational objectives can be impeded by risks and uncertainty from the strategic and operating environment. To manage the uncertainty, Council has established a Council-wide Risk Management Framework (RMF) that defines the risk management operating model, including the risk culture, processes and approach to managing risk within an agreed risk tolerance and appetite.
- 1.3. The Risk Management Framework is consistent with ISO 31000:2009 Risk Management Standard.

2. Definitions

- 2.1. **Risk:** The effect of uncertainty on objectives.
- 2.2. **Risk Assessment:** The overall process of risk identification, risk analysis and risk evaluation.
- 2.3. **Risk Management:** The culture, process and structures that are directed towards realising potential opportunities whilst managing adverse effects.
- 2.4. **Enterprise Risk Management (ERM):** The whole of organisation risk management arrangements.
- 2.5. **Risk Management Framework (RMF):** The set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
- 2.6. **Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing and evaluating, treating and monitoring risks.
- 2.7. **Risk Owner:** Person or entity with the accountability and authority to manage a risk.
- 2.8. **Risk Register:** Record of information about identified risks.
- 2.9. **Control:** Anything that has the effect or purpose of managing a risk or achieving objectives.
- 2.10. **Risk Tolerance:** The amount and type of risk the organisation is prepared to bear.

- 2.11. **Risk Appetite:** The amount and type of risk that the Council may actively wish to pursue or engage with.

3. Purpose

- 3.1. This Risk Management Framework confirms the commitment of the Council to good corporate governance through risk management. It defines the broad accountabilities and structures the Council will maintain in order to manage risk. The intent of the Framework is to ensure that sound risk management practices are an integral part of all Council processes.
- 3.2. The Risk Management Framework will:
- 3.2.1. Create and protect value by contributing to the achievement of the Council objectives and obligations under the Local Government Act 2002.
 - 3.2.2. Address uncertainty and allow decision makers to understand risks, prioritise actions and consider alternative courses of action.
 - 3.2.3. Be transparent and inclusive, involving key stakeholders and decision makers at all levels of Council to ensure currency, accuracy and depth of information.
 - 3.2.4. Provide the best available information in a systematic, structured and timely way, allowing comparable and reliable results.

4. Scope

- 4.1. The Risk Management Framework outlines processes and procedures for the management of all types of risks associated with Council's activities. The Framework applies at all times to all Council personnel, including staff and contractors.
- 4.2. The Framework outlines the tools and processes for the identification and management of risk.

5. Objectives

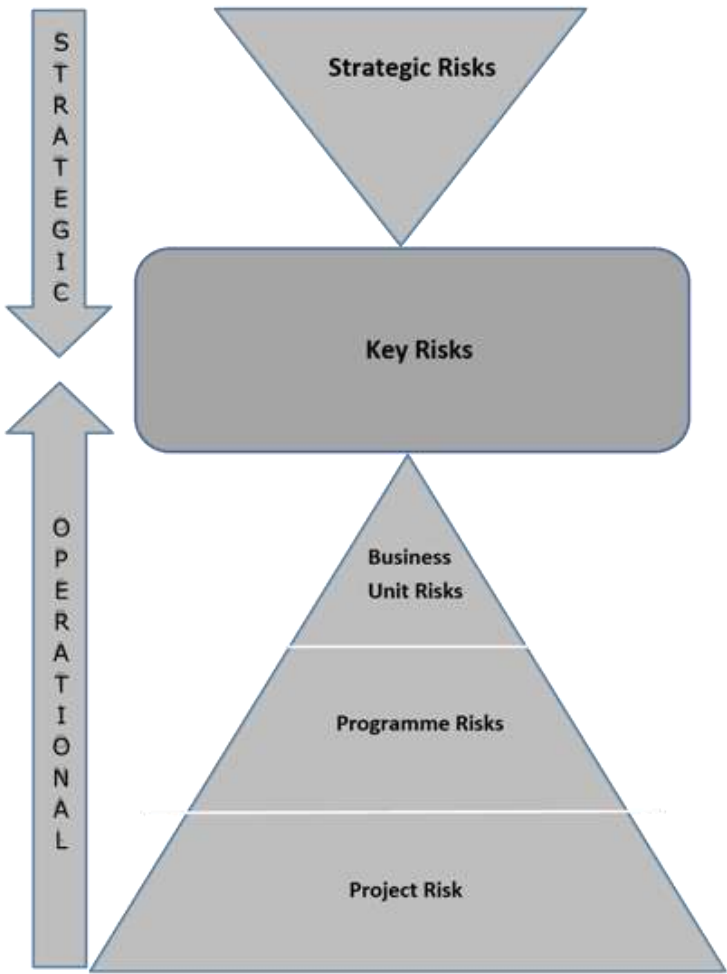
- 5.1. The objectives of the Risk Management Framework are to:
- 5.1.1. Provide a simple method and balanced approach for all staff to minimise exposure, loss and damage whilst realising opportunity and delivering improvement.
 - 5.1.2. Integrate risk management with governance and management arrangements, embedded in major organisational and business processes, and to clearly specify its accountability.
 - 5.1.3. Align the Council's risk management approach with ISO 31000 Risk Management Standard and provide a consistent risk language across all Council activities.

6. Design and Integration

- 6.1. All risks must be identified and managed, however due to limited resources, a prioritised approach has been adopted.
- 6.1.1. **Strategic Risks** generally emanate from Council's strategic activities, systems and processes and would impact or impede achievement of Council's strategies. Strategic risks are captured in key planning documents and activities. The strategic risks will be reported to the Senior Leadership Team at least monthly.
 - 6.1.2. **Key Risks** are those risks that pose a significant threat to Council's strategic objectives or outcomes and will be captured from both the operational and strategic risk registers. The key risks will be consolidated by the Organisational Assurance Team and reported to the Senior Leadership Team at least monthly
 - 6.1.3. **Business Unit Risks** generally emanate from business unit and team activities, systems and processes and would impact the achievement of specific business unit objectives. These could be comprised of operation or programme risks, strategic or external risks. Business Unit risks will be reviewed and updated at least quarterly or when any significant change in activities or risks occurs. Risk treatments must be reviewed and updated in accordance with the Framework. These would only be reported to Senior Leadership Team if strategic or key risks.
 - 6.1.4. **Programme & Project Risks** emanate from key project activities, systems and processes and would impact or impede achievement of project objectives. The Project Manager is responsible for ensuring all project specific risks are captured in a Project Risk Register.

Figure 1 shows how the risk types are related in the Council risk structure.

Figure 1: Risk Structure



7. Risk Management Leadership

7.1. Table 1. shows how the Leadership roles for the risk management programme.

7.2. Table 1: Risk Management Leadership

ROLE	RESPONSIBILITIES
Council (following recommendation from Governance Committee)	<p>Approval of risk management framework and governance policies.</p> <p>Ensure strategic risks are identified, assessed, monitored and reported.</p> <p>Approve major (strategic) decisions affecting the Council's risk profile or exposure.</p> <p>Satisfy itself that the less significant risks are being managed, appropriate controls are in place and working effectively.</p>
Audit, Risk and Finance Committee	<p>All legislative and financial reporting requirements are met.</p> <p>Provide commentary on adequacy of internal control environment.</p> <p>Recommend to the Governance Committee the approach to risk management and risk appetite.</p> <p>Monitor risk profile against risk appetite.</p> <p>Review risk policies and the risk management framework.</p>
Senior Leadership Team	<p>Implement policies on risk management and internal control.</p> <p>Identify and report on key risks associated with Council 's strategic planning environment.</p> <p>Identify and evaluate the key risks faced by Council for consideration by the AR&F and Governance Committees.</p> <p>Provide adequate information in a timely manner to the Council and its sub committees on the status of risks and controls.</p> <p>Require good risk management practices amongst staff members via the relevant managers.</p>

8. Three Lines of Defence

8.1. Council has a 'three lines of defence' approach to assurance as illustrated in Table 2.

8.2. Table 2: Three Lines of Defence

1st Line of Defence:	Council Staff : Responsibilities
Risks reported to Managers	<p>All staff including management, team leaders and Group Managers are required to:</p> <p>Apply the risk management framework on a day to day basis.</p> <p>Identify, manage and report risks, issues and incidents that may impact on operational, project and strategic objectives.</p> <p>Take ownership and demonstrate accountability for risk.</p> <p>Actively promote a positive risk culture.</p> <p>Participate in risk training and awareness requirements and improvement activities.</p>
2nd Line of Defence:	Organisational Assurance Team: Responsibilities
Risks reported to Corporate Management Team	<p>Oversight and integration into business activities of risk management activities conducted by the first line of defence.</p> <p>Conduct activities to develop risk culture.</p> <p>Design risk management frameworks and methodologies.</p> <p>Ensure risk owners manage their risks.</p> <p>Undertake risk reviews and monitor risk management control procedures and performance against risk appetite.</p> <p>Manage the risk registers and reports</p>
3rd Line of Defence:	Internal Audit: Responsibilities
Internal Audit	<p>Provide independent assurance and oversight for first and second line defence.</p> <p>Provide assurance to the Council via the Audit, Risk and Finance Committee of the design and operating effectiveness of systems and internal controls in order for the Council to discharge its governance responsibilities.</p>

9. Budgeting and Forecasting

- 9.1. Budgeting and forecasting within Council will include a risk assessment outlining any risks that will limit Council's ability to meet its proposed budget as well as any opportunities Council may have to make savings against the forecasted budget.

10. Contract Management, Procurement and Project Management

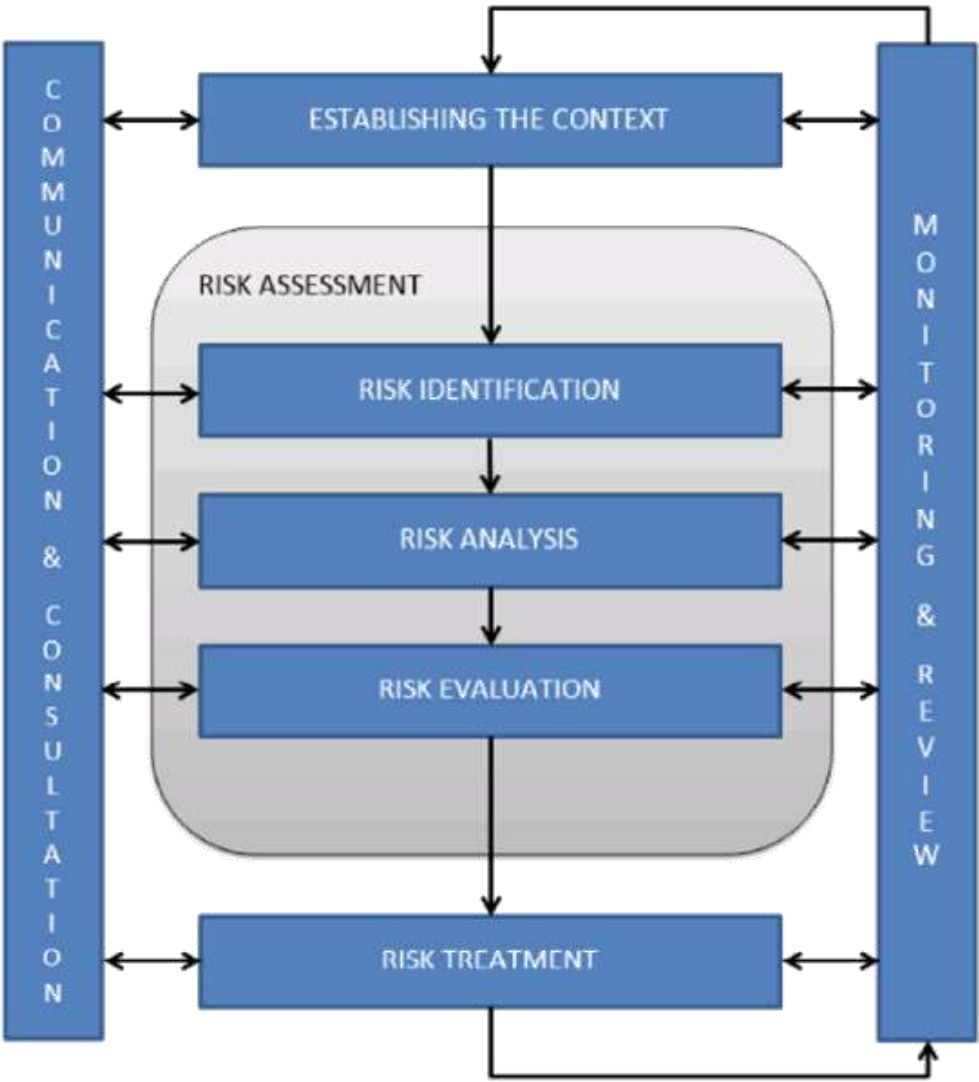
- 10.1. Contract management and procurement processes should consider potential risk areas to ensure Council is engaged in contracts that create the highest value. Once risks have been identified, consideration should be given to any additional mitigation that may be required to manage the contract effectively, or where Council may be able to manage the risk internally or achieve a cost saving. Any risks identified within the contract and/or throughout the contract lifecycle must be included in the contracts oversight process and be assessed by the appropriate specialists. The intention of the process is to recognise, analyse and manage any significant risks to Council.
- 10.2. Risk management is a key activity in the management of projects and programmes. The project and programme teams will work closely with the Organisational Assurance Team to identify, monitor and report the project and programme risks.

Section 2 : Risk Management Process

1. Risk Management Process Overview

1.1 The risk management process consists of a series of steps that when undertaken in sequence supports a logical approach to identifying and managing risk. Figure 2 below gives an overview of the risk management process (ISO 31000 Risk Management Standard).

1.2 Figure 2: Risk Management Process



2. Communication and Consultation

- 2.1 Communication and consultation is an essential component of Council's operating model and is a critical element of the risk management process.
- 2.2 Communication and consultation occurs throughout the risk management process, formally and informally. It is unlikely that one person will have all the information required to identify and manage risk.
- 2.3 Communication and consultation should ensure all the internal and external stakeholders are included at the right stage of the risk assessment process. Perceptions of risk can vary so it is important that all views are understood, and considered.

3. Establish the Risk content

- 3.1 Prior to any risk assessment it is important to clearly define the context in which the risk management process will be conducted, including:
 - 3.1.1 The definition of objectives.
 - 3.1.2 The internal and external environment.
 - 3.1.3 Stakeholders.
 - 3.1.4 Scope inclusions and exclusions.
 - 3.1.5 The criteria against which risk is evaluated.
 - 3.1.6 The timeframe to be considered.
- 3.2 The internal context includes the goals, objectives and strategies of Council and the current resources, structure and framework of Council.
- 3.3 The external context encompasses the relationship between Council and its operating environment and should include an understanding of the community's perceptions and other external stakeholders.

4. Identify Risks

- 4.1 The aim of this step is to identify and record a comprehensive list of potential risks to the objectives as defined within the context of the risk assessment. Risks may arise during any change in circumstances and should also include those risks where the source is not within Council's control.
- 4.2 There are a number of ways in which risks are identified. The three key elements to identifying risks are:
 - 4.2.1 What could happen?
 - 4.2.2 What would the associated impacts be (including knock-on effects?)
 - 4.2.3 When could it arise?
 - 4.2.4 Why could it happen (identifying the cause)?
 - 4.2.5 Where could it occur?

- 4.2.6 The risk identification should consider the source of risk and include
- 4.2.7 The event [something happens]
- 4.2.8 The cause/s [due to]
- 4.2.9 The consequences [resulting in]
- 4.3 An example might be "There is a risk Council cannot deliver its key service (event) due to a shortage of skilled staff (cause) resulting in legislative breaches and reputational damage (consequences).

5. Analyse Inherent Risks (without controls)

- 5.1 Risk analysis involves the assignment of impact and likelihood ratings using the descriptors defined within the Council Risk Assessment Tools (Section 3). When assigning ratings it is important the maximum expected impact is first defined, followed by the likelihood of the impact.
- 5.2 The inherent risk is the level of risk before considering the controls already in place.

6. Determine Current Controls and their Effectiveness

- 6.1 Current controls are activities which are in place now to reduce the likelihood or impact of a risk. If a control is proposed or awaiting approval it is a risk treatment (see below).
- 6.2 The effectiveness of the controls (based on the control effectiveness ratings) and their effect on reducing likelihood or impact against the cost of implementing the control should be assessed.

7. Analyse Residual Risks (with controls)

- 7.1 This step applies the same impact and likelihood ratings as for analysing inherent risks, but takes into account the impact of controls on reducing the impact and likelihood.

8. Risk Evaluation (Risk Acceptance and Treatment)

8.1 The purpose of risk evaluation is to assist in making decisions about which risks can be accepted and which risks need treatment and the priority for treatment implementation. Considerations may include:

- 8.1.1 The cost of treatment far exceeds the benefit or level of risk.
- 8.1.2 The opportunity of taking the risk outweighs the threat and taking the risk is justifiable to achieve intended objectives.
- 8.1.3 Due to the type or nature of the risk there is no treatment available.
- 8.1.4 The existing controls are considered 'optimal' for the current risk.
- 8.1.5 Risk treatment involves identifying a set of activities that once implemented will provide new controls or improve existing controls to increase their effectiveness.
- 8.1.6 It is important that each treatment option is analysed sufficiently to ensure it doesn't have unacceptable adverse effects and that the resources (financial, staffing) required to implement the treatment is appropriate to the expected level of risk reduction.

8.2 Table 3 below summarises the risk treatment options. Once the appropriate treatment option has been determined for each identified risk, the treatment is documented in a plan which will include the approach, timeframes, review and monitoring, resources required and the individual/s responsible. The Organisational Governance Team documents and administers treatments for the Council's risks in the risk register.

8.3 Table 3: Risk Treatment Options

Risk Treatment Option	Rationale
Risk Avoidance	Decide not to proceed with the activity likely to create the risk. Consider when there are no control measures or when controls do not reduce the risk to an acceptable level. Must be balanced with the potential for missed opportunities or an increase in the significance of other risks.
Alter Likelihood	Enhance the likelihood of beneficial outcomes or reduce the likelihood of negative outcomes by implementing additional controls to reduce the possibility or prevent the risk from occurring.
Alter Consequences (Impact)	Increase the gains or reduce the losses by implementing additional controls to minimise the impact of the risk if it occurs.
Share Risk	Share risk with another party. May include contracts, insurance, partnerships, alliances and outsourcing. It is important to note that even when sharing a risk, the risk is not transferred as the Council may retain a regulatory obligation or be exposed to impacts against its reputation by a third party's activities.
Tolerate Risk	Explicit decision to retain and live with the risk if it is at an

Risk Treatment Option	Rationale
	acceptable level.

9. Monitor, Review and Reporting

- 9.1 Monitoring, reviewing and reporting are essential and integral elements in the risk management process. Change is a constant factor and very few risks remain static.
- 9.2 Risk management must be dynamic and iterative, which requires a formalised process. Monitoring and reviewing processes will be included in the Organisational Assurance business plan, the annual risk management programme, and the annual internal audit plan and throughout the business units.
- 9.3 Key elements include:
 - 9.3.1 Annual review of the risk context, risk criteria and risk profile.
 - 9.3.2 Periodically repeating the risk identification process to capture new or emerging risks.
 - 9.3.3 Active control monitoring and developing early warning systems such as key indicators, incident reporting as a trigger to review risks and control effectiveness.
 - 9.3.4 Reporting all risks and issues to the relevant committees and stakeholders.

Corporate Report to 31 August 2015

1. Purpose of Report

- 1.1 To inform the members of the Audit, Risk and Finance Subcommittee on the financial results of activities for the 2 months ending 31 August 2015 compared to the approved operating budget, and to highlight and explain any material variations.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has oversight of the management of financial risk and makes recommendations to the Governance Committee and to Council.

3. Recommendation

THAT the report Corporate Report to 31 August 2015 (R4939) and its attachments (A1422506, A1432835, A793514, and A1436178) be received and the variations noted.

Recommendation to Governance Committee and Council

THAT \$350,000 for the upgrade of the Civic House verandah be deferred until 2017/18;

AND THAT \$200,000 for the upgrade of the Hunter Furniture roof be deferred until 2016/17.

4. Background

- 4.1 The report focuses on the 2 month performance compared with the year to date approved operating budget. Budgets for operating income and expenditure are phased evenly through the year, whereas capital expenditure budgets are phased to occur mainly in the second half of the year.

4.2 Some definitions of terms used within this report:

- Approved operating budget – Annual plan plus carry forwards plus any other additions or changes approved by Council;
- Operating income – all income other than rates including metered water, grants, fees, rentals, and recoveries;
- Rates – includes the general rate, wastewater, stormwater and flood protection rates, and targeted rates for Solar Saver;
- Staff costs – salaries plus overheads such as training, super, professional fees and office accommodation expenses;
- Depreciation – includes all depreciation, and any losses on asset disposal/retirement;
- Interest – includes debt interest, bank fees, interest rate swap margins, treasury and rating agency fees.

5. Discussion

- 5.1 The report focuses on performance to date compared with the year to date approved operating budget. More detailed financials by sub-activity are in Attachment 2.
- 5.2 For the 2 months ending 31 August 2015, the activity surplus/deficits are \$1.2 million favourable to budget.
- 5.3 Revenue and expenditure variances are discussed by activity. At this stage of the year individual variances tend to be immaterial and/or a mismatch in timing between the budget phasing and actual expenditure.
- 5.4 Staff expenses are \$125,000 in total better than budget. Variances in activities illustrate where staff time has actually been spent against where it was expected to be spent at the time of setting the 2015/16 Annual Plan.

5.5

NCC variance to budget to 31 August 2015

Activity	Year to Date Variance to Budget					
	Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
Corporate	386,065	371,409	60,541	(16,157)	(12,161)	(17,566)
Parks & Active Recreation	(501,618)	127	654	(432,766)	(43,532)	(26,101)
Social	(115,848)	149,308	(10,560)	(225,730)	(26,707)	(2,159)
Economic	(79,648)	0	(330)	(79,261)	(57)	0
Transport	(277,184)	87,388	(106,622)	(252,737)	(32,757)	27,544
Environmental Management	(143,899)	96,702	(62,390)	(181,065)	(275)	3,129
Wastewater	(24,318)	55,068	9,093	(63,419)	(26,436)	1,376
Stormwater	(61,117)	0	(9,763)	(49,804)	(6,236)	4,686
Water Supply	(268,536)	(69,362)	9,988	(209,119)	(12,457)	12,414
Flood Protection	(69,930)	0	(15,677)	(26,708)	(26,086)	(1,460)
Total	(1,156,033)	690,642	(125,066)	(1,536,767)	(186,704)	1,863

Corporate

5.6 The Corporate activity is \$386,000 worse than budget.

5.6.1 Revenue – \$371,000 less than budgeted. Internal interest income is \$183,000 less than budgeted as 2014/15 capital expenditure was less than projected and interest rates remain favourable to those anticipated. Forestry income is \$198,000 less than budgeted due to the timing of the Brook forest harvest (income expected to be reported in the third or fourth quarter).

Parks and Active Recreation

5.7 The Parks and Active Recreation activity is \$502,000 better than budget due to:

5.7.1 Expenses – other - \$433,000 better than budget. Water by meter has not yet been charged to activities (\$67,000 - timing), grants for capital projects at Saxton's Field have not yet been made to Tasman District Council (\$147,000 - timing), and maintenance expenditure is behind budget by \$210,000 including \$64,000 for the Marina dredging which is due to commence in November. Some maintenance expenditure in this activity is very seasonable, and a large number of purchase orders have been raised.

5.7.2 Interest and depreciation together are \$70,000 less than budget due to 2014/15 capital expenditure being less than projected.

Social

5.8 The Social activity is \$116,000 better than budget due to:

5.8.1 Revenue - \$149,000 less than budget due to the timing of income for festivals, Founders, and the Tahuna Beach Motor Camp.

- 5.8.2 Expenses – other - \$226,000 better than budget. Expenditure for the earthquake strengthening and refurbishment of the Nelson School of Music is behind budget by \$138,000 (timing). Maintenance expenditure is \$70,000 behind budget although again there are a large number of open purchase orders awaiting invoices.

Economic

- 5.9 The Economic activity is \$80,000 better than budget due to:
- 5.9.1 Expenses – other - \$80,000 better than budget. Grants for Light Nelson and the Events Contestable Fund have not yet been accessed (timing), and expenditure budgeted for special economic projects and the investigation of a business incubator has not occurred to date (timing).

Transport

- 5.10 The Transport activity is \$277,000 better than budget due to:
- 5.10.1 Revenue - \$87,000 less than budget as the timing of income from NZTA reflects the timing of expenditure.
- 5.10.2 Expenses – other - \$253,000 better than budget, mainly in subsidised and unsubsidised roading. The most significant underspends in that activity are:
- Base maintenance (\$188,000) including particularly pre-seal repairs, road and footpath maintenance and subsequent road marking. This is seasonal activity and scheduled for October/November.
 - \$33,000 underspent year to date in recovery works from the 2011 emergency event relating to Days Track. This work has been carried forward from 2014/15. A report on this project will be coming to a future Works and Infrastructure committee meeting.
 - Little has been spent year to date on studies and strategies (timing) relating to the Southern Arterial Corridor Management Plan (this has been delayed until the findings of the NZTA Southern Arterial Investigation – Annesbrook Drive roundabout to QEII Drive roundabout are known), Stoke Foothills Traffic Study, and Stoke CBD Study (purchase order raised).

Environmental Management

- 5.11 This activity includes Civil Defence and Rural Fire activities, Consents and Compliance, Environmental Programmes, and Solid Waste activities. The Environmental Management activity is \$144,000 better than budget due to:
- 5.11.1 Revenue - \$97,000 less than budget. Landfill levies are \$89,000 (20%) less than year to date budget. Volumes to landfill appear to be declining in both NCC and TDC, contrary to both national trends and economic

growth. Underlying factors are speculative, but may include the success of waste minimisation initiatives in the region over many years.

- 5.11.2 Expenses – staff - \$62,000 better than budget, mainly in Resource Consents and Environmental Programmes who are carrying vacancies.
- 5.11.3 Expenses – other - \$181,000 better than budget. Expenditure relating to the Nelson Plan and the Air Plan is currently \$87,000 behind budget although significant expenditure is committed through purchase orders. Environmental advocacy and advice (mainly Nelson Nature) is \$89,000 behind budget. A monitoring programme has now been agreed and expenditure has been committed.

Wastewater

- 5.12 The Wastewater activity is \$24,000 better than budget due to:
 - 5.12.1 Expenses – other - \$63,000 less than budget. Maintenance expenditure is \$41,000 behind budget, and expenditure has yet to be incurred on the studies relating to natural hazards risk assessment and network capacity confirmation for growth areas (timing).

Stormwater

- 5.13 The Stormwater activity is \$61,000 better than budget due to:
 - 5.13.1 Expenses – other - \$50,000 better than budget. There has been no expenditure year to date against budgets for studies and strategies including natural hazards risk assessment, network capacity confirmation for growth areas, and code of practise for open streams (timing).

Water

- 5.14 The Water activity is \$269,000 better than budget due to:
 - 5.14.1 Expenses – other - \$209,000 better than budget relates to \$161,000 maintenance expenditure (including \$60,000 reactive) unspent although purchase orders are in place for much of that amount. There has been no expenditure year to date (timing) against budgets for studies and strategies including natural hazards risk assessment, network capacity confirmation for growth areas, water loss reduction strategy, and water safety plan.

Flood Protection

- 5.15 The Flood Protection activity is \$70,000 better than budget.
 - 5.15.1 Expenses – all expenditure classes are less than budget by individually immaterial amounts (timing).

Capital Expenditure

- 5.16 Capital expenditure to 31 August 2015 was \$4.9 million, \$813,000 (14%) below budget. Details are included in Attachments 2 to 5.

Balance Sheet

- 5.17 Payment of the first quarter rates in August generated a cash surplus which was held on call deposit until creditors were paid in September.
- 5.17.1 The first quarter rates were invoiced in July and paid in August, generating the large movements in debtors in those months.
- 5.17.2 Payables include income in advance. \$3.5 million was received in August from ratepayers who prefer to pay their annual rates in advance rather than quarter by quarter. This income will be released over the course of the year.
- 5.17.3 Call borrowings reduced in August in line with the payment of rates.
- 5.17.4 Rates income for the quarter is recognised in its entirety when it is invoiced, in this case in July. This is reflected as a large increase in accumulated funds in that month. Over the following 2 months, evidenced in August, accumulated funds decrease as expenditure is incurred. Essentially accumulated funds reflects the timing differences between rates income and organisational expenditure.

Interest Rate Position

- 5.17.5 The fixed maturity profile in the 1-3 years bucket is outside of the limits set by policy. This relates to interest rate swaps and the distribution of their start dates and termination dates. The policy makes some allowance for temporary timing issues so long as it comes back inside the limits within 90 days. In this case it is back inside the limits within 30 days.

6. Projects Update

- 6.1 Please see Attachments 4 and 5 for progress reports on Council's major projects.
- 6.2 On 10 September the Works and Infrastructure Committee received the outline business case for the project to increase the number of toilets at Millers Acre, and resolved to defer the project budget of \$32,000 for design to 2016-17, and the construction budget of \$359,135 to 2017-18. Work this year will be to monitor utilisation of the facility, and assess the requirement for the project in light of the monitoring results.
- 6.3 Following an asset condition assessment, the planned project to upgrade the Civic House Verandah and budget of \$350,000 has been deferred to 2017-18.

- 6.4 Following an asset condition assessment, the planned project to upgrade the Hunter Furniture Roof and budget of \$200,000 has been deferred to 2016-17.

7. Alignment with relevant Council policy

- 7.1 The finance report is prepared comparing current year performance against the year to date approved operating budget for 2015/16.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 There are no significant decisions.

9. Consultation

- 9.1 No consultation is required.

10. Inclusion of Māori in the decision making process

- 10.1 No consultation is required.

Tracey Hughes
Senior Accountant

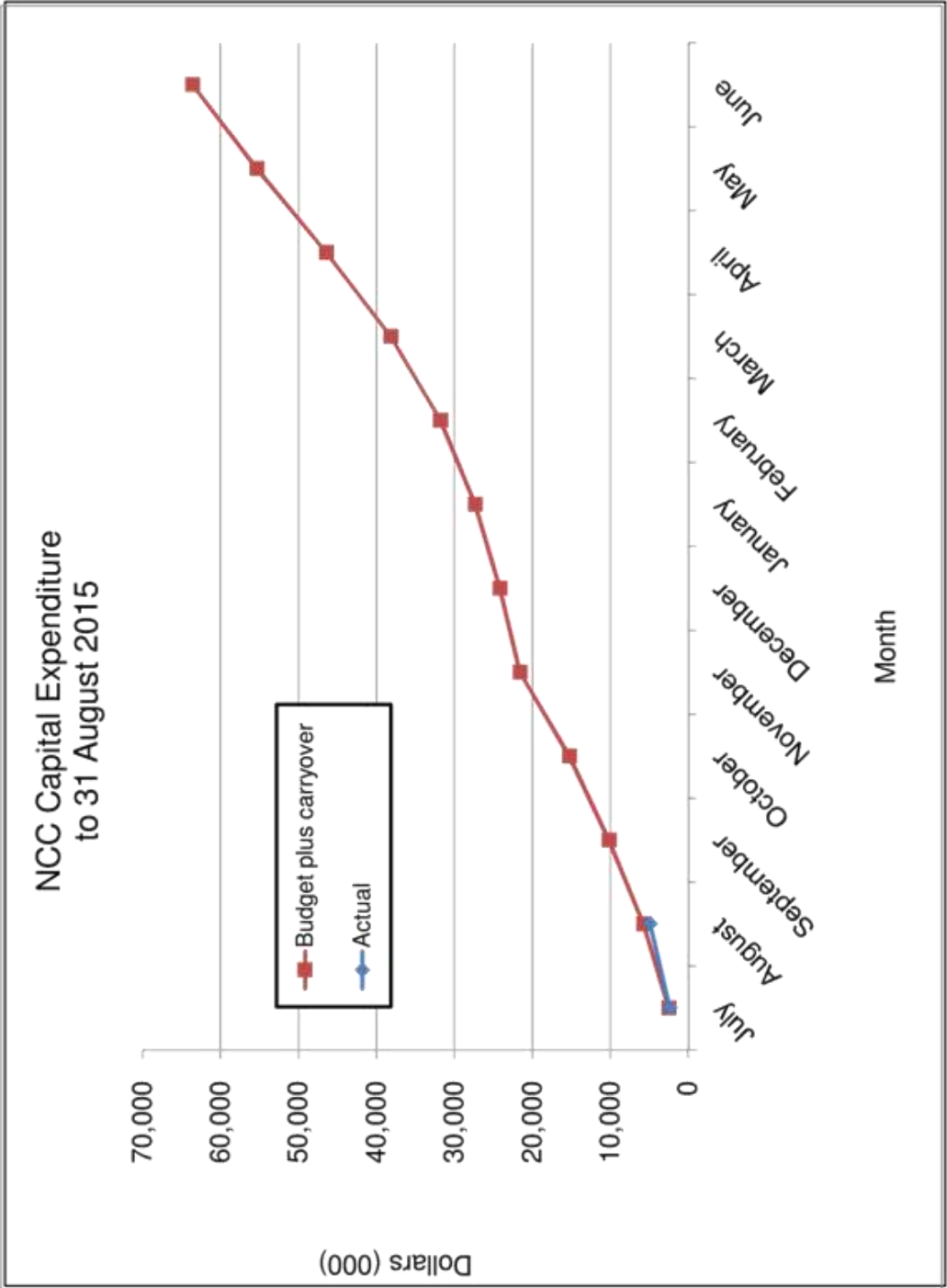
Attachments

- Attachment 1: NCC Detail Performance (A1432835)
Attachment 2: Capital Expenditure Graph (A1432835)
Attachment 3: Capital Expenditure by Activity (A1432835)
Attachment 4: Balance Sheet (A1432835)
Attachment 5: Major Projects Status Report (A1436178)
Attachment 6: Interest Rate Position Report (A1422506)
Attachment 7: Debtors Report (A793514)

Activity	Subactivity	Year to Date Variance to Budget				
		Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest Expenses - Depr
Corporate	Cost Of Democracy	1,406	9,203	0	(7,797)	0
	Admin & Meeting Support	96,865	(284)	103,277	(6,128)	0
	Council Publicity	(12,415)	0	(5,036)	(7,409)	31
	Members Expenses	(336)	(14)	(663)	257	0
	Election Expenses	(2,637)	0	0	(2,637)	0
	Civic Expenses	(5,683)	(780)	(337)	(4,565)	0
	Contingency	0	0	0	0	0
	Investment Management	182,803	182,962	0	15,397	(15,555)
	Civic House	(40,862)	(7,203)	(3,575)	(24,232)	(2,740)
	Rental Properties	(8,922)	(11,748)	15,528	(11,502)	(1,488)
	Forestry	226,750	197,519	2,141	28,020	(930)
	Subdivisions (W/Bluff & Ridgeway)	1,398	1,755	(912)	555	0
	Policy	(51,042)	0	(49,882)	(1,160)	0
	Administration	(12,951)	0	0	5,043	(3,169)
	Emergency Response Fund	11,689	(1)	(1)	0	11,689
Corporate Total		386,065	371,409	60,541	(16,157)	(12,161)
Parks & Active Recreation	Horticulture Parks	(3,347)	420	(3,926)	1,515	(326)
	Neighbourhood Parks	21,173	(786)	(3,176)	29,703	(3,801)
	Park Trees	(10,208)	0	879	(11,086)	0
	Conservation Reserves	48,099	(9,975)	(2,192)	60,648	(132)
	Landscape Reserves	(31,834)	(8,780)	(3,393)	(17,595)	(2,229)
	Esplanade & Foreshore Reserves	(86,373)	2,367	(5,756)	(79,589)	(2,786)
	Heritage,Landscape,Local Trees	2,812	0	1,183	1,628	0
	Walkways	5,002	(1,680)	2,014	5,607	0
	Sports Parks	(129,060)	(16,573)	669	(101,850)	(5,070)
	Recreation Planning	2,526	0	(1,314)	3,840	0
	Natureland	(13,346)	0	0	(13,167)	(179)
	Trafalgar Centre	(34,750)	9,369	10,448	(24,751)	(18,538)
	Saxton Field Stadium	(23,119)	(12,624)	(1,342)	(9,563)	213
	Saxton Oval Pavilion	(6,872)	(1,309)	(107)	(5,864)	241
	Golf Course	17,959	23,383	1,761	(7,001)	(11)
	Pools	(28,538)	8,876	172	(36,950)	(1,333)
	Community Programmes	(1,286)	652	(4,902)	2,964	0
	Recreation Liaison	(8,799)	0	(3,424)	(5,375)	0
	Play Facilities	(1,937)	0	496	(741)	(283)
	Marina	(67,633)	(1,705)	10,594	(74,657)	(1,097)
	Saxton Field Capital Works	(151,132)	8,494	(2,126)	(145,484)	(8,200)
	Regional Community Facilities	(905)	0	4,098	(5,000)	(3)
Parks & Active Recreation Total		(501,618)	127	654	(432,766)	(43,532)
Social	Managing Heritage And Arts	(12,154)	0	(6,078)	(6,374)	(518)
	Museum	(4,816)	0	0	5,867	(10,683)
	Suter Gallery	(6,143)	0	0	(637)	(5,506)
	Isel House	(5,169)	(64)	79	(5,183)	0
	Melrose House	(8,512)	36	(1)	(9,263)	370
	Broadgreen House	(17,074)	383	(15,749)	(1,477)	(120)
	Founders Park	25,049	25,410	15,326	(15,621)	256
	Historic Cemeteries	(10,812)	3,685	(757)	(13,245)	0
	Heritage Incentives	(19,529)	0	(2,200)	(17,329)	0
	Festivals	29,589	36,513	(4,656)	(2,268)	0
	Street Decorations	(5,297)	0	(1,698)	(3,599)	0
	School Of Music	(141,213)	0	2,550	(137,575)	(6,188)
	Theatre Royal	9,359	0	0	9,359	0
	Nelson Library	45,475	5,228	17,664	22,014	(44)
	Stoke Library	(7,520)	796	(3,638)	(4,472)	0
	Nightingale Memorial Library	(7,439)	(220)	(5,298)	(1,848)	0
	Marsden Valley Cemetery	28,735	28,750	789	(536)	(231)
	Crematorium	28,577	17,885	3,568	7,790	(263)
	Toilets (Free)	(12,929)	0	(347)	(12,128)	(512)
	Toilets (Charge)	(2,667)	(258)	382	(2,804)	14
	Stoke Community Centre	(2,498)	0	0	0	(2,498)
	Stoke Hall	1,337	(3,383)	240	4,478	3
	Maitai Club	(490)	2,594	(497)	(2,606)	18
	Community Properties	(3,063)	643	8,387	(11,025)	(442)
	Wakapuaka Recreation Centre	(1,718)	266	(230)	(1,755)	0
	Trafalgar St Hall	(625)	1,498	(230)	(1,762)	(47)
	Motor Camp Tahuna	26,588	38,902	(1,141)	(11,172)	0
	Maitai Camp	(88)	2,995	(88)	(2,721)	(275)
	Brook Camp	(8,601)	1,747	(3,433)	(6,874)	(70)

Finance Report - 31Aug2015 (A1432835).xlsxOpex detail

Activity	Subactivity	Year to Date Variance to Budget					
		Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
	Community Housing	1,690	18,826	(51)	(15,407)	0	(1,678)
	Employment Assistance	6,289	(8,333)	(649)	15,271	0	()
	Community Liaison: Development	(42,035)	(24,589)	(2,651)	(14,810)	0	15
	Community Liaison: Grants (Ca)	1,854	0	(10,155)	11,979	29	0
Social Total		(115,848)	149,308	(10,560)	(225,730)	(26,707)	(2,159)
Economic	Sister City Links	2,848	0	0	2,848	0	0
	Economic Development	(81,886)	0	(330)	(81,499)	(57)	0
	Tourism Nelson	(610)	0	0	(610)	()	0
	Cricket World Cup	0	0	0	0	0	0
Economic Total		(79,648)	0	(330)	(79,261)	(57)	0
Transport	Subsidised Rooding	(136,157)	74,358	(99,690)	(91,318)	(19,508)	0
	Unsubsidised Rooding	(96,586)	8,381	(2,309)	(130,810)	(458)	28,611
	Rooding Properties	(43,470)	(40,283)	(1,767)	(1,859)	275	164
	Parking Regulation	(25,815)	(21,239)	(330)	(4,246)	0	()
	Car Parking	44,708	11,956	1,136	38,917	(6,623)	(677)
	Millers Acre Centre	(7,115)	(2,721)	4,480	(2,587)	(6,167)	(120)
	Public Transport	(18,060)	28,255	(7,596)	(38,117)	(168)	(434)
	Total Mobility	5,311	28,682	(547)	(22,716)	(108)	0
Transport Total		(277,184)	87,388	(106,622)	(252,737)	(32,757)	27,544
Environmental Management	Civil Defence	(3,635)	()	(1,972)	(1,667)	4	()
	Rural Fire Control	(3,674)	(6,554)	()	3,231	2	(353)
	Monitoring The Environment	(3,583)	0	25,161	(28,921)	150	26
	Developing Resource Mgt Plan	(86,660)	(130)	1,267	(87,797)	0	0
	Environmental Advocacy/Advice	(126,632)	(7,333)	(29,949)	(89,350)	0	0
	Pest Management	23,285	0	0	23,285	0	0
	Clean Heat Warm Homes	16,490	16,997	()	(95)	(411)	0
	Solar Saver	361	0	()	381	(19)	0
	Dog Control	6,820	7,948	(990)	374	0	(511)
	Animal Control	(728)	0	0	(728)	0	0
	Liquor Licencing	(6,053)	(4,094)	551	(2,510)	0	0
	Food Premises	14,587	14,732	0	(144)	0	0
	Public Counter Land & General	3,293	(7,415)	12,374	(1,667)	0	0
	Building Services	(74,028)	(58,368)	(11,295)	(4,398)	0	33
	Harbour Safety	(10,601)	558	1,329	(11,470)	0	(1,018)
	Pollution Response	1,530	4,750	(340)	(2,880)	0	0
	Resource Consents	(64,407)	(4,888)	(53,305)	(6,215)	0	0
	Enforcing Bylaws	554	1,142	0	(587)	0	0
	Whrs Claims	103,926	0	(2,497)	106,423	0	0
	Waste Minimisation	0	20,011	3,882	(23,794)	0	(99)
	Transfer Station	()	3,501	(197)	(4,889)	0	1,586
	Landfill	65,257	102,840	(3,299)	(37,749)	0	3,465
	Joint Landfill	0	0	0	0	0	0
	Green Waste	()	4,291	(1,721)	(2,570)	0	0
	Recycling	()	8,717	(1,389)	(7,328)	0	0
Environmental Management Total		(143,899)	96,702	(62,390)	(181,065)	(275)	3,129
Wastewater	Wastewater	(24,318)	55,068	9,093	(63,419)	(26,436)	1,376
Wastewater Total		(24,318)	55,068	9,093	(63,419)	(26,436)	1,376
Stormwater	Stormwater	(61,117)	0	(9,763)	(49,804)	(6,236)	4,686
Stormwater Total		(61,117)	0	(9,763)	(49,804)	(6,236)	4,686
Water Supply	Water Supply	(268,536)	(69,362)	9,988	(209,119)	(12,457)	12,414
Water Supply Total		(268,536)	(69,362)	9,988	(209,119)	(12,457)	12,414
Flood Protection	Flood Protection	(69,930)	0	(15,677)	(26,708)	(26,086)	(1,460)
Flood Protection Total		(69,930)	0	(15,677)	(26,708)	(26,086)	(1,460)
Total		(1,156,033)	690,642	(125,066)	(1,536,767)	(186,704)	1,863



Capital Expenditure				
Total Council - by Activity				
Activity	Actual YTD \$(000)	Budget YTD \$(000)	Variance YTD \$(000)	Full Year Budget \$(000)
Corporate	347	388	-40	4,306
Parks & Active Recreation	739	1,555	-816	17,277
Social	1,539	572	967	6,353
Economic	0	0	0	0
Transport	762	744	18	8,269
Environmental Management	48	83	-35	927
Wastewater	668	586	82	6,507
Stormwater	154	245	-91	2,723
Water Supply	339	607	-269	6,749
Flood Protection	316	946	-630	10,506
	4,912	5,726	-813	63,617
Vested Assets	275	275	0	3,051
Nelson Regional Sewerage BU	8	88	-80	977
	5,195	6,088	-893	67,645

Nelson City Council Abbreviated Balance Sheet

	August 2015 YTD \$000	July 2015 YTD \$000	June 2015 YTD \$000
Current Assets			
Cash	3,501,478	194,236	194,315
Receivables	9,236,808	22,270,886	10,092,405
Other Current Assets	3,312,593	3,680,715	1,137,499
Total Current Assets	16,050,879	26,145,837	11,424,219
Non Current Assets			
Fixed Assets	1,337,958,285	1,335,354,517	1,336,528,479
Investments	27,941,404	27,941,404	27,941,404
Other Non Current Assets	12,775,426	12,775,426	12,666,826
Total Non Current Assets	1,378,675,115	1,376,071,348	1,377,136,709
Current Liabilities			
Payables	(13,641,503)	(9,524,714)	(11,563,669)
Borrowings: Current	(7,766,191)	(16,566,191)	(9,916,191)
Other Current Liabilities	(1,932,266)	(1,885,451)	(1,715,483)
Total Current Liabilities	(23,339,959)	(27,976,355)	(23,195,342)
Non Current Liabilities			
Payables: Non Current	(877,500)	(877,500)	(877,500)
Provisions	(1,204,035)	(1,194,389)	(1,184,780)
Borrowings: Non Current	(62,860,000)	(62,860,000)	(62,860,000)
Other Non Current Liabilities	(4,115,994)	(4,115,994)	(4,115,994)
Total Non Current Liabilities	(69,057,530)	(69,047,884)	(69,038,274)
Equity			
Accumulated Funds	(366,558,941)	(369,337,788)	(360,729,808)
Reserves	(935,769,565)	(935,855,158)	(935,597,503)
Total Equity	(1,302,328,505)	(1,305,192,946)	(1,296,327,311)

Major Projects Status Report

Green = on track against baseline, no major issues or risks. >90% confident in delivery against plan.
 Yellow = moderate issues &/or risks exist but are manageable. 50 to 90% confident in delivery against plan.
 Red = high or extreme issues &/or risks requiring corrective action(s). Less than 50% confident in delivery against plan.

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	Status vs current year plan				Issues & Risks Reasons
				budget	Time	Budget	Scope/ Benefits	
York Stream Channel upgrade	Install large stormwater pipe from Caltex at Bishopdale to Tipahi St via Waimea Road and Boundary Road.	Advertise Tender	Oct-15	745,214	G	G	G	
Neale Park sewer pump station upgrade	Redevelopment and upgrade of Neale Park Sewer pump station to reduce odour and provide peak flow pumping requirements.	Survey / geotech / structural assessments	Oct-15	373,199	G	G	G	
Modellers Pond Solution	Improve Water quality and amenity of the pond.	Approve Consultant Fee	Oct-15	650,110	Y	Y	G	Finalising methodology and costs with Consultant.
Stoke sports & community facility	New sports and community facility in Stoke.	Apply for building Consent	Oct-15	1,660,803	Y	G	G	Timeframes are tight but progressing as per programme.
Rutherford/Trafalgar Park Development	Development of Rutherford park in line with Development Plan.	Concept Report being adopted	Nov-15	2,449,785	Y	Y	Y	Options being considered regarding the location of roads and car park.
Suter upgrade	Full upgrade of the Suter gallery	Complete Construction	May-16	3,532,286	G	G	G	
Trafalgar Centre Reopening	Complete upgrade measure to allow reopening & safe public use of the Centre.	Design packages 1 & 2 accepted	Oct-15	9,407,715	G	Y	G	Council to formally approve budget of \$12.96M
NSOM upgrade	Strengthen auditorium, finalise and implement refurbishment brief	Detail Design Approval	Nov-15	1,500,000	G	G	G	
Maitai Pipeline Upgrade (WTP - Westbrook Tce)	Construction of a trunk main from WTP to Brook Street.	Advertise Tender	Oct-15	2,118,000	G	G	G	
WTP membranes - New train	Provision and Installation of new membranes for Train 5	Membranes arrive in NZ	Dec-15	1,119,244	G	G	G	
Hampden St East Little Go Stream: Stage 2	Installation of a large stormwater pipe from Franklin Street, through Boys College, Waimea Road through to Rutherford Street.	Advertise Tender	Oct-15	4,792,000	G	G	G	This is a multiyear project. Works to commence this year and will be completed in the 2016/17 financial year.
General Reserves land purchase programme	Purchase of land for Parks and Reserves	TBC	TBC	1,044,818	Y	Y	Y	Detail and progress of planned purchases to be reviewed in October.
Saxton Creek upgrade	Upgrade stream channel and undertake associated landscaping.	Tender Closing	Oct-15	2,924,813	G	G	Y	Stages 1 and 2 are progressing as per programme. Negotiations to recommence with property owners within stage 2
Maitai shared path (Collingwood St to Nile St)	Widening of existing path to allow shared use. Includes associated landscaping and planting.	Council to confirm wider approach to shared paths	Nov-15	658,811	R	R	R	Project on hold. Awaiting Council decision.

Major Projects Status Report

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Bishopdale to the Ridgeway shared path	Construct shared path to tie in with sewer upgrade works in Beatson Road.	Construction finished on-site	Oct-15	384,938	G	G	G	
Whakatu Drive / Beatson Road	Widen existing path at roundabout to remove pinch point. Works to tie in with sewer upgrade in Beatson Road.	Construction finished on-site	Oct-15	21,866	G	G	G	
Beatson Road Sewer Renewal	Stage 1 - Upgrade of sewer main in Beatson Road, to be combined with new cycleway construction. Stage 2 - Upgrade sewer main from Beatson Road across Whakatu Drive - design, procure, and construct.	Issue Practical Completion for stage 1	Oct-15	314,826	G	G	G	
Orphanage Stream upgrade	Investigate options for increasing capacity of bridges and culverts plus channel break out points from Ngawhātu Valley to Whakatu Drive	Detail Design Approval	Nov-15	591,544	Y	G	G	Tight timeframe to begin construction works by January based on ecology.
York Valley Landfill weighbridge	Procurement and construction of new weighbridge at York Valley Landfill.	Work starts on Site	Oct-15	492,643	G	G	G	
Saltwater Creek Culvert Upgrade	Design and construct new box culvert adjacent to ANZAC Park.	Monitoring of road seal	Mar-16	60,000	G	G	G	
The Brook Area Cycling and Walking Improvements	Upgrade of cycle connections between the Maitai Walkway and Brook Street. Linked to Tasman Street Upgrade.	Construction finished on-site	May-16	65,457	R	G	G	Portion of project on hold to align with construction requirements of - Maitai Pipeline traffic management on Westbrook Terrace. Expected completion of this portion of contract now out to April 2016.
Tasman St upgrade(Nile to Bronte)	Road upgrade and Stormwater Upgrade undertaken in conjunction with Manuka Street Intersection Upgrade and Brook walk/cycle connections.	Construction finished on-site	Oct-15	364,351	Y	Y	G	Construction issues have resulted in time delays and additional costs.
Stanley/Beachville stormwater	Upgrade stormwater discharge to Nelson end of Stanley Cresc.	Award Tender	Oct-15	275,436	G	G	Y	Finalising resource consent conditions.
Bridge St enhancement	Enhance urban environment through lighting, seating and landscape aesthetics. Work includes under veranda lighting along Bridge St and lighting along Alma and Fiddler Lane.	Finalise awning design for Fiddle Lane	Feb-15	149,461	G	G	Y	Negotiating with stakeholders regarding the awnings.
Railway Reserve to CBD cycleway via St Vincent (Stage II)	Two way separated cycle lanes along the eastern side of St Vincent Street, from Gloucester St to Haven Rd	Consent lodged	Dec-15	193,322	G	G	G	
Flood mitigation - Gravel Traps & Intake Structures	Construction of gravel traps and upgrading intake structures in Poormans and Orphanage Streams	Achieve Resource Consent	Nov-15	867,496	Y	G	Y	Resolving ecology issues as part of processing the resource consent. Scope of gravel trap to be finalised.
St. Vincent to CBD cycle connection	Shared path through ANZAC Park	Council to confirm wider approach to shared paths	Nov-15	206,496	R	R	R	Project on hold. Awaiting Council decision.

Major Projects Status Report

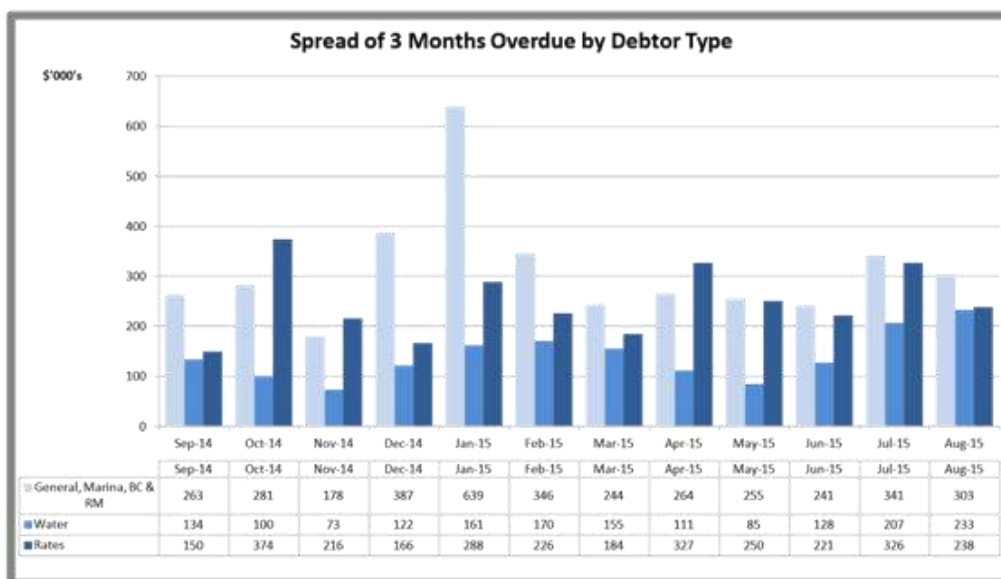
Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Saxton Cycle Track (Regional Velodrome)	Design and build a 330m outdoor cycling velodrome. This is a TDC lead project.	Stage 1 Construction to be completed	Dec-15	827,020	G	G	G	
Corder Park Sewer Pump Station Upgrade	Construction of new pump station at Corder Park including a section of Atawhai rising main replacement. Replaces existing pump station and pushes out need to replace sections of Atawhai rising main.	Construction finished on-site	Mar-16	4,145,007	G	G	G	
Marina maintenance dredging	Dredging of Marina in accordance with port dredging Resource Consent.	Award Tender	Oct-15	387,936	G	G	R	Additional testing required for extra areas identified by pre-dredge survey to address bio security issues.

Nelson City Council Interest Rate Position

12 Month Forecast Core Debt:	100.0	31-Aug-15	
Policy Limits	55% - 90%		
Overall Fixed:Floating Mix	80%		
Policy Compliance	Y		
Liquidity Ratio:	110%		
Actual	126%		
Policy Compliance	Y		
Fixed Rate Maturity Profile:			
Years	1 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	15% - 60%
Actual Hedging	10%	33%	58%
Policy Compliance	N	Y	Y
Funding Maturity Profile:			
Years	0 - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	10% - 40%
Actual Hedging	50%	22%	28%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding	3.68 Years		
Fixed Rate Portfolio (swaps and fixed rate loans)	5.7 Years		
Weighted average fixed rate on current borrower swaps*:			
Swap Portfolio	4.36%	* Note: non-active forward starts are not included.	
Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments and investments)			
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)		\$	10,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)		\$	10,000,000
Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)		\$	20,000,000
	Credit Exposure	Credit Exposure	Compliance
	(Swaps)	(Investments)	
	(\$m)	(\$m)	
WPC	6.09	0.00	Y
ANZ	7.34	0.00	Y
ASB	0.00	0.00	Y
BNZ	0.43	0.00	Y
Kiwibank	0.00	0.00	Y
CBA	0.00	0.00	Y

Specific borrowing limits

Net interest expense on external debt as a percentage of total revenue to be less than 15%	3.97%	Y
Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than 20%	5.70%	Y
Net external debt (secured by rates) as a percentage of total revenue to be less than 150%	76%	Y
Net external debt (secured by rates) as a percentage of equity to be less than 20%	5%	Y



General debtors 3 month plus over \$10,000 or at risk

Account No	Name	3 Mths Overdue	Queried	Notes
1203871	Transfield Services NZ Ltd	105,628.10	105,628.10	Part Inv 18077 in negotiations - Meeting with MP 9/9/15 \$48,025.60 still outstanding as at 5/10/15