



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

Thursday 18 February 2016

Commencing at the conclusion of Planning and Regulatory Committee

Ruma Mārama, Floor 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 room for discussion and voting on any of these items.

18 February 2016

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

4.1 Hugh Briggs, Melrose House Society

Hugh Briggs, Chair of Melrose House Society, will speak about the Society's request for a loan/grant to undertake a bathroom upgrade in Melrose House.

5. Confirmation of Minutes

5.1 12 November 2015

8 - 14

Document number M1593

Recommendation

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 12 November 2015, be confirmed as a true and correct record.

6. Status Report - Audit, Risk and Finance Subcommittee - 18 February 2016 15 - 16

Document number R5457

Recommendation

THAT the Status Report Audit, Risk and Finance Subcommittee 18 February 2016 (R5457) and its attachment (A1324298) be received.

7. Chairperson's Report

8. Corporate Report to 31 December 2015 17 - 37

Document number R5375

Recommendation

THAT the report Corporate Report to 31 December 2015 (R5375) and its attachments (A1489864, A1482829, A793514, A1498466 and A1486343) be received and the variations noted.

Recommendation to Governance Committee and Council

THAT Council resolves to fund the additional expenditure for Tasman Street from the following activities; Roading subsidised budgets (\$119,000), Roading unsubsidised budgets (\$117,000) and Stormwater budgets (\$92,000), a total of \$328,000, from operational and capital expenditure budgets as appropriate, noting that any individual project underspends which cover this overspend will be reported by 30 June 2016;

AND THAT funding of \$100,000 for the Stoke Foothills Traffic Study be deferred from 2015/16 to 2016/17;

AND THAT funding of \$100,000 for the Atawhai Hills Traffic Study be brought forward from 2016/17 to 2015/16.

9. Letter to the Council on the audit for the year ending 30 June 2015 **38 - 48**

Document number R5350

Recommendation

THAT the report Letter to the Council on the audit for the year ending 30 June 2015 (R5350) and its attachment (A1499499) be received.

Recommendation to Governance Committee and Council

THAT Council notes Audit NZ's comments (A1499499) and how officers intend to address the issues raised.

10. Health and Safety quarterly update to 31 December 2015 **49 - 60**

Document number R4967

Recommendation

THAT the report Health and Safety quarterly update to 31 December 2015 (R4967) and its attachments (A1483985 and A1485205) be received.

11. Council's Key Organisational Risk Progress Report **61 - 79**

Document number R5395

Recommendation

THAT the Council's Key Organisational Risk Progress Report (R5395) and its attachment (A1461881) be received.

12. Internal Audit Report to 31 December 2015 **80 - 86**

Document number R5452

Recommendation

THAT the Internal Audit Report to 31 December 2015 (R5452) and its attachments (A1485806 and A1498101) be received.

Recommendation to Governance Committee and Council

THAT Council note the internal audit findings, recommendations and status of action plans up to 31 December 2015 (R5452).

13. Extension of loan facility to the Melrose Society 87 - 104

Document number R4814

Recommendation

THAT the report Extension of loan facility to the Melrose Society (R4814) and its attachments (A1450076 and A1416892) be received.

Recommendation to Governance Committee and Council

THAT an interest free loan of \$25,000 be made to the Melrose Society for the purpose of toilet refurbishment, subject to:

- **the Society receiving a grant of \$35,000 from the Rata Foundation for the same purpose;**
- **the designs being approved by the Property and Facilities Asset Manager;**

AND THAT the loan is to be repaid in five annual instalments of \$5000 commencing 20 January 2017.

PUBLIC EXCLUDED BUSINESS

14. Exclusion of the Public

Recommendation

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Audit, Risk and Finance Subcommittee Meeting - Public Excluded - 12 November 2015	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person.
2	Letter to the Council on the audit for the year ending 30 June 2015 - Utilities Contract	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities

15. Re-admittance of the public

Recommendation

THAT the public be re-admitted to the meeting.

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 12 November 2015, commencing at 9.09am

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

In Attendance: Councillor P Matheson (Deputy Mayor), Chief Executive (C Hadley), Group Manager Infrastructure (A Louverdis), Group Manager Corporate Services (N Harrison), Senior Accountant (T Hughes), Administration Adviser (E-J Ruthven)

Apology: Councillor Ian Barker

By agreement of all members present, Mr Murray assumed the Chair.

1. Apologies

Resolved AUD/2015/049

THAT an apology be received and accepted from Councillor Ian Barker.

Reese/McGurk

Carried

2. Confirmation of Order of Business

There was no change to the order of business, although it was noted that the order of business may alter to accommodate the Council's Treasury Adviser, Brett Johanson's, presentation to the Subcommittee.

3. Interests

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

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 14 October 2015

Document number M1529, agenda pages 6 - 10 refer.

Resolved AUD/2015/050

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 14 October 2015, be confirmed as a true and correct record.

McGurk/Murray

Carried

6. Status Report - Audit, Risk and Finance Subcommittee - 12 November 2015

Document number R5107, agenda pages 11 - 12 refer.

Resolved AUD/2015/051

THAT the Status Report Audit, Risk and Finance Subcommittee 12 November 2015 (R5107) and its attachment (A1324298) be received.

McGurk/Murray

Carried

CHAIRPERSON'S REPORT

7. Chairperson's Report

There was no Chairperson's report.

8. Internal Audit Plan and Procedure

Document number R5045, agenda pages 13 - 22 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report. She explained that the risk register captured organisational risks, and that an audit of the top ten organisational risks was expected to be completed by 30 June 2016.

In response to questions, Ms Harrison explained current internal checks in relation to financial policies such as the payroll system. She added that the internal audit system would involve a review of internal processes, and may include data checking.

In response to a further question, the Chief Executive explained that no issues had been raised through the whistle-blowing system, and as a result, no review of this had been undertaken. Ms Harrison added that

any issues arising as a result of internal audits would be brought to the subcommittee's attention.

Attendance: Mr Peters joined the meeting at 9.21am, and assumed the chair.

In response to a question, the Chief Executive explained that regulatory risk was captured in the risk register, but was not considered to be one of the top ten risks requiring internal audit in the short term. She said that some elements of regulatory risk were monitored via external auditing procedures, but that other aspects would require internal audit.

In response to further questions, Ms Harrison explained that the interest schedules for both elected members and staff were updated on an on-going basis. She said that the schedule recording elected members' interests was carefully reviewed by Audit New Zealand, but that an audit had not been undertaken regarding the staff interests' register.

Following discussion, it was agreed that, in the Internal Audit Procedure under the heading 'Extension for Action Plans', the words "or organisational risk" should be added after the words "no safety-related issues".

Resolved AUD/2015/052

THAT the report Internal Audit Plan and Procedure (R5045) and its attachments (A1452073 and A1428836) be received.

Murray/McGurk

Carried

Recommendation to Governance Committee AUD/2015/053

THAT the Internal Audit Plan to 30 June 2016 (A1452073) be approved, with the amendment:

- ***Under the heading 'Extension for Action Plans', insert the words "or organisational risk" after the words "no safety-related issues".***

McGurk/Murray

Carried

9. Corporate Report to 30 September 2015

Document number R5067, agenda pages 23 - 40 refer.

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

In response to a question, Group Manager Infrastructure, Alec Louverdis, explained the quantum involved in studies delayed until the New Zealand Transport Agency Southern Arterial Investigation was released.

In response to a question regarding the Nelson School of Music, Ms Harrison explained that the expenditure being behind budget was largely a timing issue. She added that there were a number of open purchase orders, which indicated work underway.

In response to a question regarding the Nelson Plan and the Air Plan, the Chief Executive explained that, dependent on timing of hearings, there was likely to be an overspend in the Air Plan as a result of bringing the Plan Change forward.

The Committee considered the report attachments in turn.

In response to a question regarding the Capital Expenditure Graph, Ms Harrison explained that the actual spend trending behind the budget was largely an invoicing timing issue.

In response to questions regarding the Major Projects Status Report, Mr Louverdis gave an update of the process surrounding Cultural Impact Assessments. With regards to the Trafalgar Centre re-opening, Mr Louverdis confirmed that the budget column reflected stages 1-3, but that the next report would have updated costs.

There was a discussion regarding marina maintenance dredging. In response to a question, Mr Louverdis explained the process of calling for tenders, and noted that responses to the tender exceeded the available budget. He said that the next Corporate report would address this issue.

In response to a question regarding debtors to Council, the Chief Executive advised that debt recovery steps were being undertaken. She added that the meeting would need to move into public excluded session in order to provide further details.

Resolved AUD/2015/054

THAT the report Corporate Report to 30 September 2015 (R5067) and its attachments (A1448646, A1311288, A793514, and A1437431) be received and the variations noted.

Murray/McGurk

Carried

Resolved AUD/2015/055

THAT the subcommittee notes that funding of \$8,900 has been allocated to Isel House in 2015/16 for the operational costs of running the House.

McGurk/Reese

Carried

10. PwC Presentation

Brett Johanson, Council's Treasury Adviser, gave a Power Point presentation on treasury risk management (A1458485).

He spoke about changes to the domestic and global interest rate markets, and explained additional movements in the financial market which impacted on the manner in which local authorities managed their treasury functions.

Mr Johanson provided an update regarding the Local Government Funding Agency (LGFA). He explained the change in policy allowing bonds to be issued out to 12 years at a lower cost than bank funding, and noted that there may be an even longer-term bond offering in the future. He spoke about the effect that longer-term bonds had on local authorities' ability to manage debt risks.

The subcommittee discussed whether Council was too risk adverse to taking on debt, given that current market conditions were favourable to taking on further debt. In response to a question, Ms Harrison explained that pre-funding future projects when interest rates were low was not necessarily advantageous to Council, as margins would be lost when such funds were re-invested. Mr Johanson added that pre-funding also raised the risk of over-hedging and creating inflexibility, and that external agencies, such as the LGFA and Standard and Poors, appreciated local authorities behaving in a financially prudent manner. He added that pre-funding activities by taking on debt now could potentially affect Council's credit rating, which would have flow on effects for relative interest rates.

There was a further discussion regarding whether asset management and deferred maintenance, particularly of infrastructure assets, should be brought forward, in order to take advantage of lower interest rates, and the capacity of Council to deliver such projects was discussed. It was noted that Council's current debt to total revenue ratio was approximately 65%, well below Council's policy limit of 150% and the Standard and Poor's limit of 175%, at which a down-grade of the credit rating would be indicated. In response to a question, Ms Harrison explained that the Long Term Plan indicated a ratio of approximately 140% around years six to seven, and that this should be kept in mind if any alterations to Council's current debt management were to be considered.

Mr Johanson then explained updates to Council's Liability Management Policy. He said that this was now managed out to 12 years, as a result of the longer term LGFA funding available, but that any debt beyond this time period would require Council approval.

He added that the 5-year-plus limit had moved from 40% to 60%, as this provided the greatest flexibility for Council to manage growing debt. There was a discussion regarding Council's exposure to banks through interest rate swaps, and whether it was appropriate for local authorities

to invest with local building societies or credit unions. In response to a question, Ms Harrison clarified that Council was a net borrower, and was not in a position to invest in such agencies per se.

In response to questions, Mr Johanson explained that prudent financial management was a key objective, and that overall Council was fit for purpose and meeting best practice standards in relation to its liability and investment policies, and disciplined approach to managing risks.

Attachments

- 1 Power Point Presentation - A1458485 - Treasury Management Update

11. Liability Management Policy amendment

Document number R5077, agenda pages 41 - 56 refer.

Resolved AUD/2015/057

THAT the report Liability Management Policy amendment (R5077) and its attachment (A1450461) be received.

Murray/McGurk

Carried

Recommendation to Governance Committee AUD/2015/058

THAT the amended Liability Management Policy (A1450461) be adopted.

Murray/McGurk

Carried

12. Exclusion of the Public

Recommendation

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
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Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Corporate Report to 30 September 2015 – discussion regarding debtor	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person.

The meeting went into public excluded session at 11.20am and resumed in public session at 11.25am.

13. Re-admittance of the Public

Resolved AUD/2015/059

THAT the public be re-admitted to the meeting.

McGurk/Murray

Carried

There being no further business the meeting ended at 11.25am.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

**Status Report - Audit, Risk and Finance Subcommittee -
18 February 2016**

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 18 February 2016 (R5457) and its attachment (A1324298) be received.

Shailey Burgess
Administration Adviser

Attachments

Attachment 1: A1324298 - Status Report - Audit, Risk and Finance Subcommittee

Outstanding Actions

Status Report - Audit, Risk and Finance Subcommittee – 18 February 2016

MEETING DATE	SUBJECT	MOTION	RESPONSIBLE OFFICER	COMMENTS
30 July 2015	Chairperson's Report	<p>Resolved AUD/2015/022</p> <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 - actioned 14 October Subcommittee meeting</p> <p>Subcommittee work plan - targeted to be brought to a Subcommittee meeting after the Subcommittee terms of reference have been approved. A report on this matter is being prepared for the 10 March Governance Committee.</p> <p>Internal audit work plan – recommendation going to Governance Committee 10 March.</p> <p>Internal audit charter - actioned 10 September Subcommittee meeting</p> <p>Ongoing</p>

Corporate Report to 31 December 2015

1. Purpose of Report

- 1.1 To inform the members of the Audit, Risk and Finance Subcommittee of the financial results of activities for the 6 months ending 31 December 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 risks.

3. Recommendation

THAT the report Corporate Report to 31 December 2015 (R5375) and its attachments (A1489864, A1482829, A793514, A1498466 and A1486343) be received and the variations noted.

Recommendation to Governance Committee and Council

THAT Council resolves to fund the additional expenditure for Tasman Street from the following activities; Roading subsidised budgets (\$119,000), Roading unsubsidised budgets (\$117,000) and Stormwater budgets (\$92,000), a total of \$328,000, from operational and capital expenditure budgets as appropriate, noting that any individual project underspends which cover this overspend will be reported by 30 June 2016;

AND THAT funding of \$100,000 for the Stoke Foothills Traffic Study be deferred from 2015/16 to 2016/17;

AND THAT funding of \$100,000 for the Atawhai Hills Traffic Study be brought forward from 2016/17 to 2015/16.

4. Background

- 4.1 The report focuses on the 6 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 It is anticipated that this will be the last corporate report in this format. Officers are working with the Subcommittee external appointees to streamline reporting to better meet the needs of the sub-committee.
- 5.3 For the 6 months ending 31 December 2015, the activity surplus/deficits are \$2.6 million favourable to budget.
- 5.4 Revenue and expenditure variances are discussed by activity. Many variances are a mismatch in timing between the budget phasing and actual expenditure. The Christmas/New Year break has also delayed receipt and processing of regular expenses. Finance will investigate more tailored budget phasing for the upcoming financial year.
- 5.5 Staff expenses are \$361,000 in total favourable to 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.

- 5.6 Depreciation is \$175,000 unfavourable to budget. This is as a result of a \$94,000 write down for retired assets along with depreciation on unbudgeted assets added to the register.
- 5.7 Finance expenses are \$165,000 favourable to budget as 2014/15 capital expenditure was less than projected and interest rates remain favourable to those anticipated.
- 5.8

NCC variance to budget to 31 December 2015

Activity	Year to Date Variance to Budget					
	Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
Corporate	920,762	853,156	377,653	(172,397)	(160,899)	23,250
Parks & Active Recreation	(967,688)	96,489	(15,558)	(1,047,968)	(16,178)	15,527
Social	(424,727)	(11,165)	(1,580)	(406,721)	1,927	(7,189)
Economic	(239,763)	(200,000)	(991)	(39,403)	631	0
Transport	(540,688)	161,808	(329,943)	(476,820)	21,393	82,874
Environmental Management	(635,739)	359,129	(371,771)	(638,460)	5,374	9,990
Wastewater	(150,513)	(39,437)	26,258	(143,749)	2,318	4,098
Stormwater	(137,991)	0	(37,124)	(146,517)	31,590	14,059
Water Supply	(239,586)	98,661	28,678	(402,750)	(1,399)	37,224
Flood Protection	(175,607)	0	(36,965)	(84,683)	(49,580)	(4,379)
Total	(2,591,540)	1,318,640	(361,343)	(3,559,468)	(164,823)	175,454

Corporate

- 5.9 The Corporate activity is \$921,000 unfavourable to budget.
- 5.9.1 Revenue – \$853,000 less than budgeted. Internal interest income is \$186,000 less than budgeted as 2014/15 capital expenditure was less than projected and interest rates remain favourable to those anticipated. Forestry income is \$584,000 as revenue and costs related to the harvest of the Brook stand are yet to be finalised. We are also still awaiting reimbursement from the Ministry of Civil Defence and Emergency Management for a claim lodged in July last year for the 2011 emergency event (278,000 year to date, total claim \$555,000).
- 5.9.2 Expenses - \$172,000 less than budgeted. There are timing differences in Civic House outgoings such as cleaning, and delays in commencing programmed maintenance. A loss on disposal of \$80,000 was recorded on the retirement of the old phone system from the fixed asset register.

Parks and Active Recreation

- 5.10 The Parks and Active Recreation activity is \$968,000 favourable to budget due to:

- 5.10.1 Expenses – other - \$1,048,000 less than budget. Water by meter is \$162,000 below budget – seasonality is a major driver of this variance with the March quarter generating heavier expenditure. Grants for capital projects at Saxton’s Field have not yet been made to Tasman District Council (\$440,000 - timing), and maintenance expenditure is behind budget by \$376,000 including \$150,000 for the Marina dredging. The scope and timing (originally November) for the Marina dredging is being revised as the submitted tender price exceeds the existing budget. Some maintenance expenditure in this activity is very seasonable, and a large number of purchase orders have been raised.

Social

- 5.11 The Social activity is \$425,000 favourable to budget due to:
- 5.11.1 Revenue - \$11,000 more than budget. Festivals income is \$216,000 more than year to date budget (offset by expenditure). Founders book fair proceeds (\$53,000 behind year to date budget) will be received in June, and motor camp income (\$124,000 behind year to date budget) should be caught up in January/February. All timing issues.
- 5.11.2 Expenses – other - \$407,000 less than budget. Expenditure for the earthquake strengthening and refurbishment of the Nelson School of Music is behind budget by \$403,000 (timing). Maintenance expenditure is \$118,000 less than budget although again there are a large number of open purchase orders awaiting invoices. Festivals are overspent \$195,000 year to date (offset by income, a timing issue).

Economic

- 5.12 The Economic activity is \$240,000 favourable to budget due to:
- 5.12.1 Revenue - \$200,000 more than budget. The unbudgeted half year contribution from TDC has been received against unbudgeted expenditure incurred in Economic Development and Tourism Nelson.
- 5.12.2 Expenditure – the Events Contestable Fund has not yet been accessed (\$167,000, timing), and \$41,000 expenditure budgeted for investigating a business incubator is not expected until year end (timing). EDA and NTT service provision is \$200,000 overspent year to date (offsetting revenue in EDA from TDC).

Transport

- 5.13 The Transport activity is \$541,000 favourable to budget due to:
- 5.13.1 Revenue - \$162,000 less than budget as the timing of income from NZTA (\$179,000) reflects the timing of expenditure. Income from Parking Regulation is tracking ahead of budget year to date (\$53,000) as the anticipated reduction in fines relating to changes in parking enforcement has not eventuated.

5.13.2 Expenses – other - \$477,000 less than budget, mainly in subsidised and unsubsidised roading. The most significant underspends in that activity are:

- Base maintenance \$346,000 less than budget in the roading accounts. Year to date underspend is a result of seasonality and contract management requirements. Budgets are expected to be spent by the end of the financial year.
- \$52,000 more than budget in off-street parking meter maintenance as paper usage has significantly increased with 1 hour free parking.
- \$95,000 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 Works and Infrastructure committee meeting in the New Year.
- There has been no spend year to date on the Southern Arterial corridor management Plan. This is delayed until the findings of the NZTA Southern Arterial Investigation are released. This money will not be spent in the current financial year.
- The Stoke Foothills Traffic Study has been delayed from 15/16 to 16/17 so that the model that is under development for the NZTA Southern Link project and its outputs can be utilised which will result in more robust outcomes/better value for money.
- The Atawhai Hills Traffic Study is proposed to be brought forward from 16/17 to 15/16 (this year) so the outputs of the study can be incorporated into the Nelson Plan and landscape value work currently underway.

Environmental Management

5.14 This activity includes Civil Defence and Rural Fire activities, Consents and Compliance, Environmental Programmes, and Solid Waste activities. The Environmental Management activity is \$636,000 favourable to budget due to:

5.14.1 Revenue - \$359,000 less than budget. Landfill fees and levies (including hazardous waste levies) are \$258,000 (15%) less than year to date budget as waste volumes are less than anticipated. Income recorded in other solid waste accounts is \$154,000 less than budget as expenditure in these accounts is correspondingly less than budgeted. Building income is \$66,000 above budget (8%). Volumes are roughly the same as first quarter 2014/15, the increased revenue is a result of higher value building applications. Resource consent income is \$64,000 ahead of budget and tracking ahead of prior year to date.

5.14.2 Expenses – other - \$638,000 less than budget. Environmental advocacy and advice (mainly Nelson Nature) is \$127,000 behind budget. A monitoring programme has now been agreed and expenditure has been committed. A partnership with the Department of Conservation (DoC)

has been announced and work direction is now being confirmed which will require expenditure.

- 5.14.3 Solid waste expenditure is \$377,000 less than budget including \$154,000 internal transfer in the closed accounts (offsetting income). There has been little expenditure in Waste Minimisation due to a programme delivery review and timing of expected invoices; service provision for the transfer station and landfill are under budget as December has only been partly invoiced; and Toe embankment maintenance and ETS levies in the landfill account will not be spent until the end of the year.

Wastewater

- 5.15 The Wastewater activity is \$151,000 favourable to budget due to:
- 5.15.1 Expenses – other - \$144,000 less than budget. Maintenance expenditure is \$131,000 behind budget with a review of this expenditure to be undertaken in February. There has been no expenditure on natural hazards risk assessment to date – a report is currently being prepared on the impact of natural hazards on the NWWTP, rising main and primary pump stations. This work complements development of projects such as Nelson Plan, Land Development Manual and civil defence planning.

Stormwater

- 5.16 The Stormwater activity is \$138,000 favourable to budget due to:
- 5.16.1 Expenses – other - \$144,000 better than budget. There has been no expenditure year to date against budgets for studies and strategies including natural hazards risk assessment (see Wastewater comment). Work has been commissioned for the project on network capacity confirmation for growth areas and is likely to be completed by May. The budget for Building Act compliance in relation to dams (\$60,000 year to date) is unlikely to be spent due a delay from central government required to progress the project.

Water

- 5.17 The Water activity is \$240,000 favourable to budget due to:
- 5.17.1 Revenue - \$99,000 less than budget (timing).
- 5.17.2 Expenses – other - \$403,000 less than budget relates to \$307,000 maintenance expenditure including \$178,000 for reactive maintenance, \$82,000 for head-works maintenance (timing), and \$35,000 for projects linked to the resource consents (to be reviewed in February). There has been no expenditure year to date against budgets for studies and strategies including natural hazards risk assessment (see Wastewater comment), water loss reduction strategy, and water safety plan (both to be reviewed in January/February). Work has been commissioned for the project on network capacity confirmation for growth areas and is likely to be completed by March.

Flood Protection

- 5.18 The Flood Protection activity is \$176,000 favourable to budget.
- 5.18.1 Expenses – \$85,000 less than budget – there is a delay in programmed work waiting on global/individual consents. December stream inspections have identified possible other areas of focus and Nelmac are now supplying cost estimates on this work.

Capital Expenditure

- 5.19 Capital expenditure to 31 December 2015 was \$17.8 million, \$8.0 million (31%) below budget. Details are included in Attachments 2, 3 and 5.
- 5.20 Improvements in the way projects are developed and managed have led to initial delays as greater rigour has been applied to preparing and understanding the projects. However, expectations at this stage are that the work programme will be met.

Balance Sheet

- 5.21 Council had \$1.7 million in on call cash balances at the end of November from payment of the October rates instalment. Operational expenditure utilised this balance in December.
- 5.21.1 Payables include rates received in advance. As rates are invoiced in quarterly instalments, significant movements are generated between debtors and creditors, depending on which month of the cycle is being reported. Balances have also built up from those ratepayers with direct debit arrangements in advance of the next quarterly rates accounts, invoiced in January.
- 5.21.2 In December, \$5 million of current borrowings were replaced with \$5m term borrowings through the Local Government Funding Agency, due in 2023.
- 5.21.3 Rates income for the quarter is recognised in its entirety when it is invoiced, in this case in October. Over the following 2 months, accumulated funds decrease as expenditure is incurred. Essentially accumulated funds reflects the timing differences between rates income and organisational expenditure.

6. Royal Visit

- 6.1 Direct costs relating to the visit to Nelson in November 2015 by HRH the Prince of Wales and the Duchess of Cornwall totalled \$70,000. A budget of \$100,000 was approved for this event. Refer Attachment 9.

7. Consultancy costs for Chief Executive Employment Committee

- 7.1 External support for the Chief Executive Employment Committee totals \$25,500 to December.

8. Outstanding rates at 31 December 2015

8.1 Please see attachment 8 for an update.

9. Tasman Street upgrade

9.1 The Tasman Street Upgrade project (between Nile Street and Bronte Street) commenced in February 2015 and was completed in late October 2015. This project was signalled in the 2013/14 Annual Plan. The work included the upgrade of Council underground services (water, sewer and storm water), footpaths, kerb and channel, carriageway upgrade, re-seal, roundabout improvements, street lighting and underground private services (power and telecommunications).

9.2 The original project budget was \$1,129,000. Following very competitive pricing, the final budget on evaluation was reduced by \$119,000 to \$1,010,000 as the tendered price was lower than the estimate. This included a contingency (as per all contracts) of approximately 15%.

9.3 Many issues during the project led to an eventual overspend of approximately \$211,000 and a final construction cost of approximately \$1,340,000 (22% higher than the original project budget). Asset Managers believe the shortfall should be allocated to those activities that have benefited from the betterment the additional works have provided.

9.4 This project predated the new and now standard quality assurance measures put in place following the review of how capital projects should be delivered. There are now systems in place to ensure that risks (as identified on this project) are mitigated.

9.5 The complex project included the following conditions encountered on site that are regarded as genuine unforeseen issues:

9.6

- Incorrect location of private underground services
- Incorrect location of historic Council services
- Poorer than expected ground conditions
- Poor design assumptions
- Altering design to mitigate unforeseen issues

9.7 These unforeseen issues also included the opportunity for Council to upgrade existing services (termed betterment) at a reduced cost, resulting in increased asset life, due to economies of scale and avoiding re-excavation of the carriageway.

9.8 There have also been very positive lessons learnt from poor design process which are now being applied to all new projects to mitigate risk.

These issues have been discussed with the external design consultant with a view to a financial contribution to offset the additional costs.

10. Other projects update

- 10.1 Please see Attachment 5 for progress reports on Council's major projects.

11. Alignment with relevant Council policy

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

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

- 12.1 There are no significant decisions.

13. Consultation

- 13.1 No consultation is required.

14. Inclusion of Māori in the decision making process

- 14.1 No consultation is required.

Tracey Hughes
Senior Accountant

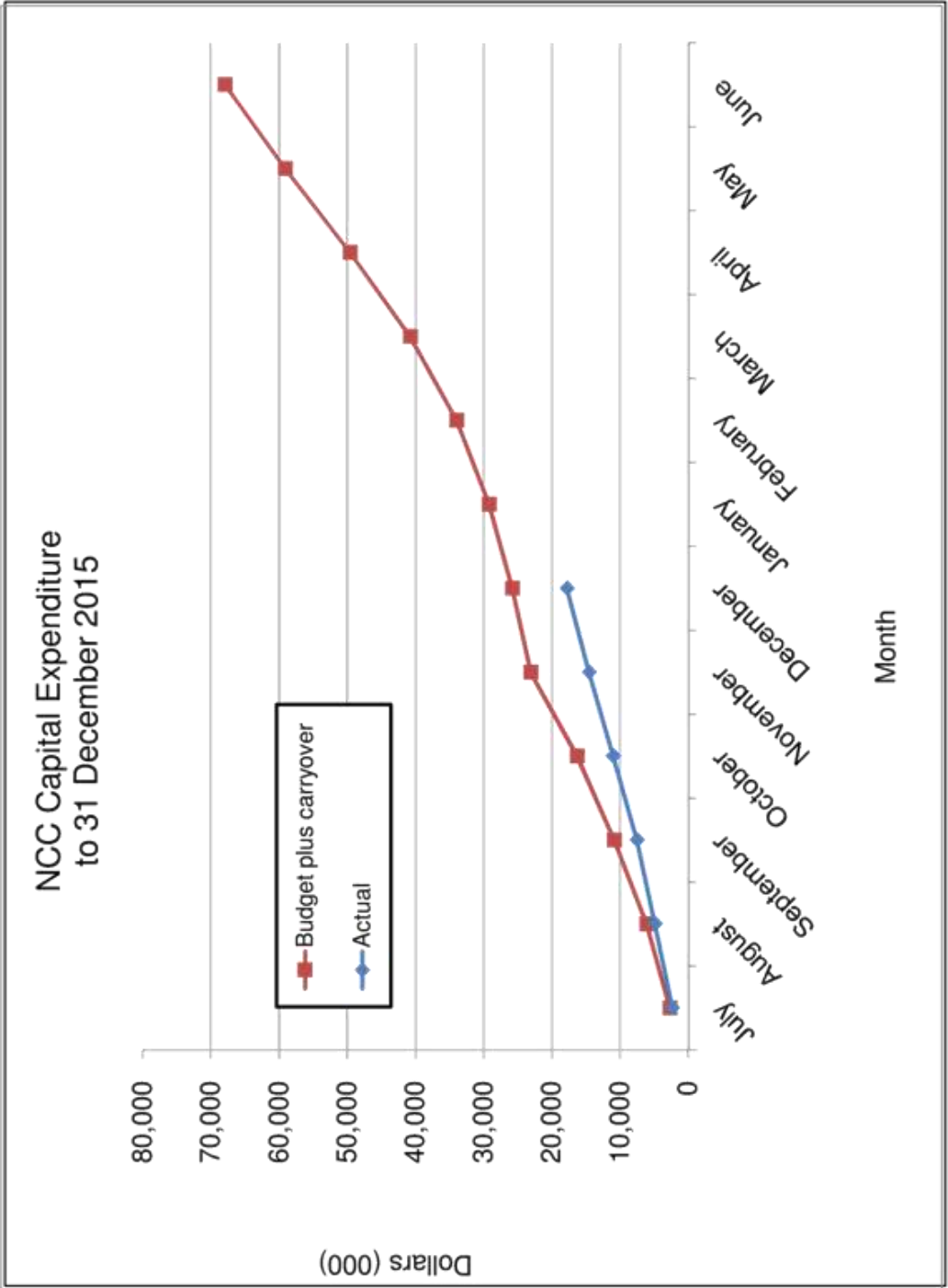
Attachments

- Attachment 1: NCC Detail Performance (A1489864)
- Attachment 2: Capital Expenditure Graph (A1489864)
- Attachment 3: Capital Expenditure by Activity (A1489864)
- Attachment 4: NCC Balance Sheet (A1489864)
- Attachment 5: Major Projects Report (A1486343)
- Attachment 6: Interest Rate Position (A1482829)
- Attachment 7: Debtors report (A793514)
- Attachment 8: Rates Outstanding (A1489864)
- Attachment 9: Royal visit costs Dec 2015 (A1498466)

NCC variance to budget to 31 December 2015

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	(21,478)	(12,309)	0	(9,169)	0	0
	Admin & Meeting Support	505,422	(766)	516,513	(10,326)	0	0
	Council Publicity	(44,167)	0	1,428	(45,887)	292	(1)
	Members Expenses	5,148	(59)	1,135	3,820	0	252
	Election Expenses	(2,910)	0	0	(2,910)	0	0
	Civic Expenses	25,286	870	5,390	19,025	0	0
	Contingency	0	0	0	0	0	0
	Investment Management	(130,342)	49,867	0	20,379	(200,588)	0
	Civic House	(106,750)	(1,781)	(2,767)	(73,362)	(20,859)	(7,981)
	Rental Properties	6,513	(41,705)	43,098	(3,920)	8,175	865
	Forestry	606,433	584,334	6,933	(6,620)	21,786	(1)
	Subdivisions (W/Bluff & Ridgeway)	(3,799)	(2,795)	(2,736)	1,733	0	0
	Policy	(192,388)	0	(191,342)	(1,046)	0	0
	Administration	(34,011)	0	0	(64,115)	(11)	30,115
	Emergency Response Fund	307,806	277,500	(1)	0	30,306	0
Corporate Total		920,762	853,156	377,653	(172,397)	(160,899)	23,250
Parks & Active Recreation	Horticulture Parks	(34,163)	1,426	(12,930)	(22,070)	2,506	(3,094)
	Neighbourhood Parks	(24,921)	2,775	(13,376)	(13,152)	1,135	(2,303)
	Park Trees	(22,852)	0	(570)	(22,281)	0	0
	Conservation Reserves	11,492	(6,650)	(10,283)	29,264	(91)	(748)
	Landscape Reserves	(40,131)	(11,742)	(2,887)	(25,855)	14	339
	Esplanade & Foreshore Reserves	(175,798)	(36)	4,032	(183,627)	5,580	(1,747)
	Heritage,Landscape,Local Trees	13,196	0	2,097	11,100	0	0
	Walkways	6,879	(1,179)	2,436	8,439	0	(2,817)
	Sports Parks	(154,181)	15,148	7,633	(153,587)	(4,668)	(18,706)
	Recreation Planning	13,762	(365)	(3,943)	18,070	0	0
	Natureland	(9,852)	(10)	0	(9,500)	(342)	0
	Trafalgar Centre	(84,949)	28,106	17,711	(59,352)	(37,580)	(33,834)
	Saxton Field Stadium	57,739	(7,590)	(4,116)	(23,147)	(1,420)	94,012
	Saxton Oval Pavilion	(7,358)	(7,172)	1,822	(5,023)	2,277	738
	Golf Course	60,409	50,932	2,340	7,657	0	(519)
	Pools	(36,043)	21,725	(2,822)	(56,210)	(919)	2,184
	Community Programmes	22,748	(830)	(13,593)	37,171	0	0
	Recreation Liaison	(15,519)	0	(10,394)	(5,125)	0	0
	Play Facilities	(9,010)	0	948	(6,332)	602	(4,228)
	Marina	(104,416)	(13,529)	15,361	(106,684)	2,737	(2,301)
	Saxton Field Capital Works	(461,434)	25,481	(6,579)	(452,722)	(16,163)	(11,450)
	Regional Community Facilities	26,713	0	11,557	(15,000)	30,156	0
Parks & Active Recreation Total		(967,688)	96,489	(15,558)	(1,047,968)	(16,178)	15,527
Social	Managing Heritage And Arts	(54,358)	(600)	(19,334)	(37,508)	634	2,450
	Museum	(15,576)	0	0	(1)	(15,576)	0
	Suter Gallery	57,554	0	28,105	(1,911)	31,361	0
	Isel House	(10,856)	(13)	711	(11,332)	(223)	(1)
	Melrose House	(32,495)	(93)	787	(35,574)	1,349	1,035
	Broadgreen House	(39,215)	1,150	(35,883)	(4,124)	(41)	(318)
	Founders Park	152,844	57,106	40,891	54,726	1,013	(892)
	Historic Cemeteries	(34,680)	(328)	(1,515)	(31,351)	0	(1,487)
	Heritage Incentives	(45,676)	0	(6,600)	(39,076)	0	0
	Festivals	(18,083)	(214,475)	(381)	196,773	0	0
	Street Decorations	(12,751)	0	(5,094)	(7,657)	0	0
	School Of Music	(402,398)	0	5,015	(403,295)	(4,117)	0
	Theatre Royal	(803)	0	0	(938)	135	0
	Nelson Library	23,447	15,126	(8,089)	11,250	623	4,537
	Stoke Library	(3,857)	2,389	12,225	(17,853)	0	(618)
	Nightingale Memorial Library	(15,149)	(701)	(7,932)	(6,201)	0	(315)
	Marsden Valley Cemetery	11,363	6,272	(600)	5,081	722	(112)
	Crematorium	35,110	(11,077)	4,874	42,772	(271)	(1,188)
	Toilets (Free)	(43,155)	0	(1,441)	(41,762)	(187)	234
	Toilets (Charge)	(12,463)	(775)	(189)	(11,745)	247	(1)
	Stoke Community Centre	(8,061)	0	0	0	(8,061)	0
	Stoke Hall	4,531	(3,132)	1,643	6,010	10	0
	Maitai Club	(5,290)	4,641	(861)	(10,297)	1,227	0
	Community Properties	(6,236)	2,380	21,213	(25,893)	(2,056)	(1,880)
	Wakapuaka Recreation Centre	(1,581)	472	(624)	(1,437)	0	8
	Trafalgar St Hall	(6,558)	1,225	(624)	(6,806)	(101)	(252)
	Motor Camp Tahuna	79,255	109,233	(3,423)	(26,553)	0	(2)
	Maitai Camp	2,994	10,212	(1,397)	(5,849)	28	0
	Brook Camp	(13,387)	5,207	(1,983)	(11,771)	(4,931)	90
	Community Housing	(28,814)	23,706	(3,576)	(43,911)	0	(5,033)
	Employment Assistance	(2,764)	(5,000)	(3,395)	9,126	0	(3,495)
	Community Liaison: Development	(1,231)	(14,089)	10,081	2,731	0	46
	Community Liaison: Grants (Ca)	23,610	0	(24,184)	47,654	140	0
Social Total		(424,727)	(11,165)	(1,580)	(406,721)	1,927	(7,189)
Economic	Sister City Links	(1,841)	0	0	(1,841)	0	0

Activity	Subactivity	Year to Date Variance to Budget					
		Surplus (Better)/ Worse	Revenue (Better)/ Worse	Expenses - Staff	Expenses - other	Expenses - Interest	Expenses - Depr
	Economic Development	(336,151)	(200,000)	(991)	(135,732)	572	0
	Tourism Nelson	98,229	0	0	98,170	59	0
	Cricket World Cup	0	0	0	0	0	0
Economic Total		(239,763)	(200,000)	(991)	(39,403)	631	0
Transport	Subsidised Rooding	(288,455)	184,844	(298,961)	(198,615)	24,277	0
	Unsubsidised Rooding	(217,258)	(38,182)	(37,195)	(242,539)	14,826	85,832
	Rooding Properties	(16,628)	(33,053)	14,243	837	854	491
	Parking Regulation	(74,119)	(52,712)	(991)	(20,624)	0	208
	Parking and CBD Enhancement	111,666	22,176	(252)	94,305	(2,531)	(2,032)
	Millers Acre Centre	(22,472)	(15,591)	2,136	7,247	(15,940)	(324)
	Public Transport	25,966	88,289	(7,303)	(53,619)	(100)	(1,301)
	Total Mobility	(59,388)	6,038	(1,620)	(63,813)	7	0
Transport Total		(540,688)	161,808	(329,943)	(476,820)	21,393	82,874
Environmental Management	Civil Defence	(6,456)	(1)	(1,484)	(5,000)	28	(1)
	Rural Fire Control	22,496	(6,554)	(1)	28,218	805	26
	Monitoring The Environment	(17,607)	0	76,955	(93,295)	(847)	(420)
	Developing Resource Mgt Plan	(2,339)	(2,109)	61,165	(61,395)	0	0
	Environmental Advocacy/Advice	(216,372)	(7,000)	(85,584)	(123,788)	0	0
	Pest Management	(2,763)	0	0	(2,763)	0	0
	Clean Heat Warm Homes	54,940	50,990	(1)	(286)	4,236	0
	Solar Saver	1,997	0	(1)	738	1,258	0
	Dog Control	5,816	6,807	(2,971)	3,515	0	(1,534)
	Animal Control	1,998	(118)	0	2,116	0	0
	Liquor Licencing	(13,289)	(13,301)	1,500	(1,489)	0	0
	Food Premises	44,877	45,309	0	(433)	0	0
	Public Counter Land & General	5,475	(15,343)	23,876	(3,058)	0	0
	Building Services	(253,287)	(65,571)	(175,022)	(12,812)	0	117
	Harbour Safety	(2,076)	1,675	1,267	(1,859)	(107)	(3,054)
	Pollution Response	4,952	14,250	(1,019)	(8,279)	0	0
	Resource Consents	(292,605)	(63,843)	(267,138)	38,376	0	0
	Enforcing Bylaws	(60)	1,728	0	(1,788)	0	0
	Building Claims	(24,847)	0	(7,381)	(17,465)	0	0
	Waste Minimisation	0	76,799	1,562	(78,064)	0	(297)
	Transfer Station	(1)	45,206	8,854	(58,818)	0	4,758
	Landfill	53,273	257,921	788	(215,831)	0	10,394
	Joint Landfill	142	0	142	0	0	0
	Green Waste	(1)	12,739	(4,078)	(8,660)	0	0
	Recycling	0	19,544	(3,204)	(16,340)	0	0
Environmental Management Total		(635,739)	359,129	(371,771)	(638,460)	5,374	9,990
Wastewater	Wastewater	(150,513)	(39,437)	26,258	(143,749)	2,318	4,098
Wastewater Total		(150,513)	(39,437)	26,258	(143,749)	2,318	4,098
Stormwater	Stormwater	(137,991)	0	(37,124)	(146,517)	31,590	14,059
Stormwater Total		(137,991)	0	(37,124)	(146,517)	31,590	14,059
Water Supply	Water Supply	(239,586)	98,661	28,678	(402,750)	(1,399)	37,224
Water Supply Total		(239,586)	98,661	28,678	(402,750)	(1,399)	37,224
Flood Protection	Flood Protection	(175,607)	0	(36,965)	(84,683)	(49,580)	(4,379)
Flood Protection Total		(175,607)	0	(36,965)	(84,683)	(49,580)	(4,379)
Total		(2,591,540)	1,318,640	(361,343)	(3,559,468)	(164,823)	175,454



Capital Expenditure				
Total Council - by Activity				
Activity	Actual YTD \$(000)	Budget YTD \$(000)	Variance YTD \$(000)	Full Year Budget \$(000)
Corporate	717	1,391	-674	3,660
Parks & Active Recreation	3,932	8,315	-4,383	21,882
Social	4,110	2,546	1,564	6,700
Economic	0	0	0	0
Transport	2,231	3,105	-874	8,171
Environmental Management	330	352	-22	927
Wastewater	2,573	2,465	108	6,487
Stormwater	643	1,087	-444	2,859
Water Supply	1,842	2,567	-724	6,755
Flood Protection	1,430	3,992	-2,562	10,506
	17,809	25,820	-8,011	67,947
Vested Assets	1,159	1,159	0	3,051
Nelson Regional Sewerage BU	75	371	-297	977
	19,043	27,350	-8,308	71,975

8. Corporate Report to 31 December 2015 - Attachment 3 - Capital Expenditure by Activity (A1489864)

Nelson City Council Abbreviated Balance Sheet

	December 2015 YTD \$000	November 2015 YTD \$000	June 2015 YTD \$000
Current Assets			
Cash	445,454	1,608,990	194,315
Receivables	7,393,487	8,232,218	10,092,405
Other Current Assets	2,440,263	2,830,922	1,137,499
Total Current Assets	10,279,203	12,672,131	11,424,219
Non Current Assets			
Fixed Assets	1,343,701,899	1,342,270,681	1,336,528,479
Investments	28,101,404	28,021,404	27,941,404
Other Non Current Assets	12,387,851	12,279,226	12,666,826
Total Non Current Assets	1,384,191,155	1,382,571,311	1,377,136,709
Current Liabilities			
Payables	(13,315,348)	(11,980,954)	(11,563,669)
Borrowings: Current	1,400,000	(2,812,635)	(9,916,191)
Other Current Liabilities	(1,788,715)	(1,602,739)	(1,715,483)
Total Current Liabilities	(13,704,063)	(16,396,328)	(23,195,342)
Non Current Liabilities			
Payables: Non Current	(877,500)	(877,500)	(877,500)
Provisions	(1,246,866)	(1,236,085)	(1,184,780)
Borrowings: Non Current	(72,860,000)	(67,860,000)	(62,860,000)
Other Non Current Liabilities	(4,115,994)	(4,115,994)	(4,115,994)
Total Non Current Liabilities	(79,100,360)	(74,089,580)	(69,038,274)
Net Assets	1,301,665,934	1,304,757,535	1,296,327,311
Equity			
Accumulated Funds	(366,787,564)	(369,884,558)	(360,729,808)
Reserves	(934,878,370)	(934,872,977)	(935,597,503)
Total Equity	(1,301,665,934)	(1,304,757,535)	(1,296,327,311)

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	budget	Status vs current year plan			Issues & Risks Reasons
					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.	Begin Construction	Mar-16	745,214	G	G	G	Construction to start in March 2016 following agreement with the Waimea Road Business and Residents Society Incorporated.
Neale Park sewer pump station upgrade	Redevelopment and upgrade of Neale Park Sewer pump station to reduce odour and provide peak flow pumping requirements.	Detail Design Approval	May-16	373,199	G	G	G	Design only.
Modellers Pond Solution	Improve Water quality and amenity of the pond.	Detail Design Approval	Feb-16	650,110	Y	Y	G	Final design under review. Going to Council 24 March 2015. Project is dependent on the community fundraising approx 40% of the project costs.
Stoke sports & community facility	New sports and community facility in Stoke.	Resource Consent Hearing	Jan-16	1,660,803	Y	G	G	Consent submissions closed. Approximately 60 submissions received. Commissioner Hearing dates set for late January.
Rutherford/Trafalgar Park Development	Development of Rutherford park in line with Development Plan.	Begin Construction	Nov-15	2,449,785	G	G	G	Undertaken as part of the Trafalgar Centre Upgrade.
Suter upgrade	Full upgrade of the Suter gallery	Complete Construction	May-16	3,532,286	G	G	G	
Trafalgar Centre Reopening	Complete upgrade to allow reopening & safe public use of the Centre.	Design packages 1, 2 & 3 accepted	Jul-16	12,289,000	Y	G	G	Work on site has commenced. Main and southern sections to be completed by the end of March 2016. Still on schedule to complete northern extension by the end of July 2016.
NSOM upgrade	Strengthen auditorium, finalise and implement refurbishment brief	Detail Design Approval	Nov-15	1,500,000	G	G	G	Trust has to date secured funding from NZ Lottery Grants Board and Rata Foundation. Design and costs have been finalised and following analysis of costs the versus budget the short listed Contractors will proceed with pricing.
Maitai Pipeline Upgrade (WTP - Westbrook Tee)	Construction of a trunk main from WTP to Brook Street.	Begin Construction	May-16	2,118,000	G	G	G	Council approved additional \$800k in 16/17 budget. Pipes have been ordered.
WTP membranes - New train	Provision and Installation of new membranes for Train 5	Complete Commissioning	Feb-16	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.	Begin Construction	Mar-16	4,792,000	G	G	G	Contract awarded to Donaldson Civil.
General Reserves land purchase programme	Purchase of land for Parks and Reserves	Marsden Park - Dependent on agreement between valuers	Mar-16	1,044,818	Y	Y	Y	Funded from reserve contributions. Land purchase is generally dependent on subdivision progress. This account is funded from reserves contributions and rolls over from year to year.
Saxton Creek upgrade	Upgrade stream channel and undertake associated landscaping.	Begin Construction	Feb-16	2,924,813	G	G	G	Stage 1 commencing early February. Negotiations to recommence with property owners within stage 2. Project Board has approved for \$1,024,813 to be transferred into 16/17 programme - as per Governance Framework.

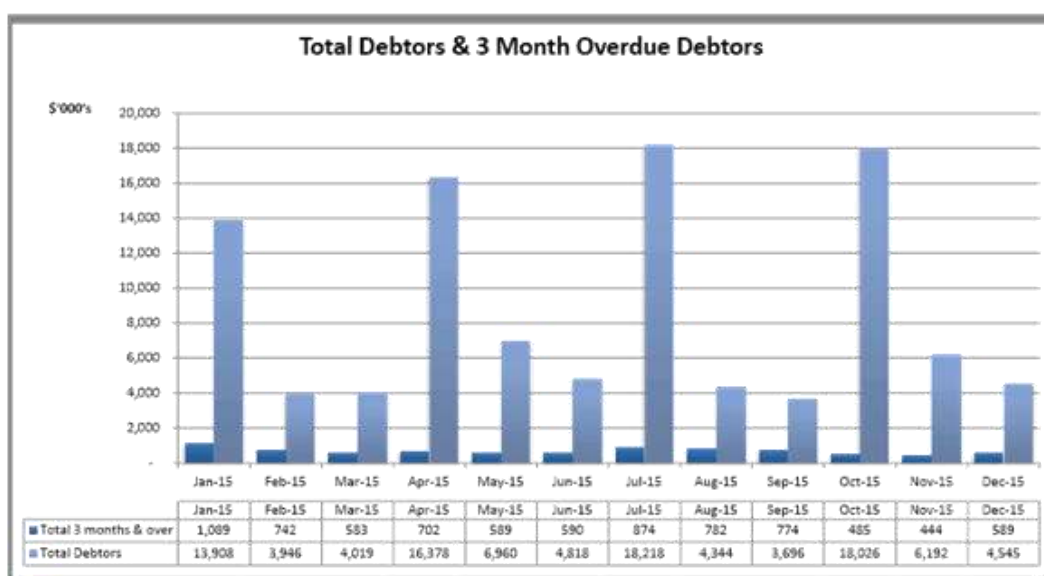
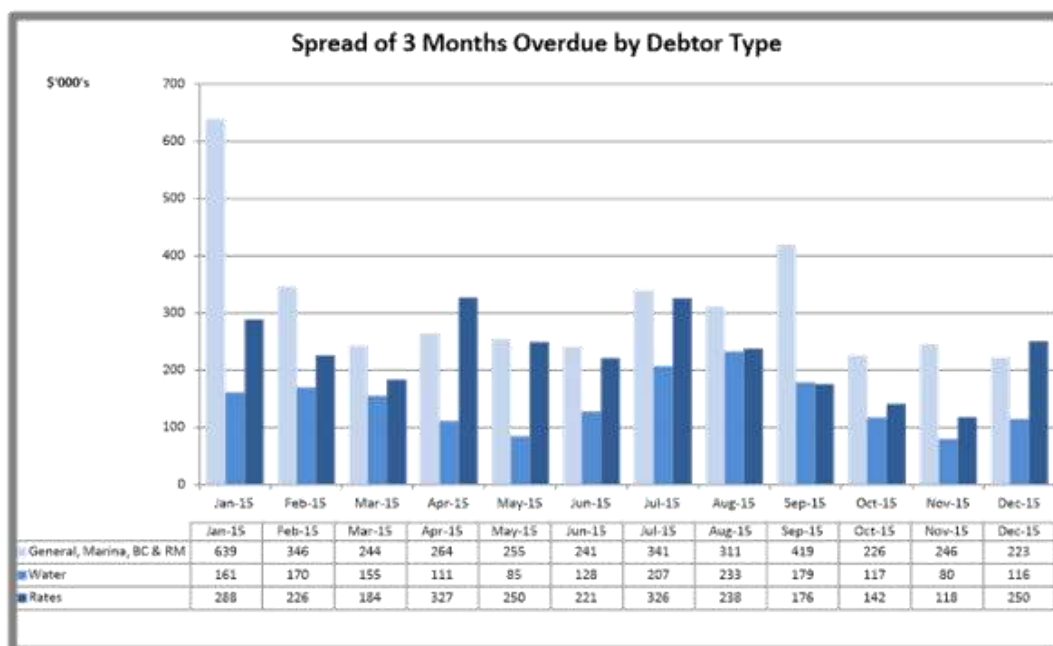
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Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Maitai shared path (Collingwood St to Nile St)	Widening of existing path to allow shared use. Includes associated landscaping and planting.	Project Start Up	2016/17	658,811	R	R	R	W&I Committee approved to defer project to 2016/17. Transfer of money to be finalised in next corporate report.
Bishopdale to the Ridgeway shared path	Construct shared path to tie in with sewer upgrade works in Beatson Road.	Practical Completion	Nov-16	384,938	G	G	G	Project was completed within budget. To be removed from the next Corporate Report.
Whakatu Drive / Beatson Road	Widen existing path at roundabout to remove pinch point. Works to tie in with sewer upgrade in Beatson Road.	Practical Completion	Nov-16	21,866	G	G	G	Project was completed within budget. To be removed from the next Corporate Report.
Beatson Road Sewer Renewal	Upgrade sewer main from Beatson Road across Whakatu Drive - design, procure, and construct.	Complete initial Design	Nov-15	314,826	G	G	G	Project was completed within budget. To be removed from the next Corporate Report.
Orphanage Stream upgrade	Investigate options for increasing capacity of bridges and culverts plus channel break out points from Ngawhatu Valley to Whakatu Drive	Tender Award	Feb-16	591,544	G	G	G	Project Board approved to split project into separable portion, and to span over two financial years. Tenders close on 28 January 2016.
York Valley Landfill weighbridge	Procurement and construction of new weighbridge at York Valley Landfill.	Complete Construction	Mar-16	492,643	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	Aug-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 August 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.	End of Defects Liability Period	Oct-16	364,351	G	R	G	Project is completed and over budget. Additional funding to be requested.
Stanley/Beachville stormwater	Upgrade stormwater discharge to Nelson end of Stanley Cresc.	End of Defects Liability Period	Nov-16	275,436	G	G	G	Project was completed within budget. To be removed from the next Corporate Report.
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.	Begin Construction	Apr-16	149,461	G	G	G	Construction will commence once the Owner of the western building has completed maintenance on the wall. This is estimated to be in April 2016.
Railway Reserve to CBD cycleway via St Vincent (Stane II)	Two way separated cycle lanes along the eastern side of St Vincent Street, from Gloucester St to Haven Rd.	Issue Tender	Feb-16	193,322	G	G	G	Awaiting Approved Resource Consent in Feb 2016.
Flood mitigation - Gravel Traps & Intake Structures	Construction of gravel traps and upgrading intake structures in Poormans Stream (near 150 Marsden Road) and Orphanage Stream (near Suffolk Road culvert).	Award Tender	Feb-16	867,496	G	G	G	Tender has been advertised and will close in late January.
St. Vincent to CBD cycle connection	Shared path through ANZAC Park	Project Start Up	2016/17	206,496	R	R	R	W&I Committee approved to defer project to 2016/17. Transfer of money to be finalised in next corporate report.
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	Mar-16	827,020	G	G	G	NCC are a key stakeholder and contributing funds. Project being managed by TDC.

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
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.	Confirm new project delivery plan	Feb-15	387,936	Y	R	Y	Tenders have been evaluated and prices exceed budget. Investigating changes to scope and timing to reduce costs.

Nelson City Council Interest Rate Position			
12 Month Forecast Core Debt:		100.0	31-Dec-15
Policy Limits		55% - 90%	
Overall Fixed:Floating Mix		80%	
Policy Compliance		Y	
Liquidity Ratio:		110%	
Actual		140%	
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	16%	24%	60%
Policy Compliance	Y	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	45%	25%	30%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding		3.55 Years	
Fixed Rate Portfolio (swaps and fixed rate loans)		5.97 Years	
Weighted average fixed rate on current borrower swaps*:			
Swap Portfolio	4.31%	* 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	8.58	0.00	Y
ANZ	6.91	0.00	Y
ASB	0.00	0.00	Y
BNZ	0.40	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%	5.41%	Y
Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than 20%	7.76%	Y
Net external debt (secured by rates) as a percentage of total revenue to be less than 150%	5%	Y
Net external debt (secured by rates) as a percentage of equity to be less than 20%	0%	Y



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

Account No 3 Mths Overd Notes

1205939 \$ 53,124 3/12/15 - In dispute, resolution being worked through by officer and offer made to counterparty
 1203871 \$ 16,301 15/01/16 - Chasing payment, working with accounts department on invoice structure to enable collection from subcontractors

Debtors 3 months & over monthly report data (A793514)_1New Graphs

Outstanding Rates

Attachment 8

Date	Total Rates Outstanding	Latest Instalment	Previous instalments	Previous Years	Commercial included in total	# accounts on email
30 June 2007	180,780	0	180,780	0		
30 June 2008	340,391	0	340,391	0		
1 September 2008	907,606	633,127	0	274,479		
1 December 2008	677,694	591,693	0	86,001		
1 March 2009	852,643	644,579	169,842	38,222		
30 June 2009	294,833	0	294,833	0		
1 September 2009	907,209	711,869	0	195,340		
31 December 2009	337,758	175,274	106,774	55,710		
1 March 2010	630,376	445,311	175,929	9,136		
30 June 2010	337,253	0	337,030	223		
1 September 2010	835,862	650,520	0	185,342		
31 December 2010	245,476	150,655	78,443	16,378		
1 March 2011	644,113	498,068	141,592	4,453		
30 June 2011	338,162	0	338,162	0		
1 December 2011	777,480	578,542	150,757	48,181	145,274	
5 March 2012	649,187	514,491	129,140	5,556	58,517	
30 May 2012	816,798	592,400	224,213	185	181,182	
30 August 2012	923,938	753,415	0	170,523	187,299	
3 December 2012	793,522	593,648	165,742	34,132	175,194	
1 March 2013	1,117,653	704,633	406,606	6,414	198,492	
4 June 2013	786,550	540,429	243,165	2,956	151,587	
31 August 2013	1,068,111	866,816	0	201,295	220,266	
3 December 2013	1,163,288	959,737	118,837	84,714	201,389	
6 March 2014	1,210,431	977,109	213,594	19,728	189,606	
30 June 2014	491,840	263,351	227,576	913		
30 September 2014	520,183	369,791	0	150,392	85,852	2,076
31 December 2014	436,136	268,813	141,405	25,917	72,103	2,194
31 March 2015	463,249	278,442	180,366	4,441	89,180	2,545
30 June 2015	444,591	223,734	217,669	3,188	110,877	2,925
30 September 2015	655,649	479,617	0	176,032	153,274	3,275
31 December 2015	589,088	513,866	175,174	75,223	123,054	3,322

Royal Visit External Costs

Attachment 9

Benjamin Black	Key to City	513.04
Colourbreak Ltd - Willow design	Bouquets	91.31
Event Audio	Audio Visual hire	725.00
Executive Limousines	Transport	588.00
Exhibition Hire	Displays	1,440.00
Mahana Estates	Hire on charges	6,170.56
Nelmac	Staff and facilities	43,333.04
Nelson City Fresh Choice	Wine	29.56
Powertech	Notices	872.39
Safe traffic	Traffic Management Prep	250.00
Speedy Signs	Flags	2,790.00
Steve Kelly	Banner installation	727.83
Upshift Ltd	Event organisation	12,478.25
Total Expenses		<u>70,008.98</u>

Letter to the Council on the audit for the year ending 30 June 2015

1. Purpose of Report

- 1.1 To provide the letter to the Council on the audit for the year ending 30 June 2015 from Audit NZ and advise on issues raised.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee have responsibility for the audit of Council's Annual Report and annual accounts.

3. Recommendation

THAT the report Letter to the Council on the audit for the year ending 30 June 2015 (R5350) and its attachment (A1499499) be received.

Recommendation to Governance Committee and Council

THAT Council notes Audit NZ's comments (A1499499) and how officers intend to address the issues raised.

4. Discussion

- 4.1 Audit New Zealand (Audit NZ) issued an unmodified audit opinion on 15 October 2015 for the financial year ending 30 June 2015. This means that it was satisfied that the financial statements fairly reflected Council's activity for the year and its financial position at the end of the financial year.
- 4.2 After the audit is completed, Audit NZ issue a management letter to Council outlining the findings of the audit.
- 4.3 In the letter to Council issued on 22 January 2016 (Attachment 1) a number of issues were raised. This report provides an explanation of the issues and how they will be addressed by officers.

Council sub-committees

- 4.4 Audit NZ note the forming of the Audit, Risk and Finance (ARF) and Commercial subcommittee and that Terms of Reference are being developed for the ARF subcommittee. These are due to go to the Governance Committee 10 March 2016 for approval.

Infrastructure asset valuations

- 4.5 Audit NZ noted in the letter to Council the large revaluation in the 2014 Annual Report and the subsequent change to the methodology used by Council in 2015 for indexing (Council carries out a full revaluation of infrastructure assets every second year with indexing in the intervening year). Officers intend to continue to use the new methodology for indexing, the next instance of which will be in the 2016/17 Annual Report.

Suter redevelopment

- 4.6 Audit NZ noted in the letter to Council that Council is treating the Suter redevelopment as capital work in progress with the intention of treating the Council \$6 million contribution as a capital injection at completion of the project. Council is funding the first \$6million of the project and is Engineer to the Contract.
- 4.7 Officers have subsequently met with Suter representatives and agreed the asset transfer will occur at the completion of the project. This will be treated as a capital injection (increase in investment) from Council's perspective and an increase in equity by the Suter.

Performance measure rules

- 4.8 Asset managers had developed measures that collected the data required by the new mandatory performance measures set by the Department of Internal Affairs (DIA) but worded to reflect the Nelson situation. Audit has since indicated that it would like the exact wording of the measures as set out by DIA to be used so those measures will therefore be amended in the 2016/17 Annual Plan.

Residents survey

- 4.9 Experience has shown that running a full residents survey every year is not a good use of resources as results do not vary greatly and so the process was not providing new insights. A new approach was introduced which would have a full residents survey every three years with smaller short surveys in interim years. This would allow gathering of data for all measures once during the period of the Long Term Plan.
- 4.10 Audit considers the data should be gathered annually. At this stage it is proposed to revert to that process. Officers are working on a survey to be undertaken in May. Longer term, a review of measures and sources of data will be undertaken.

Supplementary letter

- 4.11 Audit NZ notes the matters raised in the supplementary letter to management. The Chief Executive accepts these comments and will address these matters prior to the 2015/16 Annual Report.

5. Options

- 5.1 That the Subcommittee note the matters raised in the Letter to the Council on the audit of Nelson City Council for the year ending 30 June 2015 and the manner in which officers propose to address them.

6. Alignment with relevant Council policy

- 6.1 This recommendation is not inconsistent with any previous Council decision.

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

- 7.1 This is not a significant decision.

8. Consultation

- 8.1 No consultation has occurred in preparation of this report.

9. Inclusion of Māori in the decision making process

- 9.1 No consultation with Maori has occurred in preparation of this report.

10. Conclusion

- 10.1 Audit NZ issued an unmodified audit opinion on 15 October 2015 for the Annual Report for the year ending 30 June 2015. This means that they were satisfied that the financial statements fairly reflected Council's activity for the year and its financial position at the end of the year.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: A1499499 - Letter to the Council on the Audit of NCC for the Year ended 30 June 2015 - redacted

22 January 2016

PO Box 2, Christchurch 8140

www.auditnz.govt.nz

Fax: 03 961 3059

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25 JAN 2016

NELSON CITY COUNCIL

RECEIVED X4 COPIES

Rachel Reese
Mayor
Nelson City Council
PO Box 645
Nelson 7040

cc John Peters, Chair of the Audit, Risk and Finance Subcommittee
Clare Hadley, Chief Executive
Nikki Harrison, Group Manager Corporate Services

Dear Rachel

**Letter to the Council on the audit of Nelson City Council for the year ended
30 June 2015**

1 Introduction

We have completed our audit of Nelson City Council (the City Council) and outline the work undertaken and the key findings from our audit below. This letter builds upon our findings included in our interim letter to the Council dated 15 June 2015. We have also provided a separate letter to management, which sets out our detailed findings.

Our reported findings are summarised in Section 5 of this letter.

Work undertaken

Our final audit was primarily focused on the City Council's Annual Report for 2015 and we issued an unmodified opinion (see Section 2 of this letter). We also reviewed the key business risks and issues facing the City Council (see Section 3 of this letter) and the sector-wide issues facing local authorities (see Section 4 of this letter).

We outline the content of our supplementary letter to management in Section 5 of this letter. Our mandatory disclosures are in Appendix 1.

2 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 15 October 2015. This means that we were satisfied that the financial statements and statement of service provision presented fairly, in all material respects the City Council's activity for the year and its financial position at the end of the year.

The financial statements are free from material misstatements, including omissions.

3 Business risks/issues

In our interim letter, we reported our findings on some of the key risks identified in our audit management letter. The sections below outline the remainder of our findings.

3.1 Council sub-committees

To improve the accountability and performance the City Council has recently established two subcommittees chaired by external representatives. The Audit, Risk and Finance (ARF) subcommittee, and the Commercial subcommittee will report to the governance committee.

Our main focus will be in forming an effective working relationship with the ARF. As part of this we intend to meet regularly with the committee. We will liaise with the chair in establishing a timetable for these meetings.

The Council has provided delegations to ARF and formal terms of reference are being developed. We will follow up progress in this area as part of our 2016 audit.

3.2 Building assessments

In our interim letter to Council, we outlined the current status of the City Council's progress in its seismic assessments of its building stock. The largest asset by value owned by the City Council which has a section 124 notice is the Trafalgar Centre.

As part of our final audit we reviewed management's assessment as to whether the carrying value of the Trafalgar Centre fairly reflected its depreciated replacement cost. Management's impairment review identified that the carrying amount was overstated by \$0.65 million and the asset was impaired by this amount. We accepted this amount was reasonable.

Council resolved to spend \$13 million to restore and enhance the Trafalgar Centre. We understand that the project is on-track for opening in March 2016. As part of our audit in 2016 we will confirm that the City Council has appropriately recognised the renovation expenditure in its financial statements.

In relation to the other buildings issued with section 124 notices, the City Council is currently evaluating whether to upgrade or demolish these buildings. We also note that some of the buildings are continuing to be used, albeit only for storage.

We will continue to monitor the situation in 2016.

3.3 Property, plant and equipment

Infrastructure asset valuations

The City Council completed a valuation that was prepared in-house and peer reviewed by Opus International Limited (Opus). We obtained confirmation from Opus that the valuation was prepared in accordance with appropriate valuation and accounting standards, and was suitable for inclusion in the financial statements. The work we completed confirmed that these assertions were reasonable.

In 2014, the City Council recognised an unusually high valuation movement. This appeared to be because the City Council's contract rates were significantly impacted

by work to repair Christchurch following the Canterbury earthquakes. These increases do not have as large an impact on a national index like the CPGI. The unit rates used to support the valuation were adjusted by the CPGI in 2013.

Management again attempted to use recent contract information to assess any changes to unit rates in 2015. However, the City Council did not have enough recently tendered contracts to complete this exercise. Therefore management used an in-house indexation process using rates and advice provided by Opus. This was a weighted average of the Product Price Index, Capital Goods Price Index and Labour Index.

We were satisfied the approach taken by the City Council was reasonable.

Suter development

The City Council is undertaking renovation work on the Bishop Suter Trust (the Suter) for a budgeted \$6 million. Once complete, the work will be gifted to the Suter. The City Council has recognised this as capital work in progress in the audited financial statements. It took this approach as the stated intention in the 2012-22 Long-Term Plan was to transfer the asset to the Suter as a capital injection.

Management advised that the memorandum of understanding between the City Council and the Suter, and the heads of agreement for the project, provides no guidance on how the asset will be transferred. Discussions between both entities remain ongoing. We note that if discussions with the Suter conclude with a different view from the transfer of the asset being a capital injection, then the City Council will need to reconsider the accounting treatment.

We will continue to monitor this matter during our 2016 audit.

3.4 First financial statements prepared using the new public benefit entity accounting standards

The City Council successfully transitioned to new public benefit entity accounting standards (PBE IPSAS). The City Council's finance staff went through an initial process to assess the impact of the new standards on the financial statements. Only one change occurred because of the transition. This resulted in the recognition of a suspensory loan liability in relation to Housing New Zealand loan. At 30 June 2015, the loan was recognised at \$937,000 in the financial statements.

The City Council also made additional disclosures. These mainly impacted receivables and payables from exchange and non-exchange transactions, and related party disclosures.

We identified one required change that the City Council did not make on transition to PBE IPSAS. This related to the recognition of carbon credits. PBE IPSAS requires intangible assets acquired at nil or nominal value to be recognised at fair value. Previously, the City Council recognised them at cost (\$nil). We accepted the non-recognition on the basis of materiality. However, Management should monitor the fair value of its carbon credits. If the value becomes more significant, the City Council will need to reconsider whether it should recognise them in its financial statements.

In our supplementary letter to management, we identified two other matters as a result of the City Council's transition to PBE IPSAS. We summarise these in Section 5.

3.5

[Section redacted]

4 Sector-wide areas of audit focus

We completed reviews on our areas of interest across all local authorities.

4.1 Statement of service provision matters

Performance measure rules

As discussed during the Long-Term Plan audit, the Department of Internal Affairs has released the Non-Financial Performance Measures Rules 2013 (the Rules). The Rules mandate the inclusion of 19 performance measures across a local authority's infrastructural activities.

The City Council was required to include these measures in its 2015-25 Long-Term Plan. Following the adoption of the Long-Term Plan, we identified that, although all of the mandated measures were included, the wording of several measures was different than that specified by the DIA. We discussed this with management and advised that the City Council will need to use the correct wording of the measures when disclosing actual performance in its 2016 annual report. We also suggest that the City Council incorporates the correct wording when developing its 2016 annual plan.

We understand that the City Council has established or is putting in place the systems to capture the results of the mandated measures.

Resident survey

The City Council did not complete its resident survey in 2015. The last time the resident survey was completed was in 2014. We worked with management to incorporate additional disclosure in the annual report outlining what information the City Council has to support its resident survey measures.

We note that the City Council has a number of resident survey measures contained within the 2015-25 Long-Term Plan. The targets expressed in the Long-Term Plan suggest that the City Council plans to measure these every year. If this is not what

management proposes, we suggest that alternative plans are put in place for reporting in the years that the resident survey is not completed. We will meet with management to discuss this matter as we complete our 2016 audit.

4.2 Investment and asset management

To assist with the Auditor-General's work programme, we updated our knowledge of the City Council's investment and asset management. For investment management, we did not identify any issues from our review. The City Council has appropriate processes in place to manage its commercial investments in subsidiaries and associates. Internally, the City Council has low levels of cash investments, as it uses surplus cash to reduce borrowings.

We reviewed the City Council's asset management practices during our audit of the Long-Term Plan. We concluded that overall the City Council's asset management information base and processes are sound. We identified some improvement areas, which were substantially addressed before Council adopted the Long-Term Plan in June 2015.

4.3 Public sector concerns

In the course of our usual audit work, we remained alert for matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence:

- We did not identify any unrecorded conflicts of interest for either Council members or senior management.
- We did not identify any unusual ex gratia payments made to employees.
- The City Council appropriately disclosed the severance payments made in the annual report.
- Council members' remuneration complied with the Local Government Elected Members Determination and the City Council disclosed the remuneration of each member appropriately in the annual report.
- We followed up our previous recommendations in relation to credit card expenditure. The City Council has implemented our recommended process improvements and we have cleared this matter in our supplementary report to management.

4.4 Information technology

As part of our 2015 audit we performed an IT General Controls review.

The review consisted of two parts. The first being a risk assessment of the entity level controls in place. The second part of our work was an assessment of the design effectiveness of activity level controls. We concluded that activity level control areas were "design effective".

The City Council has implemented our prior year recommendation relating to the review of user access rights and we have cleared this matter in our supplementary report to management. There are no further matters which we wish to draw your attention to.

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4.5 Rates

As in prior years, we reviewed the City Council's processes for setting its rates in accordance with the Local Government (Rating) Act 2002 and the Local Government Act 2002. Because the rates were set during the Long-Term Plan process, part of our review occurred during our audit of the Long-Term Plan. We note that City Council undertook a legal review of its processes before Council struck the rates for 2016. No issues arose from our review.

Our review of compliance with legislation is completed for the purposes of expressing an audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit.

4.6 Financial reporting disclosures

We confirmed that the City Council included the information required by the Local Government (Financial Reporting and Prudence) Regulations 2014 in its annual report. The information contained in these disclosures was consistent with the audited financial statements.

4.7 Possible LTP amendments

No LTP amendments were made in 2015.

4.8 Annual Report Adoption and Public Release Dates Return

The City Council met the requirements to adopt the annual report and summary annual report in accordance with the timeline set out in the Local Government Act 2002.

4.9 Local Authority exemptions for Council Controlled Organisations

The City Council did not exempt any entities in 2015.

5 Supplementary letter

We have provided management with a supplementary letter that outlines our other findings and recommendations about less significant and miscellaneous matters. The following table summarises our new recommendations:

Matter	Recommendation
Stocktake of operational assets	Perform a periodic stocktake of chattels and mobile plant items.
Treatment of non-exchange revenue in advance	Review the revenue in advance balances to gain assurance the City Council is recognising its non-exchange revenue streams in accordance with PBE IPSAS 23.
Revaluation reserve for abandoned infrastructural assets	Account appropriately for revaluation reserve movements on disposal of revalued infrastructural assets.

We also include a complete listing of the updated position of recommendations made previously within our supplementary report to management.

We wish to thank you and your staff for the assistance and cooperation extended during the course of the audit. If you have any questions, please contact me directly on 021 222 8464.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bede Kearney'. The signature is fluid and cursive, with the first name 'Bede' written in a large, stylized 'B' and the last name 'Kearney' written in a more standard cursive script.

Bede Kearney
Director

Appendix 1: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit.	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and statement of service provision, and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements and statement of service provision does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements and statement of service provision. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We confirm that, for the audit of the City Council's financial statements and statement of service provision for the year ended 30 June 2015, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than this audit, the audit of the City Council's 2015-25 Long Term Plan and an independent assurance review of the City Council's Debenture Trust Deed, we have no relationship with, or interests, in the City Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements and statement of service provision. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

Health and Safety quarterly update to 31 December 2015

1. Purpose of Report

- 1.1 To receive the Health and Safety quarterly update with key performance data to 31 December 2015.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee is currently responsible for the monitoring of health and safety in the organisation.

3. Recommendation

THAT the report Health and Safety quarterly update to 31 December 2015 (R4967) and its attachments (A1483985 and A1485205) be received.

4. Discussion

- 4.1 The Health and Safety Management System Governance Charter was approved by Council 17 December 2015 after being work-shopped with Councillors and external members on 3 December 2015.
- 4.2 The Charter outlined that monitoring of Health and Safety performance data would be undertaken quarterly by Council to demonstrate due diligence.
- 4.3 It also outlined that the Senior Leadership Team would also meet at least quarterly to monitor the Health and Safety performance data. This Senior Leadership Team Forum occurred on 14 January 2016 and will meet six weekly.
- 4.4 The Health and Safety quarterly report is designed to inform senior leaders and the Subcommittee of the Health and Safety management performance of Council. It provides data analysis on both leading (preventative) and lagging Health and Safety management system indicators. It is supported by a report providing details of key achievements, planned activities and other issues arising.

5. Options

- 5.1 Accept the recommendation – receive the Health and Safety quarterly update to 31 December 2015.
- 5.2 Reject the recommendation – not receive the Health and Safety quarterly update to 31 December 2015.

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 report.

9. Inclusion of Māori in the decision making process

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

Nikki Harrison
Group Manager Corporate Services

Attachments

- Attachment 1: A1483985 - H&S Quarterly Performance Report 31 December 2015
- Attachment 2: A1485205 - H&S Quarterly Performance Data 31 December 2015

HSMS Quarterly Performance Data Report – October - December 2015

Author: Aaron Neighbours

1. Executive Summary

1.1 This report contains the Council Health and Safety Management System (HSMS) performance data for period October – December 2015.

1.2 Key activities and achievements for the period have included:

- The go-live of InControl event and risk management software,
- Broad brush risk assessment across whole of Council which included H&S within the risk identification and analysis process,
- A Council operational Physical Security Review was completed with report findings accepted by key participants,
- New training programmes for employee H&S induction, incident investigation and Health and Safety risk management implemented,
- Continued improvement in employee participation, consultation and communication via introduction of workgroup toolbox meetings, improved Health and Safety Committee meetings focus, new dedicated H&S notice board updates and introduced the Leading the SafeWay and Zero Harm newsletters. Promotion of the Zero Harm vision has been included in majority of these functions.
- Development of the draft HSMS Standards. This also includes a detailed breakdown of Health and Safety Management System responsibilities by role level.
- Development of a Council H&S Legislation register
- Introduction of formal Health and Safety performance data to inform SLT of areas of strength, weakness and opportunities for improvement
- Approval for further full time Health and Safety resource in the Organisational Assurance Group to co-ordinate and support business unit with the HSMS functions
- Approval by Council of the HSMS Governance Charter

- Approval by SLT for the HSMS 5 year Strategic Plan.
- Commencement of the Safe Work Observation process for operational activities as part of the visible felt leadership objective.
- Council Health and Safety Policy amended to reflect changes in Council Health and Safety approach and legislation changes coming in 2016
- Council has signed up to the New Zealand Business Leaders Health and Safety Forum. The CEO will sign a pledge of commitment for Health and Safety.

2. Critical Risk Factors

2.1 The following table sets out current organisational Health and Safety critical risk factors as identified from Organisational Assurance observations and the broad brush risk assessment process conducted Council.

Further validation of risk controls for other critical risks will commence in the next quarter to enable a more informed of risk control effectiveness.

Events that occur (e.g. incidents, near miss etc.) relating to identified critical risk issues will also be detailed in this table from 2016 with the introduction of InControl and enhanced data capture.

Health and Safety Critical Risk Factors	Risk Issues	Risk Control Effectiveness (Effective/ Partially Effective/ Ineffective/ Undecided)	Treatment
Contractor Management	<ol style="list-style-type: none"> 1. Lack of standardised contracts being used 2. Basic accreditation process not enabling full understanding of contractors risk 3. No independent oversight of contracts prior to awarding 4. Limited contractor oversight 	Partially Effective	<ol style="list-style-type: none"> 1. Contract templates to be reviewed. 2. Accreditation process to be reviewed in line with HSMS development 3. Contracts to be reviewed by internal independent function 4. Contractor oversight process to be formalised and tracked.
Safety and Security of Council Workers (including volunteers)	<ol style="list-style-type: none"> 1. No routine or detailed risk assessment of CSC and other areas, where Council staff interact with public, to understand level of risk (Libraries, Brook Camp, EIL activities, Founders etc.) 2. Increase in aggressive or threatening behaviour events 	Undecided	<ol style="list-style-type: none"> 1. Risk assessments scheduled for whole of Council 2. More accurate recording of events being carried out to aid in assessing level of risk 3. Review of controls listed in risk assessment
Lone	<ol style="list-style-type: none"> 1. No lone worker policy for Council 2. Lack of standardised controls across workgroups for lone worker 	Undecided	<ol style="list-style-type: none"> 1. Policy to be developed following completion of risk assessments 2. Current controls to be reviewed

A1483985

Health and Safety Critical Risk Factors	Risk Issues	Risk Control Effectiveness (Effective/ Partially Effective/ Ineffective/ Undecided)	Treatment
Workers	activities 3. No risk assessment to highlight lone workers risks and mitigating controls across Council operations		3. Risk assessments scheduled for Sept/Oct/Nov across whole of Council
General hazardous works	1. No linkage or centralised view of contracted activities involving risk for organisational oversight. 2. No scheduled review of high risk activities (Particularly contracted) 3. In river works, Marina activities, work at height, confined space work, Forestry activities conducted by contractors on behalf of Council.	Undecided	1. Requesting all event data from contractors be centralised into InControl to understand the operational risk profile 2. Following completion of risk assessments, targeted auditing/oversight on high risk activities to commence
Public safety event resulting from NCC controlled activities	1. Pedestrian, traffic conflict leading to injury on Council site, poor worksite security, public event run by Council causing injury or undetected hazard associated to Council property used or accessed by members of the public.	Undecided	1. Currently no formal programme of contracted works has independent oversight conducted at Council. Requesting all capital projects and operational activities are aligned to the risk management processes being implemented to understand areas of risk in projects and determine oversight requirements 2. Hazard assessments to be conducted on Council owned assets to ensure risks managed ALARP
Employee wellbeing event	1. Stress/fatigue/bullying, 2. Increase in reported cases of workstation discomfort or pain	Effective	1. Various reporting mechanisms and ongoing monitoring of data being provided to determine any trends and manage events as they occur. 2. Health and wellbeing promotion, notice boards, newsletters, toolbox meetings 3. Staff supervision

3. Major Changes

- 3.1 Following implementation of the InControl database, integration to Council through training and promotion has begun. Training will primarily target Team Leaders, Business and Group Managers. General user training will be provided to all staff via induction and routine promotion in 2016. The aim will be to introduce InControl to business units with high operational exposure first.

4. Current Key Issues

- 4.1 Ongoing lack of timely event data (incidents, hazards, near misses) being reported, particularly from Council contracted activities. The aim is to have all events reported through to InControl in a timely manner, particularly for high risk events. Currently contacting major contractors

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3

and attending local contractors meetings to promote this requirement in addition to internal promotion.

- 4.2 Contractor Health and Safety accreditation and management process requires further improvement to adequately assess and monitor contractor Health and Safety management capability and performance when used by Council. Current options being considered are using Site Wise (external accreditations used nationwide and becoming increasingly popular in Nelson) combined with an internal accreditation for contractors not electing to be in Site Wise. Internal process will be enhanced and aligned to Site Wise programme.
- 4.3 Further development in Health and Safety management function to enable quality and timely management in areas such as investigations, inspections, risk assessments, process reviews within their respective workgroups has been identified. In addition to the proposed full time health and safety resource for the Organisational Assurance business unit, training courses being run internally to up-skill staff.

5. Positive Initiatives for the Period

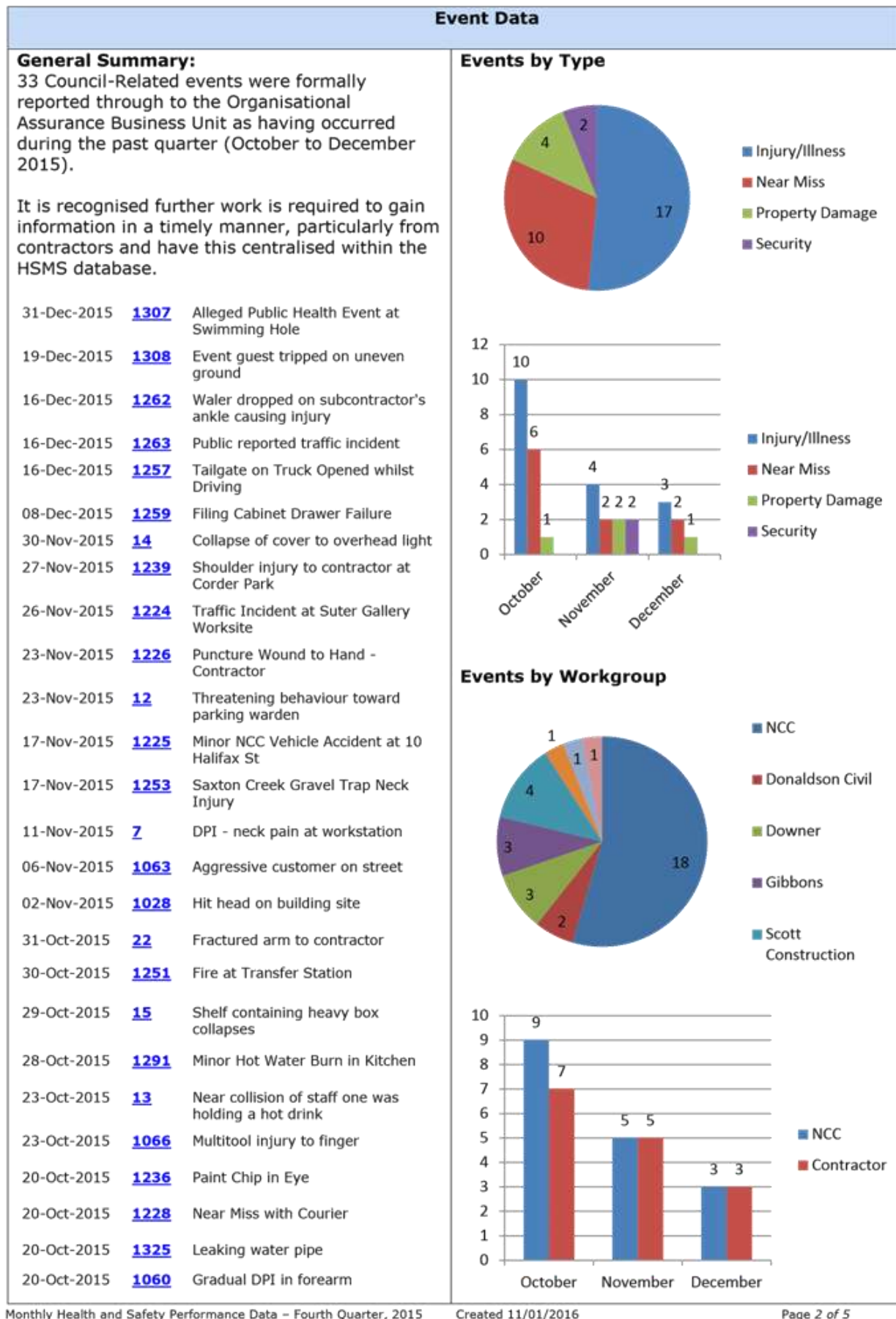
- 5.1 Noted an uptake in some business units of the use of job safety analyses for job/task or non-routine activity planning.
- 5.2 Increase in worker Health and Safety participation, discussion and communication across Council in general. Examples being safety moments at meetings, increase in general queries, enhanced Health and Safety considerations for contracted activities

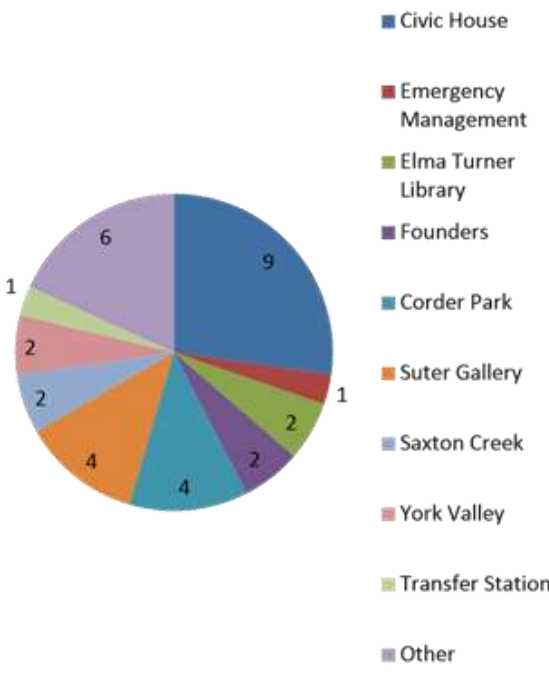
6. Priorities for Next Quarter

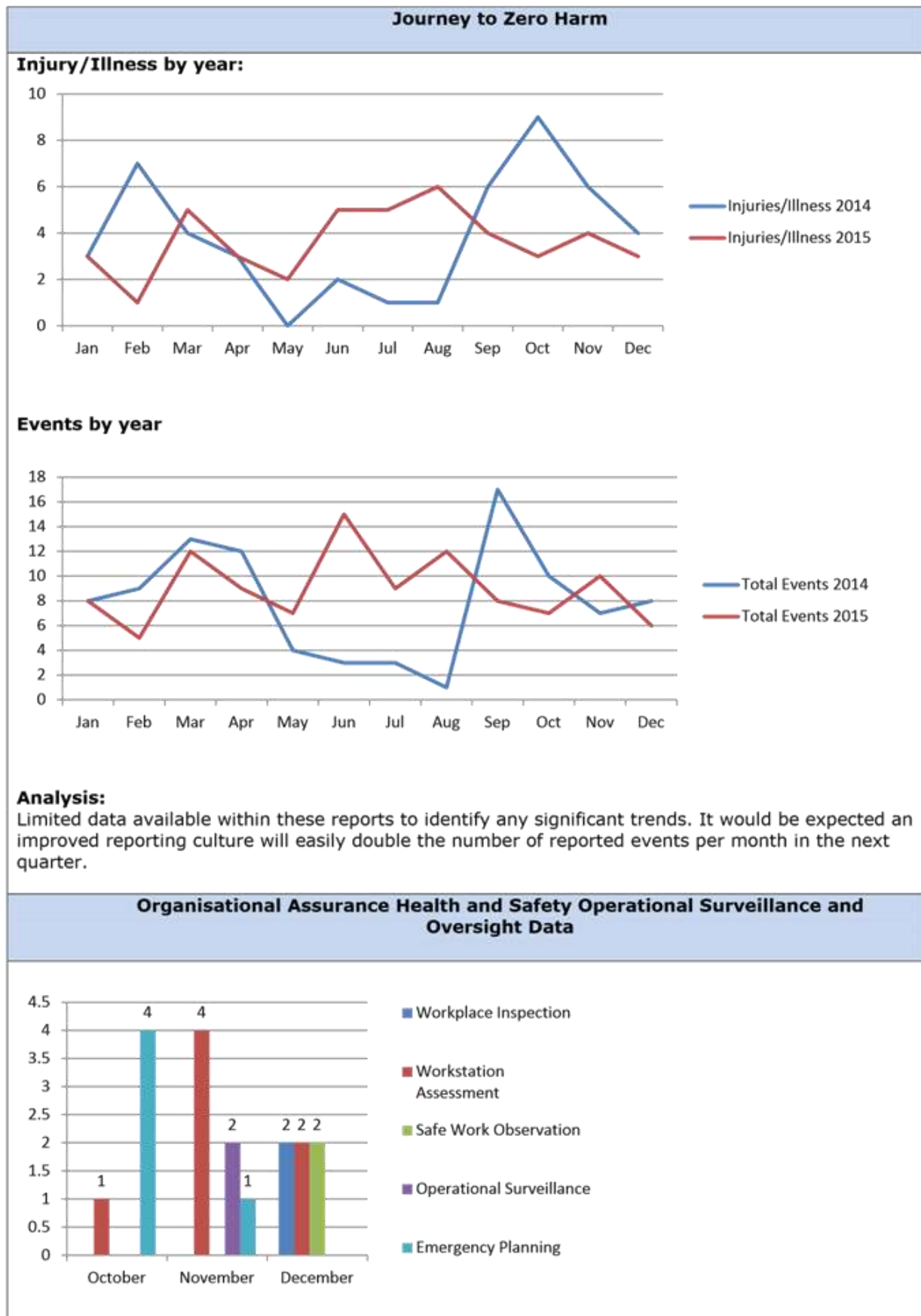
- 6.1 Completion of the Health and Safety Management System Standards manual along with overview presentations for the Corporate Management Team.
- 6.2 Further development and promotion for reporting of events and suggestions for improvement from Council staff. This will be through increased promotions in monthly newsletter, workgroup toolbox talks, notice boards and a safety reporting scheme box in the cafeteria.
- 6.3 Implementation of the internal audit and operational surveillance programme for Health and Safety oversight on Council activities expected to commence formally following acceptance of the HSMS Standards. This will include the Safe Work Observation function (with training) for leaders. KPI's will be assigned to relevant personnel for this.
- 6.4 Existing procurement and contracts for health and safety management processes need improvement. The current one-size-fits-all approach for accreditation and assigning responsibility doesn't recognise the unique

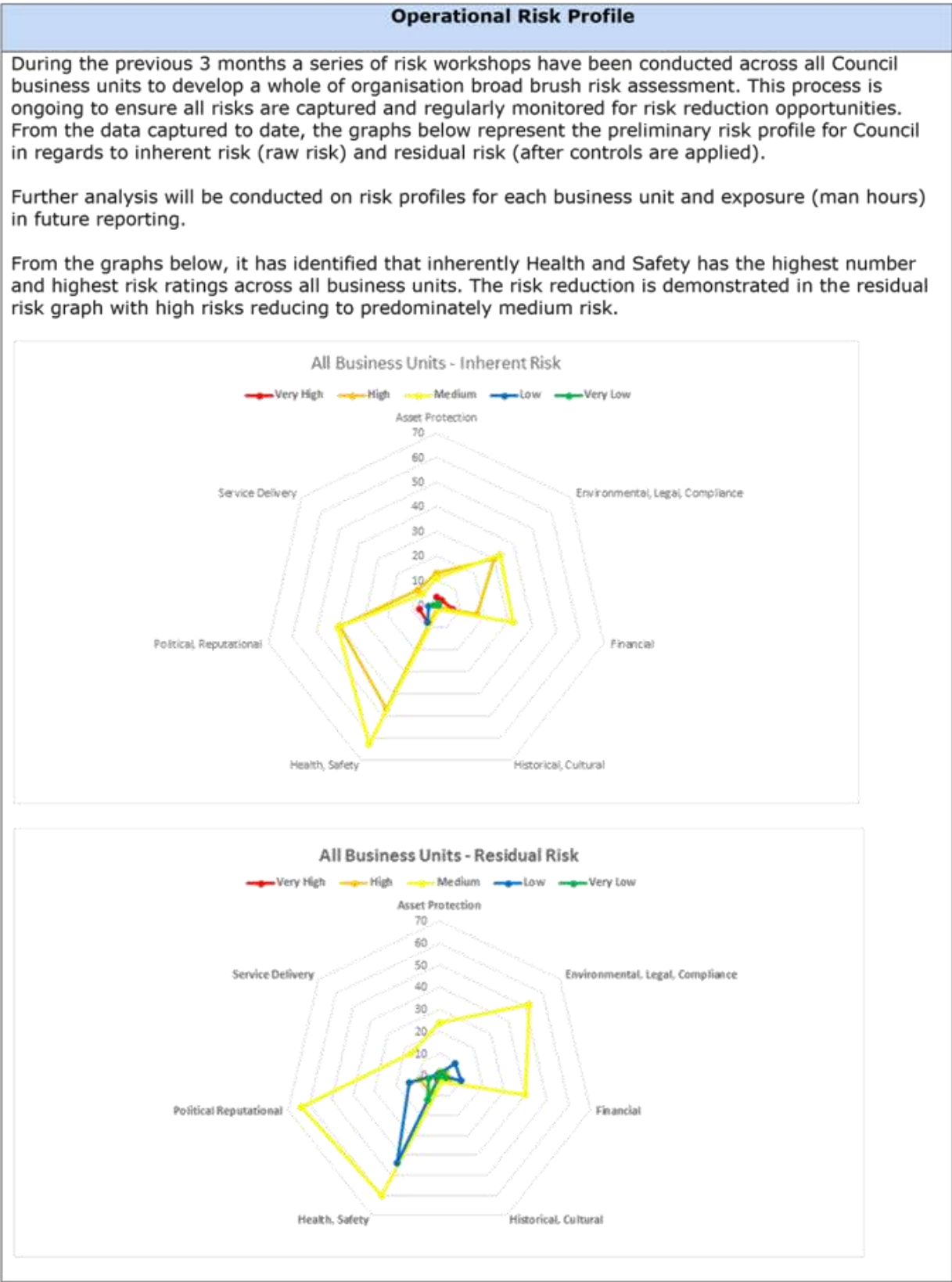
contracting relationships at Council or allow for understanding of contracted risks. The HSMS Standards and supporting management plan are being developed to define expectations. The current variety of contracts in use will require review and there will need to be development of a set of standard templates for the common types of contracts. All new contract templates will need to align with the requirements of the Health and Safety at Work Act (2016).

- 6.5 Completion of InControl user training, particularly for leaders and persons who will have higher user requirements.
- 6.6 Commence drafting of critical policies/standards for Lone Worker and Drug and Alcohol in the workplace.
- 6.7 Reinduction for existing Council staff for the new Health and Safety induction for new starters which is to be accompanied by a Health and Safety handbook for worker reference.
- 6.8 Development of organisational wide Incident Management Team (IMT) function to manage immediate events that may occur and also a Business Continuity Plan (BCP) for any event that may have longer term impacts requiring a co-ordinated management approach.
- 6.9 Revise the current Council Health and Safety Manual to align with enhanced requirements introduced through the Health and Safety at Work Act 2016 and Councils HSMS Standards
- 6.10 Allocation of findings from the Physical Security Audit and monitoring completion of actions as assigned.



<p>19-Oct-2015 1324 Lithium Battery Fire</p> <p>16-Oct-2015 1327 Shin injury from spade</p> <p>15-Oct-2015 1237 Shoulder Injury at Worksite</p> <p>12-Oct-2015 1227 DPI at Library</p> <p>08-Oct-2015 1235 Back Strain from Lifting</p> <p>05-Oct-2015 1322 DPI developed in left hand</p> <p>01-Oct-2015 1321 Tripped on whiteboard</p> <p>Analysis:</p> <p>No significant trends emerging.</p>	<p>Events by Location</p>  <table border="1"> <caption>Events by Location Data</caption> <thead> <tr> <th>Location</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Civic House</td> <td>9</td> </tr> <tr> <td>Emergency Management</td> <td>1</td> </tr> <tr> <td>Elma Turner Library</td> <td>2</td> </tr> <tr> <td>Founders</td> <td>2</td> </tr> <tr> <td>Corder Park</td> <td>4</td> </tr> <tr> <td>Suter Gallery</td> <td>4</td> </tr> <tr> <td>Saxton Creek</td> <td>2</td> </tr> <tr> <td>York Valley</td> <td>2</td> </tr> <tr> <td>Transfer Station</td> <td>1</td> </tr> <tr> <td>Other</td> <td>6</td> </tr> </tbody> </table>	Location	Count	Civic House	9	Emergency Management	1	Elma Turner Library	2	Founders	2	Corder Park	4	Suter Gallery	4	Saxton Creek	2	York Valley	2	Transfer Station	1	Other	6
Location	Count																						
Civic House	9																						
Emergency Management	1																						
Elma Turner Library	2																						
Founders	2																						
Corder Park	4																						
Suter Gallery	4																						
Saxton Creek	2																						
York Valley	2																						
Transfer Station	1																						
Other	6																						
Health and Wellbeing																							
<p>Health and wellbeing promotion consisted of coverage of Sun Safety, Breast Cancer Awareness Month and Mental Health Awareness Week on notice boards and the Zero Harm newsletters.</p>																							
Overdue Events and Actions																							
<p>Outstanding Actions Due:</p> <p><i>For future use.</i></p>																							





Council's Key Organisational Risk Progress Report

1. Purpose of Report

- 1.1 To update the Subcommittee on the Council's risk report for key organisational risk issues.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has oversight of the management of risk.

3. Recommendation

THAT the Council's Key Organisational Risk Progress Report (R5395) and its attachment (A1461881) be received.

4. Background

- 4.1 In 2014, Council developed a high level risk register through a series of workshops and working groups with Councillors and appointed members of the Audit, Risk and Finance Subcommittee. This was a top down view of the strategic and operational risks facing Council.
- 4.2 During October and November 2015, a series of broad brush business unit risk assessments were conducted with key members from each Council business unit for the development of a whole of organisation risk register.
- 4.3 From these risk assessments and that of other risk registers already in existence at Council, the key risk issues have been identified and compiled into a specific risk report for the Subcommittee.
- 4.4 This will enable the Subcommittee to be informed about the top risk issues for Council, that each key risk issue is assigned a risk owner, provide details for what's in place to manage each risk issue and what is being planned to further reduce the risk to a level as low as reasonably practicable (ALARP) where possible.

5. Discussion

- 5.1 The Risk Management Framework was approved at the Audit, Risk and Finance Subcommittee meeting on 14 October 2015.
- 5.2 Since then, the Organisational Assurance business unit has been working with business units to develop a 'bottom up' view of the risks facing the Council. This has been integrated with the work done in 2014. Attached as attachment 1 are the top 10 risks for Council identified through this process.
- 5.3 Each Council business unit now has a specific risk register in place. Responsibility has been assigned to Group Managers and Business Unit Managers to ensure that these registers are kept current and that any significant change to their controlled activities is assessed and reflected within the register. Where this represents a significant risk to Council, this shall be reported through to the Organisational Assurance business unit for validation and inclusion in this reporting.
- 5.4 The Risk and Procurement Analyst role has been filled and is expected to commence mid February 2016. Following further validation on the key risk issues identified to date, it is expected that the internal audit programme will be aligned with a risk based approach to ensure appropriate oversight on key risk controls as appropriate.
- 5.5 With increased event reporting across Council also being targeted, oversight will be conducted by the Organisational Assurance business unit to identify any emerging risks and monitor for signs of weaknesses in existing controls for new and existing risk issues.

6. Options

- 6.1 Accept the recommendation – receive Council's Key Organisational Risk Progress Report.
- 6.2 Reject the recommendation – not receive Council's Key Organisational Risk Progress Report.

7. Alignment with relevant Council policy

- 7.1 Understanding the risks that Council faces and the mitigations that are in place or that should be considered, allows Council to consider the impacts on Council's strategic documents, particularly the Long Term Plan or Annual Plan.
- 7.2 This report is in alignment with the Council's Risk Management Framework approved in 2015.

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 preparation of this report.

10. Inclusion of Māori in the decision making process

10.1 There has been no consultation with Maori in the preparation of this report.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: A1461881 - DRAFT Key Organisational Risks Report - Jan 2016

Progress Report

Councils Key Organisational Risks

Revised Jan 2016

Overview

The purpose of this document

This progress report provides a first listing of the key risks which the Council faces. As the Council is at an early stage in understanding and responding to the risks it faces, this report is not yet comprehensive and should be read as a work in progress. Council is moving towards identifying and responding to the key risk areas it faces and will be:

- Identifying and understanding the “risks that matter”
- Effectively assessing risks across the organisation and driving accountability and ownership
- Investing in responding to the risks that are “mission critical” to our organisation
- Demonstrating the effectiveness and value of risk management to stakeholder, management and regulators

The Risk Profile tells us

This report will be developed into a risk profile for the whole organisation providing detail on:

- What are our organisational risks
- Any change in these risks
- What we are doing to manage these risks
- Where we could or need to be doing more
- What risks are emerging

Next steps, next review, and reporting

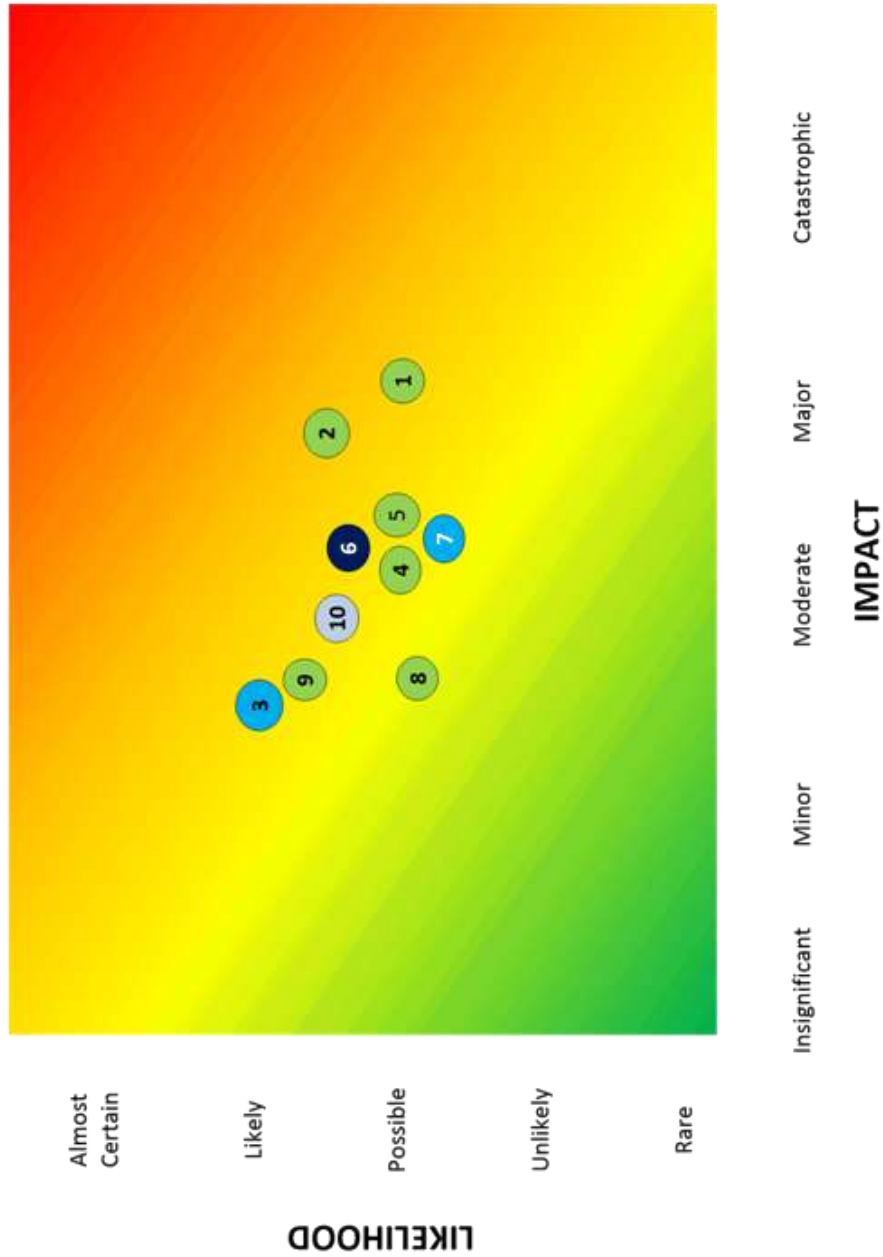
- Council’s key organisational risks are reviewed by the SLT at least quarterly.
- Risk Owners are expected to have reviewed the risk ratings with as much objectivity as possible and lead a discussion in respect to progress towards managing these risks as low as reasonably practicable (ALARP). This discussion will be recorded and used to update this document.
- A hard copy of the updated report is initialised and dated by the Chief Executive Officer to demonstrate it is the accepted view of the SLT.

Scope

The risks captured in this document are risks that have a potential impact on the Councils objectives. The risk assessment has considered risk parameters largely over a forthcoming 5 year period.



Council Risks – Residual Risk Heat Map



Risk Owner					
	Corporate Services		Strategy & Environment		Chief Executive
			Community Services		Infrastructure

1. Significant Hazards Impacting on the City

Why do we see this as a risk?

Hazards impacting on the city requiring Council resources for immediate response to mitigate impacts. Examples include addressing infrastructure failure, and ongoing recovery, severe weather events or rising sea levels possibly due to climate change, seismic events; biosecurity incidents; pandemic; rural fire; tsunami or other severe natural disaster.

Mitigations

What are we doing to treat the risk?

Ongoing focus on infrastructure, asset management planning and civil defence emergency management (CDEM) across the 4Rs of risk reduction, readiness, response and recovery.

Review and improve information management processes during an event to better inform response, recovery and business as usual

What have we got in place?

- Civil defence planning, management and resources; Data Management in Emergency Event, Rural Fire Management via Waimea Rural Fire Committee, Business Continuity Plans
- Disaster recovery funding; Natural Hazards project work, Nelson Plan;
- Insurance/Risk sharing;
- Infrastructure planning; LIMS;
- Earthquake strengthening;
- Regional Pest Management Strategy; Top of the South Bio Security Partnership
- Asset Management plans for each network; Structural Engineer in Building Unit
- 30 Year infrastructure strategy
- Regional lifeline work
- Go Shift

What is planned?

- Review, update and test business continuity plan, Review infrastructure insurance arrangements (LAPP v external insurer)
- Hazards – review of impact from significant earthquake or flood on infrastructure, including Civic House Earthquake procedure,
- Explore use of Riskscape
- Changes in Earthquake Prone Building Legislation for earthquake strengthening

Risk Owner

Chief Executive

Risk Rating

Inherent Risk Rating

Very High

Residual Risk Rating

High

Risk Map

Almost Certain	Likely	Possible	Unlikely	Rare	
Medium	Medium	Low	Very Low	Very Low	Insightful
Medium	Medium	Medium	Low	Very Low	Minor
High	High	Medium	Medium	Low	Moderate
Very High	Very High	High	Medium	Medium	Major
Very High	Very High	High	High	Medium	Critical

Impact

Risk Movement

Last Update:

2. Customer Aggression Threatening Worker Health & Safety

Why do we see this as a risk?

The Councils objective is to have all workers safe at work. Council staff, contractors and volunteers are threatened and abused while carrying out duties at Council facilities or in the field, leading to work stress and fatigue. All staff who have a public interface (e.g. Customer Service centre, EIL contracted staff, public events, libraries) experience aggression on a regular basis. The potential for serious assault to occur is always present.

Mitigations

What are we doing to treat the risk?

Council are working on reviewing and ensuring risks are mitigated through best practice H&S management systems and continuous improvement.

What have we got in place?

- Recruiting assessment for individual resilience
- Workplace design – Civic House security, locked door to staff areas
- Various policies and procedures to address response
- Alarms and emergency procedures;
- Cell phones/radio.
- Training for high exposure positions
- Employee Assistance Programme
- Video camera surveillance of CSC
- Minimum cash holdings
- Work in pairs in the field where appropriate
- Incident reporting

What is planned?

- Recommendations from recent security review
- More risk assessments for events involving workers being exposed to the public
- Improvements to H&S systems and reporting
- Incident Management Team
- Lone Worker policy
- Exploring tracking technology (vehicles and workers)
- Development of policy and parameters for mapping of difficult customers

Risk Owner
Chief Executive

Risk Rating
Inherent Risk Rating
Extreme

Risk Map

Almost Certain	Medium	Medium	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	Medium	High	High
Unlikely	Very Low	Low	Medium	Medium	High
Rare	Very Low	Very Low	Low	Medium	Medium

Risk Movement

Last Update:

Risk Rating
Inherent Risk Rating
Extreme

Risk Rating
Residual Risk Rating
High

Risk Map

Almost Certain	Medium	Medium	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	Medium	High	High
Unlikely	Very Low	Low	Medium	Medium	High
Rare	Very Low	Very Low	Low	Medium	Medium

Risk Movement

Last Update:

3. Reputational Damage from Negative Media Exposure

Why do we see this as a risk?

The ongoing public and media scrutiny of Council activities combined with conflicting interests and perceptions of individuals and community sectors can potentially result in negative and incorrect media exposure. This in turn can lead to reputational damage, impact on ability to recruit and retain staff, reduced staff morale, and loss of public confidence and trust.

Mitigations

What are we doing to treat the risk?

Proactive communications planning is an ongoing focus at all levels of Council operations.

What have we got in place?

- Communications Manager role
- Communications plans for all projects and weekly meetings with Project Managers
- Customer surveys
- Use of different communications media
- LGNZ know how training and internal induction training
- Councillor code of conduct
- Standing orders
- Councillor interests register
- Senior staff conflict of interest register
- Media Policy
- Report it now

What is planned?

- Appointment of a Privacy Officer
- Conflicts of interest policy
- Staff conflicts of interest register being developed
- Development of business continuity

Risk Owner

GM Community Services

Risk Rating

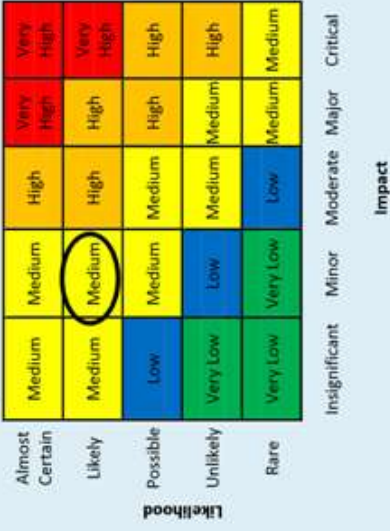
Inherent Risk Rating

HIGH

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

Last Update:

4. Health and safety is not adequately managed in the field leading to incidents or accidents to workers and/or members of the public

Why do we see this as a risk?

The nature of high risk field operations undertaken exposes workers (including contractors, council staff and volunteers) to the potential for accidents or incidents leading to harm and poor reputation. In particular, lone workers (e.g. Brook Camp. ELL, building inspectors), workers undertaking hazardous tasks, (river work, marina, construction, forestry activities, working at heights, confined spaces, or with asbestos or hazardous substances). The public may also be at risk to potential harm whilst entering areas of active Council controlled works or using Council owned facilities, parks and reserves or while attending public events where hazards are not identified or managed ALARP.

Mitigations

What are we doing to treat the risk?

Review of H&S practices and management of contractor H&S across Council and working to ensure Council has best practice H&S management systems, leadership and planning in line with legislation changes and robust risk assessments integrated across whole of Council.

What have we got in place?

- Health and Safety Management System (Charter, Standards, Strategic Plan)
- H&S policy , management plans and procedures
- Training (incident investigation, risk management, safe work observations, induction) for CMT/SLT and Team Leaders
- Event reporting analysis, corrective and preventative actions
- H&S performance reporting and trend analysis
- Visible Felt Leadership (Safe work observations of operational activities by Council leaders)

What is planned?

- Introduction of electronic incident and risk management system (InControl)
- Review of contracts and contractor processes relating to H&S
- Development of lone worker policy
- Targeting auditing/oversight of on high risk activities
- Due Diligence obligations for Officers to be clarified
- Incident Management Team IMT including procedure and training
- Implementing routine risk assessment practices

Risk Owner

Chief Executive

Risk Rating

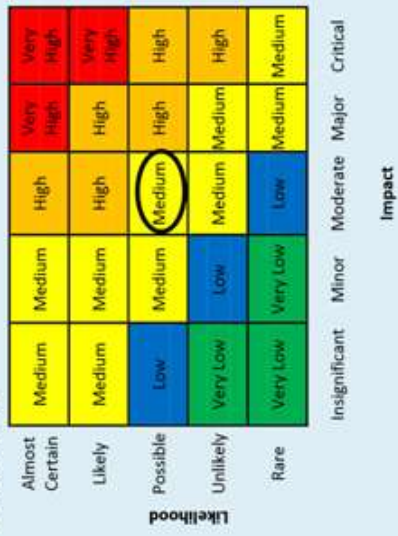
Inherent Risk Rating

HIGH

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

Last Update:

5. Ineffective Contracts and Management of Contractors

Why do we see this as a risk?

Inconsistent quality of contracts and oversight of the activities of contractors can impact on safety, financial, reputational and quality outcomes. The larger contracts include EIL, Nelmac and Olsens (forestry), which if not well controlled create high risks to the Council in terms of safety, financial, reputational and asset management and protection. The quality of contracts and Council supervision may be reduced due to workload pressures or the visibility of contractor activity. The potential to overlook contractor Health and Safety management exposes Council to liability under the Health and Safety at Work Act 2015.

Mitigations

What are we doing to treat the risk?

The Organisational Assurance business unit is reviewing Council management of Contractor H&S.

What have we got in place?

- Contractor selection process and pre-qualification forms
- Contracts and specifications
- Contract performance management processes including reviews
- Where relevant, contractors follow NCC procedures
- Contractor audits/oversight
- Using contractors reputation as an attribute

What is planned?

- Review of contract templates, contractor policies and procedures and oversight (contractor work cycle)
- Review of procurement policies/process
- Review of contractor performance management
- Recruitment of a procurement resource
- Coaching of activity managers to support and align to Council expectations

Risk Owner
Chief Executive

Risk Rating
Inherent Risk Rating
HIGH

Residual Risk Rating
MEDIUM

Risk Map



Risk Movement

Last Update:

6. Technology (IT) failures Impacts on Service Delivery

Why do we see this as a risk?

Council is heavily reliant on technology for its day to day business operations. Failure of software/ hardware or phone systems would impact on the ability to continue service provision and result in financial loss and the potential for loss of key information. Causes may include cyber-attack, electricity, unsupported and out of date hardware/software, or other failures due to natural or infrastructure events.

Mitigations

What are we doing to treat the risk?

IT are in the process of moving to an outsourced model for externally hosted/supported systems.

What have we got in place?

- IT replacement and upgrade planning
- IT backup and disaster recovery procedures
- IT and phone system redundancy
- IT security and regular IT security review
- Emergency plans – “Plan B” provider out of region
- Annual recovery tests
- Simplification policy - fewer vendors, models.
- ITIL and Cobit frameworks (recognised best practice frameworks for delivery and planning of IT services)
- Use of multiple phone providers for emergency
- UPS, Generator & fuel supply
- Change management processes
- IT steering group

What is planned?

- Implementation of externally hosted and supported IT infrastructure
- Cyber-attack insurance being considered
- BCP and IMT
- Removing dependency on bespoke systems (approx. 25% remaining)

Risk Owner

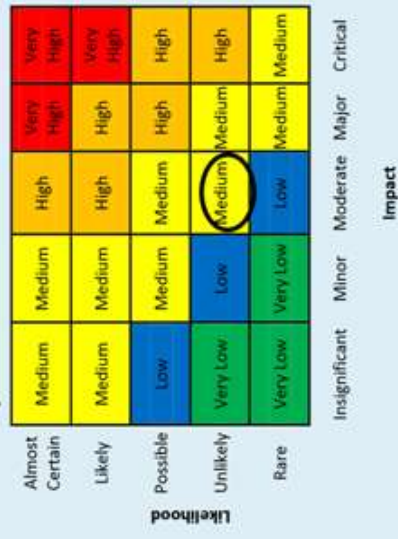
GM Corporate Services

Risk Rating

Inherent Risk Rating
VERY HIGH

Residual Risk Rating
MEDIUM

Risk Map



Risk Movement

Risk Update:

Why do we see this as a risk?

Council is required to comply with the Public Records Act. Council relies on a number of systems to provide accurate and complete information. Where the quality of the information is sub-standard this can lead to poor advice or decision making with the potential for litigation and adverse media reporting. For example, poor information on GIS used for planning can result in costly construction delays and rework. Short timeframes given for project work can lead to hurried work that may contain errors. Failure to follow records management processes may result in documents/information being overlooked which in turn creates a risk of legal non-compliance and reputational damage.

What are we doing to treat the risk?

The Strategic Records Steering Group are carrying out specific risk assessment and assigning resources.

- Quality assurance and sign off processes
- Review of outputs
- Promapp
- Peer review
- Document management policy and process
- Records management audits
- Archivist position
- 5-year Records Strategy

- Implementation of Records Strategy across the organisation
- Review of organisations use of the EDRMS system and knowledge of Legislation
- Property Information management review
- Rationalisation of off-site storage of records
- Approve and implement Spatial Information Strategy

GM Community Services

	Inherent Risk Rating	Residual Risk Rating
	MEDIUM	MEDIUM

Almost Certain	Medium	Medium	High	Very High
Likely	Medium	Medium	High	Very High
Possible	Low	Medium	High	High
Unlikely	Very Low	Low	Medium	High
Rare	Very Low	Very Low	Medium	Medium

Last Update:

8. Ability to Adequately Maintain Resourcing to Deliver Objectives

Why do we see this as a risk?

Council operations can be affected by the loss of staff in specialised roles or with extensive organisational knowledge. Loss of staff, particularly in key project or planning phases has the potential to disrupt timing, impact on outcomes and place pressure on remaining staff. The potential exists particularly within areas that are demand or timeline driven such as Planning and Communications, but also where there are specialised expertise such as GIS, Environmental Programmes.

Mitigations

What are we doing to treat the risk?

A cultural survey has been completed and actions and initiatives underway.

What have we got in place?

- Procedure and Promapp project documentation
- File management system
- HR notice periods and handovers
- More than one staff member with knowledge of key roles/projects
- Succession, business units and long term planning
- Use of Contractors to cover gaps
- Workplace Support Service and Reporting
- Report it Now
- Promapp (procedures)
- Staff survey for morale and culture
- CEE committee/relationship with CE
- Preferred suppliers, short term contracts, working with other BCA's
- Business Planning
- Networking within sector eg SOLGM, Ingenium.

What is planned?

- Implementation of Teamwork system for project tracking

Risk Owner

Chief Executive

Risk Rating

Inherent Risk Rating
HIGH

Residual Risk Rating
MEDIUM

Risk Map

Likelihood	Impact				
	Insignificant	Minor	Moderate	Major	Critical
Almost Certain	Medium	Medium	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	Medium	High	High
Unlikely	Very Low	Low	Medium	Medium	High
Rare	Very Low	Very Low	Low	Medium	Medium

Risk Movement

Last Update:

Why do we see this as a risk?

Mitigations

What have we got in place?

- Internal controls
- Internal and External audit
- Code of conduct
- Organisational values
- Building security systems
- Report It Now
- Review of community assistance grants process
- Delegated authorities
- Segregation of duties

- Fraud risk assessment
- Completion of targeted internal audit to provide assurance on internal control to reduce fraud risk
- Fraud prevention training
- Findings from the Physical Security Review (Theft prevention)

Risk Owner

**Chief Executive
Risk Rating**

Inherent Risk Rating	Residual Risk Rating
EXTREME	MEDIUM

Risk Map

Almost Certain	Medium	Medium	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	Medium	High	High
Unlikely	Very Low	Low	Medium	Medium	High
Rare	Very Low	Very Low	Low	Medium	Medium

Risk Movement

Risk Update:

10. Breach of Privacy of Personal Information

Why do we see this as a risk?

Information held by Council is publicly available but may include personal information that should not be disclosed. There is a risk that staff inadvertently disclose personal information either electronically or by supplying documents or leaving documents unattended.

Mitigations

What are we doing to treat the risk?

What have we got in place?

- IT security systems
- IT flags on withheld information (pop ups) database and GIS
- Housekeeping (tracking, suitable storage of records)
- Locked Tardis files
- Code of conduct
- Confidentiality clause in employment agreements
- Access to ratepayer and owner names is controlled in GIS systems (NMap, Top of the South Maps and contractor access to GIS databases)
- LGOIMA

What is planned?

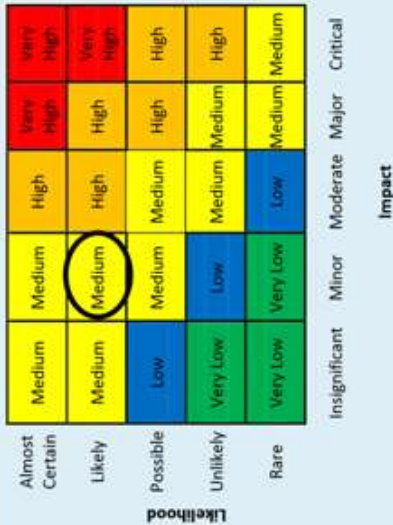
- Induction training on Privacy
- Appointment of Privacy Officer
- Internal audit of Privacy Act compliance within high risk areas

Risk Owner
Chief Executive
Risk Rating

Inherent Risk Rating
HIGH

Residual Risk Rating
MEDIUM

Risk Map



Risk Movement

Risk Update:

Tasks for Further Consideration

These risks have been identified as having the potential to be included on the top ten organisational report but require further consideration and research to be considered for the top 10 report.

Risk	Description	
Failure of the Port Company/TDC to adequately manage risks that have a flow-on effect to Nelson rate payers and environment.	The potential for accident and injury at the public boat ramp and collision on water involving small and/or large vessels. Potential for impact on the Nelson coastal environment of large vessel accidents on water. The impact on Nelson and the Port of activities in Tasman Bay under the auspices of the TDC.	
Ability to function and recover during and immediately after a significant Council event.	Not all Council business units currently have business continuity plans and there may be a low level of understanding of the difference between emergency planning (Civil Defence) and Council business continuity planning.	
Failures in Building Consent Processing	Building consent processing impacts a number of business units in Council. Incorrect consent to external applicants can lead to the potential for litigation, financial repatriation and adverse media reporting. Similarly, Council failure to obtain or follow consent procedures for Council projects and buildings can result in cost of putting right as well as heightened media attention	<p>What have we got in place?</p> <ul style="list-style-type: none"> • Qualifications, training and supervision of staff and competency assessments • Risk matrix for building consents • Delegation rules for high risk decisions • Procedures for inspections and processing functions • Cross organisation assistance in project



		<p>management for Council projects</p> <ul style="list-style-type: none">• Insurance• Process mapping for all regulated functions .• IANZ Re-accreditation audits every 2 years What's planned?• Online/ electronic receipt of information (for efficient and better records going forward)• Go Shift initiative to align systems and methodology with other Building Consent Authorities nationwide.
--	--	---

* The owner of each group risk register (SLT member) will assess whether any of their high / extreme risks need to be placed here for consideration for inclusion in this document. Therefore not all high / extreme risks that each SLT member is responsible for are noted here.

Risks removed from Top 10 in last quarter

Risk	Description	Risk Owner	Risk Rating	Why no longer considered in 'Top 10'
No Risks removed				

Internal Audit Report to 31 December 2015

1. Purpose of Report

- 1.1 To update the Subcommittee on the Internal Audit activity relative to the Internal Audit Plan to 30 June 2016, and to provide information on significant or high risks identified from audits completed to 31 December 2015.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee have oversight of the internal audit activity.

3. Recommendation

THAT the Internal Audit Report to 31 December 2015 (R5452) and its attachments (A1485806 and A1498101) be received.

Recommendation to Governance Committee and Council

THAT Council note the internal audit findings, recommendations and status of action plans up to 31 December 2015 (R5452).

4. Background

- 4.1 The Audit, Risk & Finance Subcommittee require a periodic update on the progress of internal audit activities relative to the Internal Audit Plan to 30 June 2016 and to be informed of any significant risk exposures and control issues identified from internal audits completed.

5. Discussion

- 5.1 The Internal Audit Charter was approved by the Audit, Risk & Finance Subcommittee on 12 November 2015.
- 5.1.1 Under section 9.4, the Charter requires that the Internal Audit & Procurement Analyst report periodically to the Senior Leadership Team and Audit, Risk & Finance Subcommittee on performance relative to the

Internal Audit Plan. A table summarising activity against the workplace is attached.

- 5.1.2 Under section 9.1 of the Charter, the Audit, Risk & Finance and the Governance Committees are to be informed of internal audit results where appropriate.
- 5.2 To strike the right balance between significant findings and minor recommendations, it is proposed to report significant and high findings to the Subcommittee.
- 5.3 In December, the Senior Leadership Team requested an internal audit of the York Valley landfill weighbridge following concerns about a potential discrepancy in revenue. No significant issues were identified but 12 high issues were. The recommendations and status of action plans of those are included in attachment 2.

6. Options

- 6.1 The recommendation is to receive the report and note the internal audit findings, recommendations and status of action plans.

7. Alignment with relevant Council policy

- 7.1 This report is in alignment with the Council's Internal Audit Charter approved in 2015.

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 preparation of this report.

10. Inclusion of Māori in the decision making process

- 10.1 There has been no consultation with Maori in the preparation of this report.

Lynn Anderson
Internal Audit Analyst

Attachments

Attachment 1: A1485806 - Internal Audit Report to 31 December 2015

Attachment 2: A1498101 - Summary of Significant Risk Exposures and Controls

Audit Plan – All Audits planned for Second Quarter to 31 December 2015	Audits Not Included in Audit Plan	Recommendations Agreed with Manager	In Progress	Findings Risk Ratings from Finalised, Approved Audits		Date Reviewed by SLT	Audits Proposed for February 2016
Electronic Purchase Orders – controls			Finalising report				
IT Systems controls			In Progress				
Segregation of Duties			In Progress				
Payroll		Yes, Managers action plans to be completed by 17/2/16		Significant High Moderate Minor	0 0 21 18	Due 17/2/16	
	York Valley Weighbridge operations review	Yes, and agreed actions entered in InControl		Significant High Moderate Minor	0 12 12 9	7/12/15	
							Customer Service Centre (counter transactions)
							Accounts Payable – new suppliers
							Accounts Receivable – credit notes
							Insurance Renewals

*Note, Internal Audit Plan to 30 June 2016 approved by Audit, Risk & Finance 12 November 2015

Summary of High & Significant Risk Exposures and Control Issues Identified from Internal Audits				
Audit	Findings	Rating	Recommendations	Progress
York Valley Weighbridge	The Solid Waste Procedures Manual is a very comprehensive practical document, and is the primary document used by operations staff, but is not up to date in places; there has been no attempt to create processes to match the new weighbridge operation	High	As the main source of truth, and to ensure compliance with best practice procedure, the Solid Waste Procedures Manual should be updated; It should be available for use when the new weighbridge system is functional and matches agreed operating practices – this may require input from a business analyst; Align Promapp to agreed improvements from this review	Due date 29/1/16, this has been delayed by 2 weeks due to a second barrier arm being put in place/needs to be tested
York Valley Weighbridge	The locking of the back gate is reliant on the contractor – which creates a health & safety risk and could allow drivers to avoid the weighbridge altogether	High	Manager to review risks associated with the back gate locking being entirely reliant on contractor. If contractor are not meeting the terms of their contract with respect to the back gate - this should be addressed (A1161324); Communicate the importance of health & safety at the landfill. Consider new signage to direct visitors to the health & safety register; Operations should include in their processes a random audit of this register to ensure contractor are following process	Completed
York Valley Weighbridge	There are not always a minimum of two contractors on site at all times, creating lone worker and increasing access risk	High	Contractual obligations with respect to manning the site should be addressed with contractor as soon as possible	Completed
York Valley Weighbridge	There is a gun locked in the kiosk – for pest control	High	Ensure that the gun is in the hazard register and that all risks are mitigated. Check the gun is registered and people using it are licensed. Continue random checks that kiosk is locked when unattended and add firearm presence to Procedures Manual	Completed
York Valley Weighbridge	Current database systems controls are not adequate to give reasonable assurance	High	Restrict access to current system.	Completed
York Valley Weighbridge	The open access of the database and absence of audit trails creates an unacceptable vulnerability to fraud for Council	High	To protect the integrity of Council in the absence of audit trails in the current system, there should be some form of peer review of monthly transactions	Completed

A1498101

York Valley Weighbridge	There are many manual data manipulations required and no audit trail available to evidence their accuracy	High	In the interim, the transaction listings, before changes are made manually and then again after the changes have been made, should be printed and stored in hardcopy and signed off by the operator who makes the changes. Add to Procedures Manual	Completed
York Valley Weighbridge	There are insufficient checks and balances to ensure accurate invoicing	High	In the interim, the Transaction Summary should be checked against the transaction listings for each customer and then to the spreadsheet before being sent to Finance for invoicing; Add process to Promapp; Database maintenance should form part of the Contract Manager's role and should be added to the Solid Waste Process Manual	In progress
York Valley Weighbridge	The new system provides for a number of different providers - eg 2 Degrees, NCS, Toughweigh, SQL- for which supply and maintenance agreements should provide for responsibilities around continuous collection and delivery of accurate, complete, timely, relevant data	High	Confirm that IT, Operations and Finance are satisfied that responsibilities and contracts for hardware and software (SQL, Toughweigh, 2 Degrees, interface with NCS) cover high risks that might prevent the uninterrupted delivery of timely, accurate, complete, and relevant data	In progress
York Valley Weighbridge	The back road gate issue is not addressed in the new project which still leaves the landfill open to risk through non-recording of waste and for health & safety	High	Manager to review risks associated with the back gate locking being entirely reliant on contractor	Completed
York Valley Weighbridge	Supplier have recently advised they are unwilling to pay for dumping sawdust and want this reviewed - all sawdust dumping is on hold until a decision is made	High	Recommend seeking expert advice to provide factual information for an urgent management decision	In progress
York Valley Weighbridge	It is possible an alternative cover solution would have been found if there was; a) a better understanding of landfills in Council and b) more frequent information flow between the Operations and the Asset Manager. Contractor recently advised the cost to provide alternative cover is \$1,745 per week or \$90,700 p.a.	High	Resolve the cover issue that currently exists with sawdust on hold. If considered necessary, seek guidance of landfill expert to give guidance on how to manage cover material options. Improve Council's knowledge of landfill operations so that good decision-making can be made in such situations. Consider Contract Manager reviewing monthly financials and reporting to Asset Manager if any Operations decisions have affected these during the month	In progress

A1498101

Payroll	Nil	N/A
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Extension of loan facility to the Melrose Society

1. Purpose of Report

- 1.1 To consider providing additional loan funding to the Colonel Noel Percy Adams Trust (Melrose) Society for refurbishment of toilets in Melrose House.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has the responsibility to monitor Council's financial and service performance and make recommendations to the Governance Committee and Council.

3. Recommendation

THAT the report Extension of loan facility to the Melrose Society (R4814) and its attachments (A1450076 and A1416892) be received.

Recommendation to Governance Committee and Council

THAT an interest free loan of \$25,000 be made to the Melrose Society for the purpose of toilet refurbishment, subject to:

- ***the Society receiving a grant of \$35,000 from the Rata Foundation for the same purpose;***
- ***the designs being approved by the Property and Facilities Asset Manager;***

AND THAT the loan is to be repaid in five annual instalments of \$5000 commencing 20 January 2017.

4. Background

- 4.1 Melrose House is currently leased to the Melrose Society until 2018. The Society subleases part of the building as an apartment and café, and uses the income generated to maintain the interior of the house. Council is responsible for maintenance of the exterior.
- 4.2 The Society approached Council in 2011 seeking permission to refurbish the toilets in Melrose House. The current facilities are not in character with the house and are not adequate for the numbers of people using the house.
- 4.3 Having received approval from Council for the alterations, the Society has submitted a number of funding applications to raise the money required for the refurbishment. The total estimated cost is \$70,000, and the Society has been allocated \$35,000 by the Rata Foundation, conditional on the other \$35,000 being secured. The Society's other funding applications have been unsuccessful.
- 4.4 The Society has indicated that it would be prepared to put up to \$10,000 of its own money into the project, although it would prefer this to be \$5,000. The Society gets income of around \$26,641 each year from the subleases and is also reimbursed expenses (power etc) by the tenant. It has therefore requested a maximum loan of \$30,000 from Council (Attachment 1).
- 4.5 In its 2010-11 Annual Plan Council decided to extend a loan to the Society of \$25,000 towards the heating system in the house. The final repayment of that loan (\$5000) was made in January 2016.
- 4.6 A copy of the Society's most recent accounts (for year ending 31 December 2014) is attached for information (A1416892).

5. Discussion

- 5.1 The Society is in good health, with a healthy balance sheet and a diverse governance group. It has successfully paid off \$20,000 of its initial loan from Council and has secured \$35,000 of grant funding towards the toilet refurbishment costs.
- 5.2 The Society needs to draw down the Rata Foundation grant by August 2016. If it waited until the Annual Plan, it would not have time to make alternative arrangements if Council chooses not to provide funding. Instead it has asked Council to make a decision now in order to give some clarity over what the next steps for the Society should be.
- 5.3 The Society has indicated that if Council approves a loan that it would make a submission through the Annual Plan 2016/17 for the loan to be converted into a grant. It is recommended that Council consider that request alongside any other funding requests received from the community when making decisions on the Annual Plan rather than making a decision on that request now.

- 5.4 Council, as building owner, needs to be satisfied that the final designs for any upgrades to the House are approved by the Property and Facilities Asset Manager.

6. Options

- 6.1 Council could choose to extend a loan to the Society, which has requested \$30,000. Officers recommend that \$25,000 be allocated based on the previous precedent in relation to providing a loan for the heating for Melrose and as the Society is able to afford to contribute \$10,000 from its own reserves to the project.
- 6.2 Council could offer to provide a grant to the Society of up to \$35,000. The Society has not requested that at this time, and that any such funding would be unbudgeted. Officers do not recommend this option as responsibility for the interior maintenance sits with the Society. It should be noted that the Society has indicated that, it may request grant funding through the Annual Plan 2016/17 process.
- 6.3 Council could choose to decline the loan request. This may result in the loss of the Rata Foundation grant, which requires match funding to be in place. This option is not recommended.

7. Alignment with relevant Council policy

- 7.1 There is no funding in the Long Term Plan for this work.

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 making these recommendations, other than with the Melrose Society.

10. Inclusion of Māori in the decision making process

- 10.1 Maori have not been consulted on in making these recommendations.

Chris Ward

Group Manager Community Services

Attachments

Attachment 1: A1450076 - Request for loan from Melrose Society October 2015

Attachment 2: A1416892 - Melrose Society Accounts for Year ending December 2014

MELROSE HOUSE

HISTORIC HOUSE, CAFE & GARDEN
26 BROUGHAM STREET, NELSON
PHONE: 03 548 7269
WEB: www.melrosehouse.co.nz



Nelson City Council
PO BOX 645

NELSON

Attention: Chris Ward cc Ian Littleworth/Cllr Peter Rainey

Dear Chris, Peter and Ian

Re: Funding for Essential Facilities (Toilets) and Ceiling Repairs in Melrose House

Further to our two meetings on this matter, I wish to understand what would be the most logical process to adopt with respect to obtaining some funding from Council for this very worthwhile and essential project, and also when to have all the work done at the same time.

The Rata Foundation (ex-Canterbury Community Trust) has approached me again to ascertain what "matched funding we will get. They have granted the Society a total of \$40,000 for renovations without specifying exactly how that is to be spent. This was to be \$35,000 for the toilets and \$5,000 for the repair/repaint of the ceilings. It has to be spent before the end of August 2016 (which is 12 months after the receipt date).

You have indicated to the Society that in the next financial year (2016-17) Council will redo the cafe ceiling to remove the asbestos. We would like this work to be done in July or August at the same time that we will have our toilet renovation work being done so we minimise the disruption to the cafe operation. It will have to be closed down for your work, as it should also be whilst we renovate the toilets.

The toilet renovation work was costed out at \$70,000, so we are short of \$35,000. The Society could put up to \$10,000 (if it really had to) but \$5,000 is its preferred limit, as we want to spend some more on the ceiling renovations and on some better toilet equipment than was specified in the schedule.

We are chasing patrons and sponsors to help with funding or donations of toiletry items but there is no guarantee of any success in this area.

We are thus requesting for some funding up to a maximum of \$30K to assist us with getting this project completed in this coming 12 months.

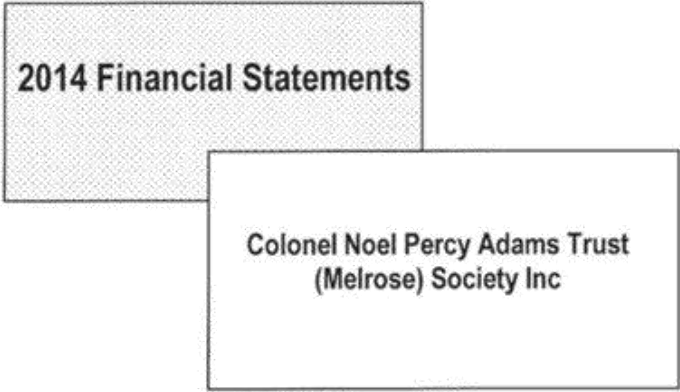
Can you advise how and when we should make such an application - for a loan initially with a subsequent request (at Annual Plan submission time?) to write that loan off as a grant to the Society.

I look forward to your advice.

Yours sincerely

HRW Briggs

Hugh Briggs
Chairperson



Colonel Noel Percy Adams Trust (Melrose) Society Inc

Contents of Financial Statements

For the Year Ended 31 December 2014

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Colonel Noel Percy Adams Trust (Melrose) Society Inc

Directory

As at 31 December 2014

Nature of Business	Management of Melrose Historic House
Governance Committee	Hugh Briggs (Chairperson) Stephen Paul (Secretary) Brad McNeill (Treasurer) Rachel Swarbrick May Godinez-Oliveros Rod Malcom Margot Wilson
Secretary	Stephen Paul (Secretary)
Accountants	202 Ponsonby Road Ponsonby Auckland
Auditor	RD Campbell Nelson
Bankers	Westpac Bank Nelson

Audit Report

To the Readers of the Financial Statements of the Colonel Noel Percy Adams Trust (Melrose) Society.

I have audited the financial statements and notes to the financial statements. The financial statements provide information about the Colonel Noel Percy Adams Trust (Melrose) Society past financial performance and its position as at the 31st of December 2014. This information is stated in accordance with the accounting policies described in Note 1 to the financial statements.

Governance Committees Responsibilities:

The Governance Committee are responsible for the preparation and presentation of the financial statements which present fairly the financial position of the Colonel Noel Percy Adams Trust (Melrose) Society, as at 31st December 2014 and its financial performance for the year ended on that date.

Auditor's Responsibilities

I am responsible for expressing an independent opinion on the financial statements presented by the governance committee and reporting that opinion to the members.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant of the amounts and disclosures in the financial statements. It also includes assessing:

1. The significant estimates and judgments made by the governance committee in the preparation of the financial statements; and
2. Whether the accounting policies used and described in note 1 are appropriate to the circumstances of the Colonel Noel Percy Adams Trust (Melrose) Society, are consistently applied and adequately disclosed.

I have conducted my audit in accordance with generally accepted auditing standards in New Zealand. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide sufficient evidence to give a reasonable assurance that the financial statements are free from material misstatements, whether caused by error or fraud. In forming my opinion I also evaluated the overall adequacy of the presentation of the information in the financial statements.

I have no relationship with or interest with the Colonel Noel Percy Adams Trust (Melrose) Society, other than in my capacity as auditor.

Qualified Opinion

Control over revenues received prior to being recorded is limited. As in the case of other organisations of this type and size there are no practical auditing procedures to determine the effect of this limited control.

In this respect alone, I have not obtained all of the information and explanations that I have required.

In my opinion, except for adjustments that might have been found to be necessary had I been able to obtain sufficient evidence concerning cash receipts prior to banking:

- Proper Accounting Records have been kept by the Society as far as appears from my examination of those records; and
- The financial statements present fairly in accordance with generally accepted accounting practice the financial position of the Colonel Noel Percy Adams Trust (Melrose) Society, as at the 31st of December 2014 and its financial performance for the year ended on that date.

My audit was completed on the 20th day of July 2015 and my qualified opinion is expressed as at that date.



R.D. Campbell, CA

Nelson

Colonel Noel Percy Adams Trust (Melrose) Society Inc

Statement of Financial Performance

For the Year Ended 31 December 2014

Note	2014	2013
	\$	\$
Operating Revenue		
Sales	-	212
Apartment Rental	14,040	13,500
Expenses Reimbursed	10,438	9,332
Lease Income	12,601	12,600
Venue & Equipment Hire Income	5,799	5,531
Donations Received	2,418	437
Sale of Donated Goods	1,692	2,496
Grants Received	2,500	-
Total Sales	49,488	44,108
Less Cost of Sales		
Opening Stock	1,653	-
Opening Stock	-	2,384
	1,653	2,384
Rent Discount Given	4,860	-
	6,513	2,384
Closing Stock	(1,653)	-
Closing Stock	-	(1,653)
	(1,653)	(1,653)
Total Cost of Sales	4,860	731
Gross Surplus	44,628	43,377
Less Expenses		
Advertising	2,180	2,245
Audit Fee	350	350
Bank Fees & Charges	4	-
Cleaning	1,925	690
Computer & Website Expenses	228	2,249
Communications Consultancy	-	2,109
Depreciation	10,334	10,340
Gas, Diesel & Fire Wood	3,467	2,644
General Expenses	200	104
Insurance	1,653	1,393
Licences & Registration	558	175
Light, Heat & Power	7,803	7,008
Low Cost Assets	465	2,357
Printing & Stationery	-	14
Rent	200	200
Repairs & Maintenance	12,462	10,284
Subscriptions & Licences	434	549
Telephone & Tolls	300	305
Volunteer Expenses & Gifts	460	226

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc

Statement of Financial Performance (continued)

For the Year Ended 31 December 2014

	Note	2014	2013
		\$	\$
Water Rates		935	1,054
Total Expenses		43,958	44,296
Operating Surplus (Deficit) before Other Income		670	(919)
Other Income			
Interest Received		649	363
Net Surplus (Deficit)		1,319	(556)

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc

Statement of Movements in Equity

For the Year Ended 31 December 2014

	2014	2013
	\$	\$
Revenues and Expenses		
Net Surplus (Deficit)	1,319	(556)
Total Recognised Revenues and Expenses	1,319	(556)
Equity at the Beginning of the Year	124,313	124,869
Equity at the End of the Year	125,632	124,313
Movements in Retained Earnings		
Opening Balance	124,313	124,869
Plus:		
Net Surplus	1,319	-
Less:		
Net Deficit	-	556
Retained Earnings Closing Balance	125,632	124,313

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc

Statement of Financial Position

As at 31 December 2014

	Note	2014 \$	2013 \$
Current Assets			
Cheque Account		19,349	5,657
Savings Account		23,039	12,458
Sundry Debtors		2,073	1,887
GST Receivable		1,617	-
Stock on Hand		1,653	1,653
Total Current Assets		47,731	21,655
Current Liabilities			
Sundry Creditors		19,394	2,698
Rent Reimbursement Payable		2,780	-
GST Payable		-	53
Total Current Liabilities		22,174	2,751
Working Capital		25,557	18,904
Non Current Assets			
Property, Plant & Equipment	3	105,075	115,409
Non Current Liabilities			
Term Loans - Secured	4	5,000	10,000
Net Assets		125,632	124,313
Equity			
Retained Earnings		125,632	124,313
Total Equity		125,632	124,313

These financial statements have been subject to an audit or review.



Treasurer



Date

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc

Depreciation Schedule

For the Year Ended 31 December 2014

	% PVT USE	Cost on HAND	OPENING WDV	ADJ & ADD	SALE PRICE	PROFIT (LOSS)	DISPOSAL DATE	RATE & TYPE	DEPN	ACCUM DEPN	CLOSING WDV
Leasehold Improvements - At cost											
Picture Rails	.00	689	355	-	-	-	-	10.00P	69	403	286
Chandelier Light Fittings	.00	524	277	-	-	-	-	10.00P	52	299	225
Insulation	.00	2,647	2,020	-	-	-	-	5.00P	132	759	1,888
Flat Bathroom Vanity	.00	254	139	-	-	-	-	10.00P	25	140	114
Flat Laundry Tub	.00	354	194	-	-	-	-	10.00P	35	195	159
Flat Kitchen Vinyl Flooring	.00	3,150	1,706	-	-	-	-	10.00P	315	1,759	1,391
Flat Kitchen Cabinetry & Plumbing	.00	6,731	3,646	-	-	-	-	10.00P	673	3,758	2,973
Ceiling Insulation	.00	2,240	1,848	-	-	-	-	5.00P	112	504	1,736
Opening - Moving to Dining Room	.00	2,138	1,808	-	-	-	-	5.00P	107	437	1,701
Kitchen Stainless Extraction Canopy	.00	5,364	3,756	-	-	-	-	10.00P	536	2,144	3,220
Diesel - Radiator Heating System	.00	77,868	71,055	-	-	-	-	5.00P	3,693	10,706	67,162
Brass Handrail	.00	4,100	3,792	-	-	-	-	5.00P	205	513	3,587
Stairway Carpet	.00	1,875	1,624	-	-	-	-	10.00P	188	439	1,436
		107,934	92,220	-	-	-	-		6,342	22,056	85,878
Plant & Equipment											
Husky 3 Door Chiller	.00	1,413	966	-	-	-	-	10.00P	141	588	825
		1,413	966	-	-	-	-		141	588	825
Furniture & Fittings											
Mirror	.00	400	39	-	-	-	-	10.00P	39	400	-
Curtains	.00	414	38	-	-	-	-	10.00P	38	414	-
New Entry	.00	2,085	361	-	-	-	-	10.00P	208	1,932	153
Upstairs Carpet	.00	9,187	4,898	-	-	-	-	10.00P	919	5,208	3,979
Drapes	.00	10,461	5,580	-	-	-	-	10.00P	1,046	5,927	4,534
Ornate Cast Alum Tables (3)	.00	456	249	-	-	-	-	10.00P	46	253	203
Rectangular Trestle Tables (4)	.00	536	294	-	-	-	-	10.00P	54	296	240
Curtain Linings	.00	617	395	-	-	-	-	10.00P	62	284	333
Maya Silver Chairs (32)	.00	2,532	1,752	-	-	-	-	10.00P	253	1,033	1,499
Maya Silver Chairs (18)	.00	1,328	929	-	-	-	-	10.00P	133	532	796
Curtains - Ball Room	.00	9,354	6,783	-	-	-	-	10.00P	935	3,506	5,848
Round Tables (6)	.00	1,180	905	-	-	-	-	10.00P	118	393	787
		38,550	22,223	-	-	-	-		3,851	20,178	18,372
TOTAL		147,897	115,409	-	-	-	-		10,334	42,822	105,075
Fixed Asset Summary											
Opening Value		115,409									
Depreciation		(10,334)									
Closing Value		105,075									

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc**Notes to and forming part of the Financial Statements****For the Year Ended 31 December 2014****1 Statement of Accounting Policies****Reporting Entity**

The financial statements presented here are for the entity Colonel Noel Percy Adams trust (Melrose) Society Inc., an incorporated society under the Incorporated Societies Act 1908 and registered under the Charities Act 2005.

These financial statements have not been prepared for external use. They are prepared for tax purposes only and should not be relied on for any other purpose. They are therefore defined as special purpose reports. These financial statements have been prepared on a historical cost basis unless otherwise stated.

Colonel Noel Percy Adams Trust (Melrose) Society Inc is involved in the business of management of melrose historic house.

Statement of Compliance and Basis of Preparation

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Financial Performance and Statement of Financial Position on a historical cost basis are followed by the trust. The information is presented in New Zealand dollars.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Financial Performance and Statement of Financial Position have been applied:

(a) Revenue

Revenue is recognised when earned and is reported in the financial period to which it relates.

(b) Inventories

Inventories are recognised at lower of cost and net realisable value, determined on a first-in first-out basis.

(c) Trade Receivables

Trade Receivables are recognised at estimated realisable value.

(d) Property, Plant & Equipment

Property, Plant & Equipment are recognised at cost less aggregate depreciation. Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007. Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the year.

Leasehold Improvements - At cost	5.0% - 10.0% CP
Plant & Equipment	10.0% CP
Furniture & Fittings	10.0% CP

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc
Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 December 2014

(e) Income Tax

No provision for Income Tax has been made as Colonel Noel Percy Adams (Melrose) Society Inc. is an exempt from income tax under the Income Tax 2007 as it is a registered charity.

(f) Goods and Services Taxation (GST)

Revenues and expenses have been recognised in the financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

(g) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those from previous financial statements.

2 Auditor's Remuneration

The auditor of Colonel Noel Percy Adams Trust (Melrose) Society Inc is RD Campbell
 Audit Fee

2014	2013
\$	\$
350	350
350	350

3 Property, Plant & Equipment

Property, Plant & Equipment 2014

Leasehold Improvements - At cost
 Plant & Equipment
 Furniture & Fittings

Total Property, Plant & Equipment

Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
\$	\$	\$	\$
107,934	6,342	22,056	85,878
1,413	141	588	825
38,550	3,851	20,178	18,372
147,897	10,334	42,822	105,075

Property, Plant & Equipment 2013

Leasehold Improvements - At cost
 Plant & Equipment
 Furniture & Fittings

Total Property, Plant & Equipment

Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
\$	\$	\$	\$
107,934	-	15,714	92,220
1,413	-	447	966
38,550	-	16,327	22,223
147,897	-	32,488	115,409

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.

Colonel Noel Percy Adams Trust (Melrose) Society Inc**Notes to and forming part of the Financial Statements (continued)****For the Year Ended 31 December 2014****4 Term Loans - Secured****Nelson City Council Loan****Total Outstanding**

Nelson City Council advanced Colonel Percy Adams Trust (Melrose) Society Inc, \$25,000 on 20 January 2011. The loan is interest free and repayable in five equal instalments of \$5,000 over 5 years starting on the 20 January 2012.

Total Term Loans - Secured

2014	2013
\$	\$
5,000	10,000
5,000	10,000

5 Nature of Operations

Colonel Noel Percy Adams Trust (Melrose) Society Inc. was formed in 1975 to preserve and refurbish Melrose House in Nelson. The House itself was gifted to the Nelson City Council in 1973 for the benefit of the citizens of Nelson. The Nelson City Council still owns and maintains the property today, however the day to day management of the property rest with Colonel Noel Percy Adams Trust (Melrose) Society Inc.

6 Grants Received

The Colonel Noel Percy Adams Trust (Melrose) Society Inc. has recognised the following grants during the year ending 31 December 2014. The society wishes to thank Canterbury Community Trust for \$2,500 that was used to fund the chimney repairs.

7 Contingent Liabilities

The Company has no contingent liabilities as at 31 December 2014, (2013 Nil).

8 Capital Commitments

The Company has no capital commitments as at 31 December 2014, (2013 Nil).

The financial statements have been prepared from information supplied by the client and have been subject to an audit or review. They are to be read in conjunction with the accompanying disclaimer and notes.