



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

**Tuesday 27 June 2017
Commencing at 9.00am
Council Chamber
Civic House
110 Trafalgar Street, Nelson**

Membership: Mr John Peters (Chairperson), Her Worship the Mayor Rachel Reese, Councillor Ian Barker, Councillor Bill Dahlberg 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.

1. Apologies

- 1.1 An apology has been received from Her Worship the Mayor.

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

- 3.1 Updates to the Interests Register
- 3.2 Identify any conflicts of interest in the agenda

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

- 5.1 18 May 2017 **10 - 15**

Document number M2590

Recommendation

That the Subcommittee

Confirms the minutes of the meeting of the Committee, held on 18 May 2017, as a true and correct record.

6. Status Report - Audit, Risk and Finance Subcommittee - 27 June 2017**16 - 18**

Document number R7943

Recommendation

That the Subcommittee

Receives the Status Report Audit, Risk and Finance Subcommittee 27 June 2017 (R7943) and its attachment (A1753947).

- 7. Chairperson's Report**
- 8. Corporate Report to 30 April 2017** **19 - 31**

Document number R6999

Recommendation

That the Committee

Receives the report Corporate Report to 30 April 2017 (R6999) and its attachments (A1766296 and A1771251).

- 9. Balance Sheet reconciliation review** **32 - 39**

Document number R7002

Recommendation

Receives the report Balance Sheet reconciliation review (R7002) and its attachment (A1774923).

- 10. Liability Management Policy review** **40 - 57**

Document number R7529

Recommendation

That the Subcommittee

Receives the report Liability Management Policy review (R7529) and its attachment (A1765543).

Recommendation to Council

That the Council

Adopts the amended Liability Management Policy (A1765543).

11. Carry Forwards (Interim) 2016/17

58 - 66

Document number R7555

Recommendation

That the Subcommittee

Receives the report Carry Forwards (Interim) 2016/17 (R7555) and its attachments (A1770607).

Recommendation to Council

That the Council

Approves continuing work on 2016/17 projects within the 2016/17 approved budgets, noting a final report on carry forwards will come to the Audit, Risk and Finance subcommittee on 8 September 2017.

12. Council Risk Management Policy and Risk Criteria

67 - 80

Document number R7572

Recommendation

That the Subcommittee

Receives the report Council Risk Management Policy and Risk Criteria (R7572) and its attachments: Risk Management Policy (A1553263) and Council Risk Criteria (A1545157).

Recommendation to Council

That the Council

Approves the Risk Management Policy (A1553263); and

Adopts the Council Risk Criteria (A1545157).

13. Internal Audit - Annual Audit Plan to 30 June 2018 81 - 89

Document number R7587

Recommendation

That the Subcommittee

Receives the report Internal Audit - Annual Audit Plan to 30 June 2018 (R7587) and its attachment (A1748975);

Recommendation to Council

That the Council

Approves the Internal Audit – Annual Audit Plan to 30 June 2018 (A1748975).

14. Health and Safety Governance Charter review 90 - 97

Document number R7622

Recommendation

That the Subcommittee

Receives the report Health and Safety Governance Charter review (R7622) and its attachment (A1767136);

Recommendation to Council

That the Council

Approves the revised Health and Safety Governance Charter (A1767136).

15. Protected disclosure policy 98 - 109

Document number R7631

Recommendation

That the Subcommittee

Receives the report Protected disclosure policy (R7631) and its attachment (A1338935) ; and

Notes the revised Protected Disclosure Policy (A1338935).

16. Trafalgar Park Seating and Sale of the Punawai 110 - 136

Document number R7383

Recommendation

That the Subcommittee

Receives the report Trafalgar Park Seating and Sale of the Punawai (R7383) and its attachments (A345448, A1311242, R6448 and A1412442); and

Notes that the purchase of the Trafalgar Park Seats complied with Council's Procurement Policy 2015 (A345448); and

Notes that the Council approved the private sale of the Punawai for reasons of timeliness and efficiency, and recognised at the time of the sale that this approach departed from Council's Asset Disposal Policy 2015 (A1412442).

17. Interim audit letter for the year ending 30 June 2017 137 - 145

Document number R7627

Recommendation

That the Subcommittee

Receives the report Interim audit letter for the year ending 30 June 2017 (R7627) and its attachment (A1775216); and

Notes the suggested responses to the recommendations.

PUBLIC EXCLUDED BUSINESS

18. Exclusion of the Public

Recommendation

That the Subcommittee

Excludes the public 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	Bad debts for the year ending 30 June 2017	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• Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

19. Re-admittance of the public

Recommendation

That the Subcommittee

Re-admits the public to the meeting.

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

**Held in the Council Chamber, Civic House, 110 Trafalgar Street,
Nelson**

On Thursday 18 May 2017, commencing at 1.03pm

Present: Mr J Peters (Chairperson), Her Worship the Mayor R Reese,
Councillor I Barker and Councillor B Dahlberg

In Attendance: Councillor G Noonan, Chief Executive (C Hadley), Group
Manager Community Services (C Ward), Group Manager
Corporate Services (N Harrison), Senior Strategic Adviser (N
McDonald), Manager Capital Projects (S Davies), Senior
Accountant (T Hughes) and Administration Adviser (S Burgess)

Apology: Mr John Murray

1. Apologies

Resolved AUD/2017/001

That the Subcommittee

***Receives and accepts the apology from Mr John
Murray.***

Barker/Her Worship the Mayor

Carried

2. Confirmation of Order of Business

The Chairperson advised that the report Audit NZ – audit arrangement
and engagement letters, would be considered after the Chairperson's
Report.

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. Status Report - Audit Risk and Finance Subcommittee - 18 May 2017

Document number R7639, agenda pages 7 - 9 refer.

The Subcommittee directed that a Subcommittee briefing on social enterprise principles was appropriate, and a workshop was no longer required.

The Subcommittee noted that the Chair of the Governance Committee and Mr John Peters would proceed to develop the scope for the tendering processes report.

Resolved AUD/2017/002

That the Subcommittee

Receives the Status Report Audit, Risk and Finance Subcommittee 18 May 2017 (R7639) and its attachment (A1753947).

Barker/Dahlberg

Carried

6. Chairperson's Report

Document number R7716, agenda pages 10 - 11 refer.

The Chairperson presented his report.

Resolved AUD/2017/003

That the Subcommittee

Receives the report Chairperson's Report (R7716).

Peters/Barker

Carried

7. Audit NZ - audit arrangement and engagement letters

Document number R7513, agenda pages 91 - 129 refer.

Bede Kearney and Jacques Coetzee of Audit New Zealand joined the meeting. Mr Kearney presented the report and responded to questions.

Resolved AUD/2017/004

That the Subcommittee

Receives the report Audit NZ - audit arrangement and engagement letters (R7513); and

attachments A1749598, A1749594 and A1752596; and

Notes the Subcommittee can provide feedback on the Audit Arrangement, Audit Engagement and Audit Proposal letters to Audit NZ if required, noting the Mayor will sign the letters once the Subcommittee's feedback has been incorporated.

Dahlberg/Barker

Carried

8. Corporate Report to 31 March 2017

Document number R6998, agenda pages 12 - 24 refer.

Manager Capital Projects, Shane Davies, and Senior Accountant, Tracey Hughes, presented the report. Ms Hughes provided updated information on debtors three months overdue.

Mr Davies, Ms Hughes, and Group Manager Corporate Services, Nikki Harrison, responded to questions.

Resolved AUD/2017/005

That the Subcommittee

Receives the report Corporate Report to 31 March 2017 (R6998) and its attachments (A1750159 and A1753951).

Barker/Dahlberg

Carried

9. Health and Safety: Quarterly Report

Document number R7023, agenda pages 25 - 35 refer.

Manager Organisational Assurance and Emergency Management, Roger Ball, and Health and Safety Adviser, Malcolm Hughes, presented the report and responded to questions.

The Chairperson asked that officers look into whether any lessons could be learned from the recently released Havelock water report. He also requested detail of Council's current precautions against malware.

Resolved AUD/2017/006

That the Subcommittee

Receives the report Health and Safety: Quarterly Report (R7023) and its attachment (A1753457).

Her Worship the Mayor/Barker

Carried

Recommendation to Council AUD/2017/007

That the Council

Notes the report Health and Safety Quarterly Report (R7023) and its attachment (A1753457); and

Confirms the assessment of critical health and safety risks contained in the attachment (A1753457).

Her Worship the Mayor/Barker

Carried

10. Internal Audit Quarterly Report to 31 March 2017

Document number R7569, agenda pages 36 - 46 refer.

Internal Audit Analyst, Lynn Anderson, presented the report and responded to questions.

Resolved AUD/2017/008

That the Subcommittee

Receives the report Internal Audit Quarterly Report to 31 March 2017 (R7569); and its attachment (A1747023).

Her Worship the Mayor/Barker

Carried

Recommendation to Council AUD/2017/009

That the Council

Notes the report Internal Audit Quarterly Report (R7569) and its attachment (A1747023).

Her Worship the Mayor/Barker

Carried

11. Service Delivery Review Quarterly Progress Update - May 2017

Document number R6910, agenda pages 47 - 90 refer.

Policy Adviser, Gabrielle Thorpe, and Interim Manager Building, Chris Wood, presented the report and responded to questions.

Resolved AUD/2017/010

That the Subcommittee

Receives the report Service Delivery Review Quarterly Progress Update - May 2017 (R6910) and its attachments (A1737008, A1732393, A1731928, A1731591, A1736351, A1642437, A1736093, A1732264 and A1753361); and

Notes the update on progress with the programme of s17A reviews.

Dahlberg/Barker

Carried

12. Tax Risk Governance Framework

Document number R7599, agenda pages 130 - 139 refer.

Senior Accountant, Tracey Hughes, presented the report and responded to questions.

Resolved AUD/2017/011

That the Subcommittee

Receives the report Tax Risk Governance Framework (R7599) and its attachment (A1750676).

Notes that a tax risk management strategy will be presented to a future meeting of this Subcommittee, and annual reporting against this framework will occur annually after the end of the tax year (31 March).

Dahlberg/Barker

Carried

Recommendation to Council AUD/2017/012

That the Council

Adopts the Tax Risk Governance Framework (A1750676) with immediate effect.

Dahlberg/Barker

Carried

There being no further business the meeting ended at 3.06pm.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

27 June 2017

REPORT R7943

**Status Report - Audit, Risk and Finance Subcommittee -
27 June 2017**

1. Purpose of Report

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

2. Recommendation

That the Subcommittee

***Receives the Status Report Audit, Risk and
Finance Subcommittee 27 June 2017 (R7943)
and its attachment (A1753947).***

Attachments

Attachment 1: A1753947 - Audit, Risk and Finance Subcommittee Status
Report [↓](#)

Status Report - Audit, Risk and Finance Subcommittee – 27 June 2017

MEETING DATE	SUBJECT	MOTION	RESPONSIBLE OFFICER	COMMENTS
09 March 2017	Tendering processes	<p>Resolved GOV/2017/016</p> <p>That the Committee</p> <p><u>Receives</u> the report Tendering processes (R7135) and its attachments (A1713610 and R6796); and</p> <p><u>Requests</u> the Chief Executive to commission an external provider to prepare a subsequent report to the Committee to explore the issues raised in report R7135 (and its attachments) in terms of management of the requirements under the Local Authorities (Members' Interests) Act 1968 by Council, and how these matters will be addressed in future; and</p> <p><u>Requests</u> that this report also clearly outlines the roles and responsibilities of all parties in complying with the Local Authorities (Members' Interests) Act 1968; and</p> <p><u>Notes</u> that the full scope of this report will be agreed in advance by the Chair of the Governance Committee and Mr John Peters.</p> <p><i><u>Note:</u> This item was transferred from the Governance Committee to the Audit, Risk and Finance Subcommittee in May 2017.</i></p>	Clare Hadley	<p>The Chairs of the Audit, Risk and Finance Subcommittee and Governance Committee have met.</p> <p>Two further strands of work will occur.</p> <p>Ongoing</p>

Status Report - Audit, Risk and Finance Subcommittee – 27 June 2017

09 March 2017	Report Request - Public Forum Presentation from Steve Cross	<p>Resolved GOV/2017/002</p> <p>That the Committee</p> <p><u>Requests</u> that a report be prepared for the Governance Committee on the matters raised in the public forum presentation by Mr Steve Cross on 9 March 2017.</p> <p><i>Note: This item was transferred from the Governance Committee to the Audit, Risk and Finance Subcommittee in May 2017.</i></p>	Chris Ward	<p>A report is on this agenda.</p> <p>Complete</p>
18 May 2017	Tax Risk Governance Framework	<p>Resolved AUD/2017/011</p> <p>That the Subcommittee</p> <p><u>Receives</u> the report Tax Risk Governance Framework (R7599) and its attachment (A1750676).</p> <p><u>Notes</u> that a tax risk management strategy will be presented to a future meeting of this Subcommittee, and annual reporting against this framework will occur annually after the end of the tax year (31 March).</p>	Tracey Hughes	<p>A report will come to the 8 September 2017 Audit, Risk and Finance Subcommittee meeting.</p> <p>Ongoing</p>

Corporate Report to 30 April 2017

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 10 months ending 30 April 2017 compared to the approved operating budget, and to highlight and explain any permanent and material variations.

2. Recommendation

That the Committee

Receives the report Corporate Report to 30 April 2017 (R6999) and its attachments (A1766296 and A1771251).

3. Background

- 3.1 The financial reporting focuses on the 10 month performance compared with the year to date approved operating budget.
- 3.2 Unless otherwise indicated, all measures are against approved operating budget, which is 2016/17 Annual Plan budget plus any carry forwards, plus or minus any other additions or changes as approved by Council throughout the year.
- 3.3 For the 2016/17 financial year, officers have assessed budgets and applied a range of phasing mechanisms to better reflect the timing of anticipated actual income and expenditure. This should enable clearer analysis of variances, and better highlight any real issues. Given that there are in excess of 3,500 budget lines, officers have concentrated effort on more material items so there will remain a (much smaller) element of timing differences.

4. Discussion

- 4.1 For the 10 months ending 30 April 2017, the activity surplus/deficits are \$4.1 million favourable to budget.

4.2 Financial information provided in attachment 1 to this report are:

- A financial measures dashboard with information on rates revenue, operating revenue and expenditure, and capital revenue and expenditure. The arrow icon in each applicable measure indicates whether the variance is increasing or decreasing and whether that trend is favourable or unfavourable (green or red).
- A grouping of more detailed graphs and commentary for operating income and expenditure. The first set of charts and the commentary is by category (as in the annual report) and highlights significant permanent differences and items of interest. Variances due to timing will not be itemised unless they become permanent. The second set of charts are by activity.
- A treasury measures dashboard with a compliance table (green = compliant), a forecast of the debt/revenue ratio for the year where available, and a graph showing debt levels over a rolling 13 month period.
- High level balance sheet. This does not include any consolidations.
- A debtor analysis graph over 12 months, clearly showing outstanding debt levels and patterns for major debt types along with a summary of general debtors > 3 months and over \$10,000 and other debtors at risk.
- Two capital expenditure graphs – actual expenditure against operating budget for the financial year, now including forecast to year end, and year to date expenditure against approved operating budget by activity.
- A major projects summary including milestones, status, issues and risks.

4.3 Capital expenditure is \$13.2 million under budget noting that \$9.6 million of this variance is awaiting Council approval through the exceptions process (already approved by other committees).

5. Options

5.1 Accept the recommendation. This report is to inform the committee members, and no further actions are required.

5.2 Do not accept the recommendation.

Tracey Hughes




Senior Accountant

Attachments

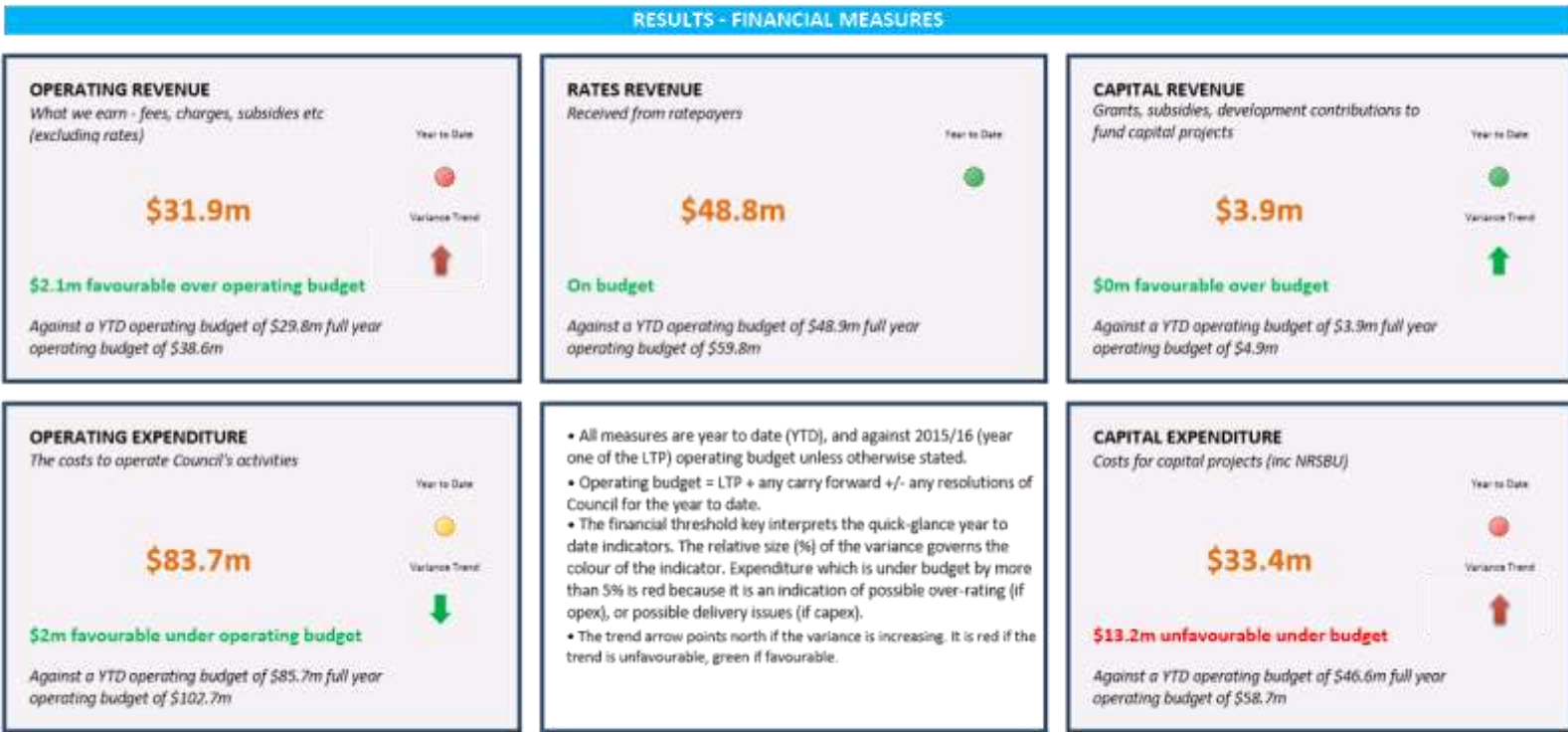
Attachment 1: Financial information (A1766296) [↓](#)

Attachment 2: Major projects summary (A1771251) [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	The Audit, Risk and Finance subcommittee receives an update on financial matters at each meeting to inform them of items of financial interest and potentially items of financial risk.
2. Consistency with Community Outcomes and Council Policy	The financial reports are prepared comparing current year performance against the year to date approved budget for 2016/17. Presentation of these reports support the community outcome "Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement".
3. Risk	The recommendation carries no risk as the report is for information only.
4. Financial impact	The recommendation has no financial impact.
5. Degree of significance and level of engagement	The recommendation is of low significance as there are no decisions to be made.
6. Inclusion of Māori in the decision making process	No consultation is required.
7. Delegations	The Audit Risk and Finance subcommittee has oversight of Council's financial performance and the management of financial risks.

Financial threshold key	
	± 2%
	> 2% and ≤ 5%
	> 5%

KEY INDICATORS
April 2017
Whole of organisation



OPERATING INCOME AND EXPENDITURE BY CATEGORY

Commentary

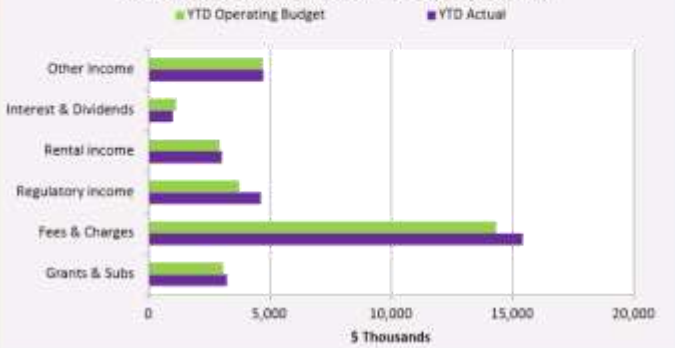
Other operating revenue \$2.1m more than YTD approved budget

- Grants, donations and subsidies are \$164,000 more than YTD approved budget - This is largely expected to be timing differences with \$118,000 related to NZTA claims (reflecting the timing of expenditure) .
- Fees and charges \$1.1m more than YTD approved budget - the marina income is under by \$132,000 mostly relating to the hardstand (which was not operational until October and the budgeting lacked robustness due to a lack of base data) . Forestry income is \$733,000 higher than budgeted however this is partly offset by increased expenditure. Landfill fees are \$417,000 more than budget due to increased activity seen in the building industry and increases in Transfer Station volumes. There are many timing differences in both directions which are anticipated to smooth out by the end of the year.
- Rental income \$101,000 more than YTD approved budget - rental from the Tahuna motor camp is \$115,000 ahead of budget as invoicing for 2014/15 revenue washup (not invoiced last year in error) has been caught up. A permanent difference of \$90,000 has resulted.
- Regulatory income \$877,000 more than YTD approved budget - resource consent income is currently \$583,000 better than budget (offset by increased service provision expenditure) and Building Consents \$294,000 better than budget which is an indication of the increased level of activity in the development sector.
- Other income - \$13,000 more than budget. Council's distribution from the NRSBU is \$225,000 less than budget due to a decrease in the rate of return on investment which is partially offset by increased roading income from corridor access requests/UFB recoveries. Both of these items are themselves offset in expenditure.
- Interest & dividends are \$126,000 less than budget largely due to interest income recovered from NRSBU (lower debt level and interest rate than anticipated).

Operating Expenditure \$2m less than YTD approved budget

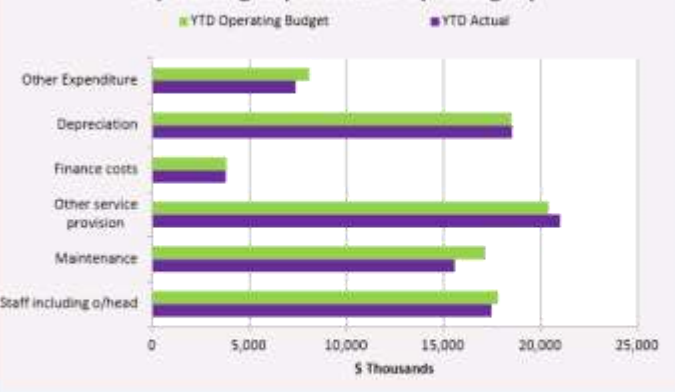
- Maintenance costs are \$1.5 million less than budget, \$468,000 in base expenditure and \$1m in programmed maintenance. In **base expenditure** \$227,000 of the underspend relates to roading, mainly for road and footpath maintenance, road marking, and data management. It is expected there will be carryovers requested for NZTA subsidised items. Water treatment operations are \$109,000 under budget which is still anticipated to be spent this financial year; and the budget for Building Act compliance in relation to dam safety is underspent by \$89,500 (carryover requested). • Of the \$1.1 million underspend in **programmed maintenance**, \$111,000 relates to unspent asset condition assessment budgets (vacancy in asset planning leading to focus on higher priority work), \$127,000 to

Other Operating Revenue by Category



Excludes internal interest

Operating Expenditure by Category



Excludes internal interest

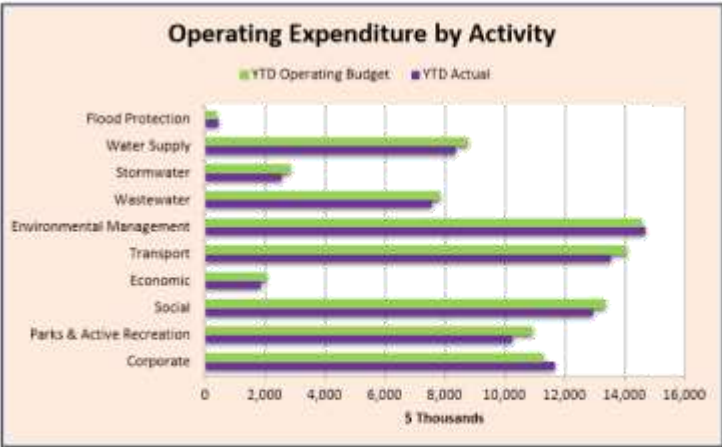
Atawhai rising mains repairs (was included in exceptions report to W&I in \$183,000 to Forestry, \$134,000 to Water Supply (mainly repair work relating to the water loss reduction programme) and \$262,000 to programmed building maintenance (a large proportion of this is in progress, however some carry forwards may be required due to contractor availability). Other smaller variances (over 45 cost centres) are a mixture of savings, timing variances and possible carry forwards. • Although the net difference in **unprogrammed maintenance** is small (\$50,000 under YTD approved budget) there is \$93,000 expenditure over YTD budget for reactive water supply maintenance, \$143,000 under for reactive open channel maintenance in Flood Protection, \$153,000 under for the NZTA mandated emergency events budget and \$107,000 under for Day's Track recovery (carry forward pending). There are other smaller variances such as Civic House budgets for earthquake repairs (44k) and general building maintenance (33k), and \$57,000 over in Covent Drive pedestrian bridge repairs which is the subject of an insurance claim.

• Other service provision \$596,000 more than YTD approved budget - \$573,000 shows as overspent year to date on the School of Music earthquake strengthening project due to a mismatch between the timing of the budget provision and the project spend, and contractors costs in Resource Consents are ahead of budget by \$471,000 reflecting activity in that area (see regulatory income). \$569,000 unbudgeted forestry expenses are offset to over budget income. There are also year to date underspends, most notably in the NRSBU charge (\$173,000 - ref. other income), Total Mobility costs (\$131,000

around the operation of the service), Suter Gallery (\$130,000 - awaiting the quarterly the operation of the service), Suter Gallery (\$130,000 - awaiting the quarterly charge), the water loss reduction strategy (\$121,000), Monitoring the Environment (\$126,000 - likely to be a mix between carry forward and year end catch-up), Building Claims (\$81,000 - one claim outstanding) and in Economic Development there has only been \$10,000 spent so far against the budget assigned to assist the gondola project.

• Other expenditure \$693,000 less than budget, \$369,000 in consultancy and \$324,000 in base operating expenditure. • In **consultancy**, \$154,000 relates to the Tahuna erosion study - the work has been tendered and consultant selected however will carry on into 2017/18 financial year, and \$97,000 for capacity confirmation for growth areas in the water networks . Unbudgeted expenditure of \$60,000 for NCC's share professional advice around the Joint Landfill proposal has been incurred. • In **base operating expenditure** rent for car parking is \$91,000 under budget due to a lease renegotiation (\$87k relates to prior years). General expenses are \$158,000 under budget and security expenses are under budget by \$61,000, both of which are likely to be savings. Water by meter is currently \$87,000 over budget including water purchased from TDC which is recovered from water rates. The remainder are a mixture of small variances.

OPERATING INCOME AND EXPENDITURE BY ACTIVITY



RESULTS - TREASURY MEASURES

- All treasury parameters measured remain compliant.
- Full year forecast debt based on the Draft Annual Plan 2017/18 is \$99.7m.



Borrowing Compliance					
	Compliance	Actual	Annual Plan	Minimum	Maximum
Fixed/floating mix	◆	75.0%	n/a	55%	90%
Net interest total revenue	◆	4.3%	5.7%	0%	15%
Net interest rates revenue	◆	6.1%	8.1%	0%	20%
External debt revenue	◆	98.0%	137.0%	0%	150%
External debt/equity	◆	7.0%	10.1%	0%	20%



April 17

ABBREVIATED BALANCE SHEET

	April 2017	March 2017	June 2016
Current Assets			
Cash	85,040	285,928	2,198,114
Receivables	19,941,517	8,142,732	11,477,612
Other Current Assets	1,125,139	1,047,252	743,879
Total Current Assets	21,151,696	9,475,912	14,419,605
Non Current Assets			
Fixed Assets	1,375,360,111	1,374,484,612	1,361,583,692
Investments	34,794,404	34,794,404	34,634,404
Other Non Current Assets	11,411,681	11,238,681	11,304,130
Total Non Current Assets	1,421,566,196	1,420,517,697	1,407,522,226
Current Liabilities			
Payables	(9,444,596)	(13,463,819)	(16,088,636)
Borrowings: Current	(34,800,000)	(29,400,000)	(21,400,000)
Other Current Liabilities	(1,505,113)	(1,502,678)	(1,834,686)
Total Current Liabilities	(45,749,709)	(44,366,497)	(39,323,322)
Non Current Liabilities			
Payables: Non Current	(819,000)	(819,000)	(819,000)
Provisions	(1,355,719)	(1,344,348)	(1,244,456)
Borrowings: Non Current	(60,000,000)	(60,000,000)	(60,000,000)
Other Non Current Liabilities	(8,626,945)	(8,626,945)	(8,626,945)
Total Non Current Liabilities	(70,801,664)	(70,790,293)	(70,690,401)
Net Assets	1,326,166,519	1,314,836,820	1,311,928,108
Equity			
Accumulated Funds	(416,104,592)	(398,789,412)	(385,405,973)
Reserves	(910,061,927)	(916,047,407)	(926,522,135)
Total Equity	(1,326,166,519)	(1,314,836,820)	(1,311,928,108)

Includes call deposits

Includes prepayments and current portions of loans to community organisations and related parties

Shares in subsidiaries and associates

Non-current portions of loans to community organisations and related parties (includes NRSBU)

Term loans due within 12 months

Current portion of employee benefit liabilities

Housing NZ suspensory loan

Borrowings due after 12 months

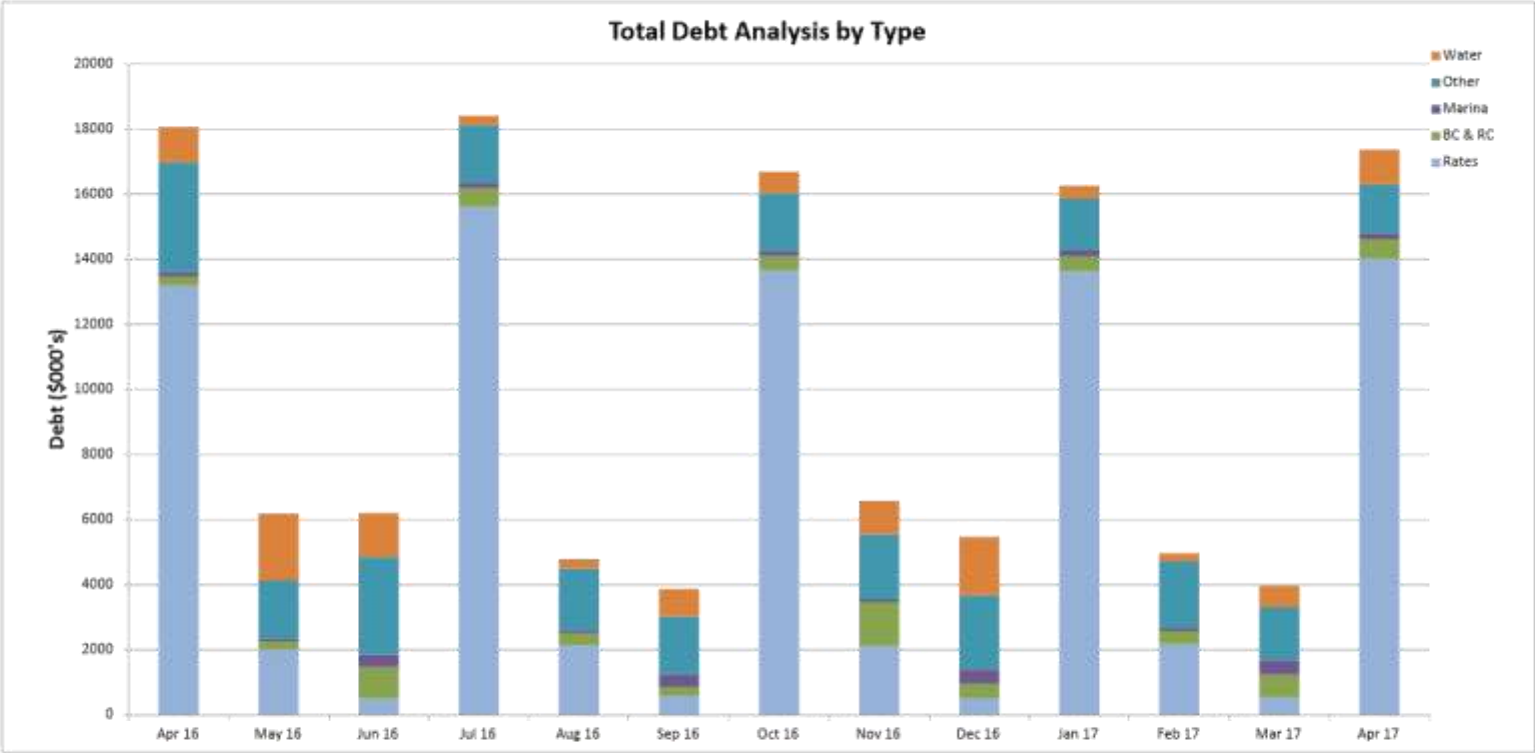
Non-current portion of employee benefits liability + Derivatives revaluation as at 30 June 2016

• The balance sheet remains strong, with net assets \$10m higher than at April 2016 and \$14m higher than June 2016.

• Borrowings have increased to fund the reduction in the accounts payable balance.

• Rates invoicing was undertaken in April, resulting in increased receivables and equity balances.

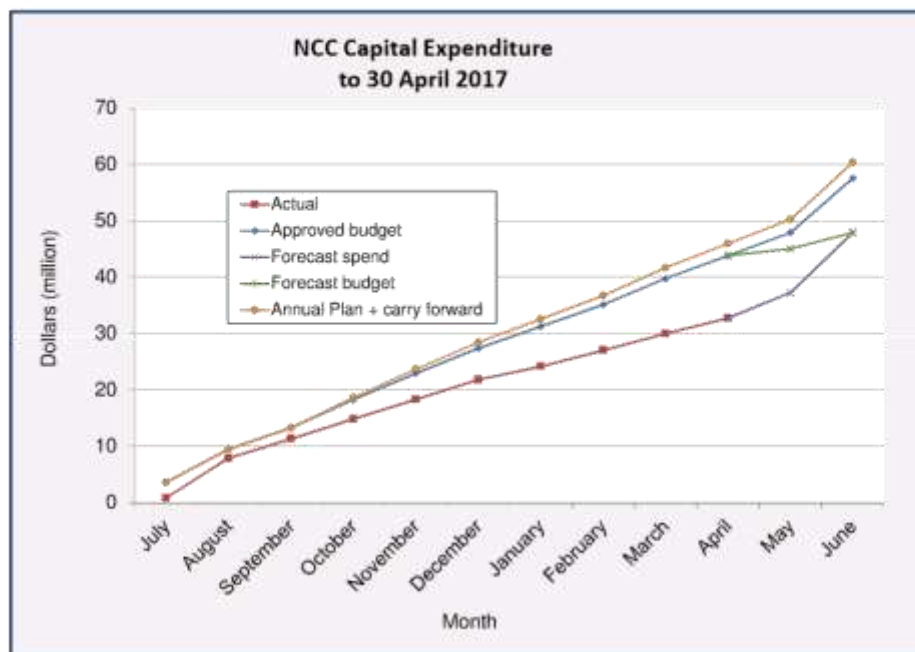
April 2017



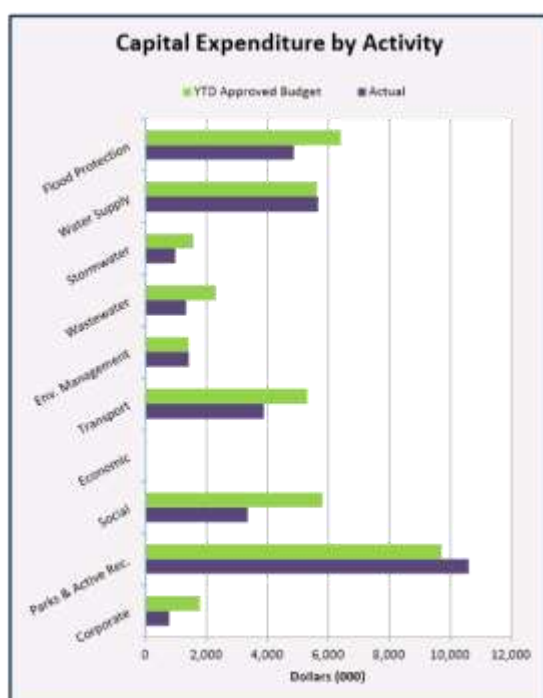
General debtors 3 month plus over \$10,000 or at risk

Account No	3 Mths Overdue	Notes
1208287	\$ 16,750	Payment arrangement in place and adhered to

RESULTS - CAPITAL EXPENDITURE



- These graphs reflect the approved budget at the time of writing the report
- The forecast budget and forecast spend above includes updates that went to W&I committee in mid May.
- The approved budget includes only those changes fully approved by Council at 30 May.
- To be read in conjunction with the Major Projects Summary report

**Major variances (projects)**

*n.b. Most of the projects noted below are being managed through the exceptions process with budget changes through committee but still pending Council approval.
More detail on major capital projects can be found in the major projects status report.*

Saxton Creek and York Stream Channel Upgrade

Maitai Pipeline renewal ahead of phased budget.
Maitland Ave and Hampden St/Little Go Stream have provided savings.

Fifeshire, Railway Reserve-Saxton Rd West-Dryden St, and staff time less than budgeted

Neale Park pump station, Jenner Rd and pipe renewals

Cycleways, Oldham bridge, and retaining wall replacement

Stoke Community Centre and Elma Turner Library Extension

Trafalgar Centre and reserves land purchase ahead of YTD budget, offset by Modelers Pond Solution, Trafalgar Theatre and seating replacements

IT, Motor Vehicles, Civic House upgrade, Earthquake prone building remediation

Major Projects Summary

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.

									Status vs current year plan			
Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	16/17 Budget	17/18 Budget	18/19 Budget	Primary Committee	Report to Committee/ Council	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Flood Protection Activity												
Hampden St East Little Go Stream: Stage 2 MULTI-YEAR PROJECT	Installation of a large stormwater pipe from Franklyn Street, through Boys College, Waimea Road through to Rutherford Street.	End of Defects Liability Period	Nov-17	\$ 3,710,376	\$ 400,000	\$ -	Works & Infrastructure	Carryover previously included in W&I Q2 Progress Report for 16 Feb 2017. Approved by Council on 23 March 2017.	G	G	G	Works completed for current 16/17 financial year.
Saxton Creek Upgrade MULTI-YEAR PROJECT	Upgrade stream channel and undertake associated landscaping.	Complete Construction of Stage 3	Jul-17	\$ 3,255,093	\$ 2,079,785	\$ -	Works & Infrastructure	W&I Q3 Progress Report to Council in June 2017 regarding Stage 2 carryover.	Y	G	G	Stage 3 - Completion anticipated in July 2017. Carryover to be included in Carryover Report for Council in August 2017. Stage 2 - Land negotiations on going and carryover included as part of W&I Q3 Progress Report for Council approval in June 2017.
Nile Street East SW & flood protection	SW & flood protection to meet appropriate LOS.	Issue Tender	Aug-17	\$ 15,000	\$ 775,550	\$ -	Works & Infrastructure	Carryover and additional funds previously included in W&I Q2 Progress Report for 16 Feb 2017. Approved by Council on 23 March 2017.	G	G	G	On track.
Flood Mitigation - Gravel Traps & Intake Structures	Stream repairs and upgrade of intake structures.	Completion of works.	Jun-17	\$ 501,164	\$ 157,979	\$ 108,131	Works & Infrastructure	None	Y	G	G	Construction now anticipated to be completed in June rather than May due to delays with wet weather.
Water Supply Activity												
Maitai Pipeline Upgrade (WTP - Westbrook Tce)	Construction of a trunk main from WTP to Brook Street.	Completion of works.	Jun-17	\$ 2,936,553	\$ -	\$ -	Works & Infrastructure	None	G	G	G	Pipe laying and commissioning completed. Reinstatement ongoing.
Maitland Ave Watermain Renewal	Renewal of the Watermain on Maitland Ave	End of Defects Liability Period	Apr-18	\$ 901,442	\$ -	\$ -	Works & Infrastructure	None	G	G	G	Project completed, 6 month defects period underway.
Stormwater Activity												
Wastney Terrace STW Upgrade MULTI-YEAR PROJECT	Upgrade of the public stormwater system to serve future development potential - Harris sub-division on Sunnybank Rise	Approved Resource Consent	Aug-17	\$ 93,622	\$ 850,000	\$ -	Works & Infrastructure	Carryover and additional funds previously included in W&I Q2 Progress Report for 16 Feb 2017. Approved by Council on 23 March 2017.	G	G	G	Easement negotiations still ongoing.
York Stream Channel upgrade MULTI-YEAR PROJECT	Install large stormwater pipe along Kawai St to Boundary Road.	Begin Construction	Jul-17	\$ 939,055	\$ 1,055,858	\$ -	Works & Infrastructure	W&I Q3 Progress Report to Council in June 2017 regarding additional money and carryover.	Y	R	G	Approval to be sought from Council for additional money and carryover of funds into next financial year.
Railway Reserve - Saxton Rd West - Dryden Street	Install stormwater to connect historical subdivisions that discharged direct to railway reserve.	Completion of works.	Jun-17	\$ 781,963	\$ -	\$ -	Works & Infrastructure	None	G	G	G	On track.
Wastewater Activity												
Neale Park sewer pump station upgrade MULTI-YEAR PROJECT	Redevelopment and upgrade of Neale Park Sewer pump station to reduce odour and provide peak flow pumping requirements.	Tenders Close	Jun-17	\$ 1,116,890	\$ 5,563,570	\$ -	Works & Infrastructure	W&I Q3 Progress Report to Council in June 2017 regarding carryover.	Y	G	G	Approval to be sought from Council to carryover of funds into next financial year. W&I committee and Council have previously approved timing and financial changes.
Corder Park Sewer Pump Station Upgrade	Construction of new pump station at Corder Park including a section of Atawhai rising main replacement.	End of Defects Liability Period	Mar-18	\$ 531,796	\$ -	\$ -	Works & Infrastructure	None	G	G	G	Construction completed - 12 Month defects period underway.
Transport Activity												
Sealed road resurfacing MULTI-YEAR PROJECT	Renewal of existing sealed carriageway surfaces.	Preparation for 17/18 works	Jul-17	\$ 1,348,177	\$ 1,380,700	\$ 1,510,590	Works & Infrastructure	None	G	G	G	Works completed for current 16/17 financial year. Preparation for next years programme underway.
Rocks Rd cycling and walking project MULTI-YEAR PROJECT	Development of walking and cycling solution along Rocks Road.	On Hold	-	\$ 97,830	\$ 3,032,869	\$ -	Works & Infrastructure	Carryover Report to Council in August.	Y	Y	Y	Awaiting outcome of Nelson Southern Link (driven by NZTA) before progressing project. Funding to be carried forward to 2017/18.

Major Projects Summary

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	16/17 Budget	17/18 Budget	18/19 Budget	Primary Committee	Report to Committee/ Council	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
The Brook Area Cycling and Walking Improvements	Upgrade of cycle connections between the Maitai Walkway and Brook Street.	Construction starts on site	Jun-17	\$ 25,000	\$ -	\$ -	Works & Infrastructure	None	G	G	G	Project to align with construction requirements of Maitai Pipeline traffic management on Westbrook Terrace. Completion planned to be in June 2017.
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 Fiddle Lane.	Project Close	Jun-17	\$ 35,428	\$ -	\$ -	Community Services	None	G	G	G	Project Completed.
St Vincent to CBD cycle connection	Minor improvements in Anzac Park and new Pedestrian/Cycle Refuge on Rutherford St.	Complete Construction	Jun-17	\$ 120,000	\$ -	\$ -	Works & Infrastructure	Council previously revoked W&I recommendations and alternative option approved.	Y	G	G	Risk construction may continue into July 2017, due to recent scope change by Council.
Days Track Recovery	Reinstate/Remediate Days Track following landslip in Dec 2011 rainfall event.	Construction finished on-site	Jul-17	\$ 498,438	\$ -	\$ -	Works & Infrastructure	Carryover Report to Council in August.	R	G	G	Construction delayed from May and is now anticipated to be completed in July due to delays with wet weather.
The Cliffs Palisades - Retaining wall component replacement	The Cliffs Palisade Strengthening	Construction finished on-site	Jun-17	\$ 501,079	\$ -	\$ -	Works & Infrastructure	None	G	G	G	On track.
Parks and Active Recreation Activity												
Rutherford/Trafalgar Park Development	Development of Rutherford park in line with Development Plan.	Project Close	Jun-17	\$ 1,912,265	\$ -	\$ -	Sports and Recreation	None	G	G	G	Construction completed.
Trafalgar Centre Reopening	Complete upgrade to allow reopening & safe public use of the Centre.	Project Close	Oct-17	\$ 4,480,592	\$ -	\$ -	Community Services	None	G	G	G	Construction completed.
Modellers Pond Solution MULTI-YEAR PROJECT	Improve Water quality and amenity of the pond.	Complete detail design	Jul-17	\$ 560,424	\$ 544,890	\$ -	Sports and Recreation	Additional funds previously approved by S&R on 21 Feb 2017 and approved by Council on 23 March 2017.	Y	G	G	Working Group convened and currently on track. Programme is tight to achieve completion in time for the Modellers event in January 2018.
Stoke sports & community facility MULTI-YEAR PROJECT	New sports and community facility in Stoke.	Complete Construction	Nov-17	\$ 4,418,489	\$ 1,300,000	\$ -	Community Services	CS Q3 Progress Report to Council in June 2017 regarding carryover.	Y	G	G	Approval to be sought from Council to carryover of funds into next financial year.
Daelyn Land Purchase	Purchase land to improve access for walkers, cyclists, and open up view at end of Daelyn Drive. Provide additional amenity space	S&R approval in July	Jul-17	\$ 684,596	\$ -	\$ -	Sports and Recreation	S&R in July 2017.	R	G	G	Approval to be sought from Council to carryover funds into next financial year via the W&I Q3 report.
Saxton Cycle Track (Regional Velodrome)	Design and build a 330m outdoor cycling velodrome. This is a TDC lead project.	Complete construction of Stage 2	Jun-17	\$ 427,020	\$ -	\$ -	Saxton Field	None	G	G	G	NCC are a key stakeholder and contributing funds. Project being managed by TDC. TDC advise project is on track for completion at end of June, subject to weather.
Social Activity												
NSOM upgrade	Earthquake Strengthening.	Completion of Construction	Oct-17	\$ 2,585,148	\$ -	\$ -	Community Services	None	G	G	G	On track.

Balance Sheet reconciliation review

1. Purpose of Report

- 1.1 To inform the subcommittee on the detail of the balance sheet, the status of reconciliations and any areas of risk identified.

2. Recommendation

It is recommended that the Subcommittee

Receives the report Balance Sheet reconciliation review (R7002) and its attachment (A1774923).

3. Background

- 3.1 As part of the Corporate Report, the subcommittee is presented at every meeting with a summarised balance sheet. The purpose of presenting the summarised balance sheet is to identify and explain any significant differences month on month.
- 3.2 The balance sheet is otherwise known as a statement of financial position. Balance sheet reconciliations are conducted to ensure the legitimacy of the organisations reported financial position.
- 3.3 Attachment 1 allows the subcommittee to see the detail that lies beneath the summarised balance sheet in the Corporate Report. For each account, the spreadsheet indicates the balance at 30 April (the last month for which complete data is available), whether the reconciliation has been completed in April and any risk associated with the balance.
- 3.4 This information is presented to the subcommittee on an annual basis.

4. Discussion

- 4.1 Accounts with a large number of transactions (debtors, creditors, fixed assets) are reconciled monthly or more frequently.

- 4.2 Some accounts (largely equity and loans receivable) are reconciled quarterly or annually as part of the annual report and audit process. These accounts may have only one movement during the year.
- 4.3 Reconciliations are completed by a named member of the finance team and are checked by a senior member, or in some cases, audit.
- 4.4 As part of its audit process, Audit NZ check some (but not all) reconciliations either during its interim visit (which tends to focus on control and processes) or its final visit (the reconciliation being in support of the results in the Annual Report).

Options

- 4.5 Accept the recommendation and receive the Balance Sheet reconciliation review report.
- 4.6 Reject the recommendation.

Tracey Hughes
Senior Accountant

Attachments

Attachment 1: Balance Sheet reconciliations (A1774923) [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	This report allows for a detailed review of one of the key elements of the Corporate Report; the balance sheet. The Corporate Report provided to the Audit, Risk and Finance Subcommittee at each meeting informs them of items of financial interest and potentially items of financial risk.
2. Consistency with Community Outcomes and Council Policy	This report supports the community outcome "Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement".
3. Risk	The recommendation carries no risk as the report is for information only.
4. Financial impact	The recommendation has no financial impact.
5. Degree of significance and level of engagement	The recommendation is of low significance as there are no decisions to be made.
6. Inclusion of Māori in the decision making process	No consultation is required.
7. Delegations	The Audit, Risk and Finance Subcommittee has the responsibility for considering financial performance and the management of financial risk.

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	April 17 Checked	April 17 \$	Risk Amount Apr 17	Risk Commentary	Other Information
Current Assets - Cash		Y					
25309001	Imprest Accounts	Y	Y	38,867	38,867	Reconciled to Bank	
253090011	GL System file: Bank (\$/be 0)	Y	Y	-	Nil		System Code Only - No reconciliation required
25309002	Cashier Clearing Account	Y	Y	9,800	9,800	Reconciled to Bank	These three are combined
25309003	Unpresented Cheques	Y	Y	(250)	(250)	Reconciled to Bank	These three are combined
25309004	Westpac Bank Account (No Inls)	Y	Y	36,623	36,623	Reconciled to Bank	These three are combined
Current Assets - Receivables							
2530901901	Commercial + Trade Waste Debts	Y	Y	390,475	0		Sub ledger balance
25309020	Rates Debtors	Y	Y	13,903,821	0		Sub ledger balance
25309020001	Rates Postponement	Y	Y	10,231	0		
25309020002	Rates Postponement	Y	Y	18,343	0		
25309020004	Rates Postponement	Y	Y	10,109	0		
25309020005	Rates Postponement	Y	Y	16,705	0		
25309020008	Rates Postponement	Y	Y	2,183	0		
25309020009	Rates Postponement	Y	Y	1,918	0		
25309020010	Rates Postponement	Y	Y	1,343	0		
25309021	General Debtors	Y	Y	1,845,608	1,845,608	Reconciled to Debtors Sub ledger. Risk mitigated by internal processes and use of collection agencies.	Sub ledger balance
2530902102	Provision for Doubtful Debts	Y	N	-	-		Year end adjustment
25309022	Debtors Accrued	Y	Y	387,616	387,616	Accounting risk only	Largely NZTA
25309023	Rates Rebates	Y	Y	-	Nil	Reconciled to Rates Rebates Sub Ledger	Zero balance once reimbursement from DIA is received
25309024	Accrued Revenue	Y	Y	2,531,030	2,531,030	Accounting risk only	Update and check after funding done. Largely Water accrual
2530902401	Accrued Pensioner Housing Revenue	Y	Y	43,768	43,768	Accounting risk only	
25309027	Marina Debtors (Nelmac)	Y	Y	154,190	154,190	Reconciled to Marina Debtors Ledger and Bank Account. Risk mitigated by internal processes and use of external collection agencies	Sub Ledger and Bank Balance
25309061	Current Account: NRLBU	Y	N	-	Nil	Accounting risk only	Not yet required
25309062	Current Account: NRSBU	Y	Y	-	Nil	Accounting risk only	
2530906203	NRSBU Advance Working Capital	Y	Y	450,000	Nil	Accounting risk only	
2530906301	Intercompany :Nn Airport Ltd	Y	Y	-	Nil	Accounting risk only	Cleared Regularly depending on Value
2530906304	Current Account NREDA	Y	Y	11,130	Nil	Accounting risk only	
25309065	Intercompany Account: TBHT	Y	Y	94	Nil	Accounting risk only	Balance to be invoiced - timing difference
25309066	Inwards Remittance Recd Susp	Y	Y	-	Nil	Accounting risk only	
25309070	Rates Refund Suspense	Y	Y	945	Nil	Accounting risk only	Should be zero balance at month end - timing difference
25309072	Resource Consents Suspense	Y	Y	-	Nil	Accounting risk only	
2530907201	Building Consent Deposit	Y	Y	-	Nil	Accounting risk only	Not Currently used
25309073	Southern Cross Pymts Suspense	Y	N	7,108	Nil	Accounting risk only	
2530907301	Property Legal Suspense Clearing	Y	Y	-	Nil	Accounting risk only	Should be Zero
2530907302	Credit Card Suspense	Y	Y	-	Nil	Accounting risk only	
25309076	Sundry Fines Suspense	Y	Y	-	Nil	Accounting risk only	Cleared monthly should be nil at end each month
25309078	PIN Suspense	Y	Y	-	Nil		Cleared daily should be nil at end of Month
25309079	Cash Out Suspense	Y	Y	-	Nil		Should be nil each day balance only if CSC staff made mistake
2530908004	Molesworth Team Contributions	Y	Y	-	Nil		Minor balance used annually - Transferred to current liabilities
2530908006	Mayors Christmas Dinner Income Suspense	Y	Y	-	Nil		Only used at Xmas - Cleared at month end
25309081	NCC Visa Card Suspense	Y	Y	-	-	Accounting risk only	
25309082	Parking Infringement Part Payment Suspense	Y	Y	-	Nil		Updated by EIL as well as finance - check balance
25309083	Solar City Repayment Suspense	Y	Y	-	Nil		Should be nil except at rates levy month.
2530908703	Mayoral Relief Fund	Y	NR	-	Nil		Only used for Consolidation
25309217	Nelmac (Marina Debtors) Suspense	Y	Y	43,222	43,222	Accounting risk only	Checked weekly, Contra account for Cash receipts / transfers
25309218	Intermediary Loan Debtors	Y	Y	-	Nil		Year End Adjustment
25309222	Income Tax Provision	Y	Y	5,183	Nil	Accounting risk only	
Current Assets - Other Current Assets							
25309010	Westpac call investment	Y	Y	-	Nil		Usually Nil - Check with Loans
25309025	Sundry Prepayments	Y	Y	381,259	381,259	Accounting risk only	Sundry expenses timing
25309045	Swaps Revaluation	Y	N	-	Nil	Accounting risk only	Year end adjustment
25309092	Loans: Rainbow	Y	N	12,858	Nil	Payable by Council	Community loans, reconciled annually
25309093	Loans: Theatre Royal	Y	N	60,000	60,000		Community loans, reconciled annually
25309095	Loans: Clean Heat Warm Homes	Y	N	401,239	401,239	Defaults unlikely	Community loans, reconciled annually
2530909520	Solar Saver Loans	Y	N	82,782	82,782	Defaults unlikely	Community loans, reconciled annually
25309096	Intermediary Advances	Y	N	87,000	87,000		Adjusted at year end
25309098	Loan: Tasman Bays Heritage Trt	Y	N	100,000	100,000		Community loans, reconciled annually

Balance Sheet Reconciliation review for ARF - Apr 2017 balances (A1774923).xlsxRECON

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	April 17 Checked	April 17 \$	Risk Amount Apr 17	Risk Commentary	Other Information
Current Liabilities - Payables							
25309203	Accrued Expenses	Y	Y	(484,365)	Nil	Accounting risk only	
2530920301	Accrued Interest	Y	Y	(418,186)	Nil	Accounting risk only	
2530920302	Accrued Audit Fees	Y	N	(96,493)	Nil	Accounting risk only	
2530920303	Accrued ACC Levy	Y	Y	(26,211)	Nil	Accounting risk only	
25309204	Sundry Creditors	Y	Y	(53,029)	Nil	Accounting risk only	Monthly reclassification of accounts + Annual Balance Adjustments
253092081175	Contract retention: Stoke Community Facility	Y	Y	-	Nil	Accounting risk only	
						Invoices not processed. Risk mitigated by internal processes. At year end additional time taken to ensure all material invoices processed or accrued.	
25309209	Trade Creditors	Y	Y	(6,791,051)	Minor		
25309210	Income Received in Advance	Y	Y	(22,109)	Nil		
2530921001	Suspensory Loan: Current	Y	N	(58,500)	Nil		Housing NZ. Annual adjustment.
25309211	Contingencies: GST	Y	Y	581,848	Nil		Timing of GST liability on Income
25309212	Building & Housing Levy	Y	Y	-	Nil		Zero balance at month end
25309213	Building Research Levy	Y	Y	-	Nil		Zero balance at month end
25309214	Nelson Enterprises Loans Trust	Y	N	(43)	Nil		Historical Balance
25309215	Trust Account	Y	Y	(69,488)	Nil		
2530921501	GoShift Central Initiative	Y	NR	(206,021)	Nil		Funds held on behalf. Reviewed by Project team
2530921503	Civic Trust Flags	Y	Y	-	Nil		
25309216	Unclaimed Monies Reserve	Y	Y	(14,816)	Nil		
25309219	Top Of The South Marine Biosecurity Partnership	Y	N	(23,457)	Nil		Clearing Account 8043 Annual Balance
25309220	FBT Accrued	Y	Y	(5,887)	Nil		
25309224	Withholding Tax	Y	Y	(3,863)	Nil		
25309230	GST Balance Brought Forward	Y	Y	521,011	Nil		These codes combine together
25309231	GST Input Tax: Expenses	Y	Y	11,841,566	Unknown	Possible claimed with no valid Invoice. Risk mitigated through internal processes and review.	These codes combine together
25309232	GST Output Tax: Income	Y	Y	(14,214,611)	Unknown	Possible miscoding of non invoiced income. Risk mitigated by internal review.	These codes combine together
25309233	GST Paid to IRD	Y	Y	-	Nil		These codes combine together
25309234	GST Received from IRD	Y	Y	1,327,711	Nil		These codes combine together
25309238	Founders Park Deposits	Y	Y	-	Nil		
25309239	Marina Key Deposits	Y	Y	-	Nil		Historical Balance on transfer to Nelmac June 12.
2530924001	Parks and Reserves Key Deposits	Y	Y	(230)	Nil		
25309242	Rental & Accom Bonds	Y	Y	(23,550)	Nil		
25309243	Stoke Hall Deposits	Y	Y	(331)	Nil		
25309244	Trafalgar Centre Deposits	Y	Y	(8,481)	Nil		
25309245	Contract Deposits	Y	Y	(1,500)	Nil		
25309246	Saxton Stadium Deposits	Y	Y	(4,348)	Nil		
25309247	Election Deposits	Y	Y	(1,400)	Nil		DHB
25309248	Performance Deposits	Y	Y	(325,315)	Nil		
25309615	Civil Defence - Joint Venture	Y	Y	(726,195)	Nil		Current Account
25309620	Fisheries Outfall	Y	N	(79,832)	Nil		Clearing Account 8035 Annual Balance
Current Liabilities - Borrowings							
2530909803	NRSBU Advance Current	Y	N	-	Nil		Year end disclosure adjustment
25309201	Loans: Current Portions	Y	N	(20,000,000)	Nil		Year end disclosure adjustment
2530920101	Floating Rate Notes: Current Portion	Y	Y	-	Nil		Year end disclosure adjustment
25309202	Commercial Paper	Y	Y	(5,000,000)	Nil		Reconciled to Treasury Management System
2530960122	WPC - Gymnastics	Y	Y	(1,050)	Nil		Reconciled to Treasury Management System
2530960125	WPC - Tahuna Camp	Y	Y	(1,070,900)	Nil		Reconciled to Treasury Management System
2530960273	WPC - Call Loan	Y	Y	(8,400,000)	Nil		Reconciled to Bank
2530960278	WPC - Term Loans	Y	Y	(328,050)	Nil		Reconciled to Treasury Management System
2530960286	WPC - Visitor Info	Y	Y	-	Nil		Now Floating not term
2530960287	WPC - Nn Airport Ltd	Y	Y	-	Nil		Now Floating not term
Current Liabilities - Other							
25309067	Salary/Wages Suspense Account	Y	Y	(541,916)	Nil		
25309250	Sick Leave Accrual	Y	N	(42,744)	Nil		Annual adjustment
25309251	Holiday Pay Accrual	Y	Y	(789,906)	Nil		
25309252	Retirement Gratuities: Current	Y	N	(45,555)	Nil		Annual adjustment
25309253	Long Service Leave: Current	Y	N	(77,731)	Nil		Annual adjustment
Non Current Assets - Fixed Assets							
25309420	Land: Operational	Y	Y	53,630,217	Unknown	Physical risk of Fixed Assets is largely insured	
25309422	Buildings: Operational	Y	Y	33,627,804	Unknown	Accounting risk for depreciation assumptions	

Balance Sheet Reconciliation review for ARF - Apr 2017 balances (A1774923).xlsxRECON

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	April 17 Checked	April 17 \$	Risk Amount Apr 17	Risk Commentary	Other Information
2530942201	Accumulated Depreciation	Y	Y	(12,116,132)	Unknown	Risk of early impairment of Infrastructure components	
25309424	Other Improvements: Operationl	Y	Y	5,032,123	Unknown		
2530942401	Accumulated Depreciation	Y	Y	(945,375)	Unknown		
25309426	Motor Vehicles: Operational	Y	Y	1,000,383	Unknown		
2530942601	Accumulated Depreciation	Y	Y	(581,853)	Unknown		
2530942802	Equipment: Operational	Y	Y	7,238,592	Unknown		
2530942803	Accumulated Depreciation	Y	Y	(5,566,363)	Unknown		
2530942804	Computers: Operational	Y	Y	3,711,318	Unknown		
2530942805	Accumulated Depreciation	Y	Y	(3,063,207)	Unknown		
25309430	Furniture: Operational	Y	Y	3,349,566	Unknown		
2530943001	Accumulated Depreciation	Y	Y	(1,837,857)	Unknown		
25309432	Library Rentals: Operational	Y	Y	4,503,558	Unknown		
2530943201	Accumulated Depreciation	Y	Y	(2,565,589)	Unknown		
25309436	Marina: Operational	Y	Y	2,903,093	Unknown		
25309438	Land: Restricted	Y	Y	95,559,533	Unknown		
25309440	Buildings: Restricted	Y	Y	67,600,164	Unknown		
2530944001	Accumulated Depreciation	Y	Y	(10,309,260)	Unknown		
25309442	Other Improvements: Restricted	Y	Y	10,680,505	Unknown		
2530944201	Accumulated Depreciation	Y	Y	(878,070)	Unknown		
25309444	Roading Infrastructure	Y	N	349,328,717	Unknown		Updated Annually
2530944401	Accumulated Depreciation	Y	N	(5,259,226)	Unknown		Updated Annually
2530944403	Land under Roads	Y	N	258,991,602	Unknown		Updated Annually
2530944404	Carpark Infrastructure	Y	N	862,329	Unknown		Updated Annually
2530944405	Carpark Accumulated Depreciation	Y	N	(38,072)	Unknown		Updated Annually
2530944412	Land: Infrastructural	Y	N	23,113,137	Unknown		Updated Annually
25309446	Stormwater Infrastructure	Y	N	124,244,005	Unknown		Updated Annually
2530944601	Accumulated Depreciation	Y	N	(1,773,181)	Unknown		Updated Annually
25309447	Flood Protection Infrastructure	Y	N	16,775,865	Unknown		Updated Annually
2530944701	Accumulated Depreciation	Y	N	(254,917)	Unknown		Updated Annually
25309448	Sewage Infrastructure	Y	N	125,534,182	Unknown		Updated Annually
2530944801	Accumulated Depreciation	Y	N	(2,554,431)	Unknown		Updated Annually
2530944802	Sewage Treatment Plant & Fac	Y	N	13,080,300	Unknown		Updated Annually
2530944803	Sewage TP&F Accumulated Depn	Y	N	(306,667)	Unknown		Updated Annually
25309450	Water Infrastructure	Y	N	133,158,071	Unknown		Updated Annually
2530945001	Accumulated Depreciation	Y	N	(2,575,952)	Unknown		Updated Annually
2530945002	Water Treatment Plant & Fac	Y	N	14,434,619	Unknown		Updated Annually
2530945003	WTP&F Accumulated Depn	Y	N	(728,418)	Unknown		Updated Annually
25309452	Solid Waste Infrastructure	Y	N	7,219,984	Unknown		Updated Annually
2530945201	Accumulated Depreciation	Y	N	(312,703)	Unknown		Updated Annually
25309453	YV Landfill Future Benefit	Y	N	853,039	Unknown		Updated Annually
2530945301	Accumulated Depreciation	Y	N	(466,723)	Unknown		Updated Annually
25309461	Marina Improvements Hansen	Y	N	7,555,579	Unknown		Updated Annually
2530946101	Accumulated Depreciation	Y	N	(1,654,216)	Unknown		Updated Annually
25309463	Improvements Restricted	Y	N	57,036,382	Unknown		Updated Annually
2530946301	Accumulated Depreciation	Y	N	(15,680,409)	Unknown		Updated Annually
25309480	Intangibles - Software	Y	Y	5,208,138	Unknown		
2530948001	Intangibles - Software Accum D	Y	Y	(3,113,585)	Unknown		
Non Current Assets - Investments							
253094030683	Borrower Notes LGFA - 15/03/19	Y	N	240,000	240,000	Default unlikely	Reconciled to Treasury Management System
253094030799	Borrower Note LGFA 15/04/23	Y	N	160,000	160,000	Default unlikely	Reconciled to Treasury Management System
253094030800	Borrower Note LGFA 15/04/27	Y	N	80,000	80,000	Default unlikely	Reconciled to Treasury Management System
253094030802	Borrower Note LGFA 15/04/23	Y	N	80,000	80,000	Default unlikely	Reconciled to Treasury Management System
253094030808	Borrower Note LGFA 15/05/21	Y	N	160,000	160,000	Default unlikely	Reconciled to Treasury Management System
2530940402	Investment: Nelmac	Y	N	2,353,272	2,353,272	Investment Risk	
2530940403	Investment: NN Airport Ltd	Y	N	1,200,000	1,200,000	Investment Risk	
2530940404	Investment: NN Port Co Ltd	Y	N	12,707,684	12,707,684	Investment Risk	
2530940405	Investment: Tasman Bays Her Tr	Y	N	4,922,000	4,922,000	Investment Risk	
2530940406	Investment - Suter	Y	N	6,000,000	6,000,000	Investment Risk	
25309408	Investment Properties	Y	N	1,060,000	1,060,000	Investment Risk - Change of use	Crop & Food building
25309434	Forestry: Operational	Y	Y	5,691,000	5,691,000	Physical and biological risk mitigated by forestry management practices	Insured for physical risk
Non Current Assets - Other							

Balance Sheet Reconciliation review for ARF - Apr 2017 balances (A1774923).xlsxRECON

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	April 17 Checked	April 17 \$	Risk Amount Apr 17	Risk Commentary	Other Information
2530909301	Loans: TR NPV Val Adj	Y	N	(631,847)	Nil		Annual Loan Valuation Adjustment
2530909501	Loans: CHWH NPV valuation Adjustment Acc	Y	N	(152,990)	Nil		Annual Loan Valuation Adjustment
2530909801	Loan TBHT NPV Adj	Y	N	(366,611)	Nil		Annual Loan Valuation Adjustment
25309260	Swaps revaluations	Y	N	-	Nil		Year End Adjustment
25309402	Intermediary Loans Advance	Y	N	984,950	984,950		Year End Adjustment
2530940203	NRSBU Advance Term	Y	Y	7,000,000	Nil		
2530940290	Loans: NN Enterprise Loan Trust Non Current	Y	N	50,000	50,000		Community loan, reconciled annually
2530940292	Loans: Rainbow Non Current	Y	N	-	Nil		Current only
2530940293	Loans: Theatre Royal Non Current	Y	N	1,440,000	1,440,000		Community loan, reconciled annually
2530940295	Loans: CHWH Non Current	Y	N	1,367,083	1,367,083	Defaults unlikely	Community loan, reconciled annually
2530940296	Loans: Solar Saver Non Current	Y	N	408,633	408,633	Defaults unlikely	Community loan, reconciled annually
2530940298	Loan: TBHT Non Current	Y	N	925,000	925,000		Community loan, reconciled annually
25309403	ETS Credits - 41,848 ERU	Y	N	387,463	387,463		Held for Landfill
Non Current Liabilities - Payables							
Non Current Liabilities - Provisions							
25309605	Landfill Redemption Provision	Y	N	(1,355,719)	Nil		Year End Adjustment
Non Current Liabilities - Borrowings							
2530960299	Current Portion Transferred	Y	N	20,000,000	Nil		Year end disclosure adjustment
253096040683	Floating Rate Note LGFA -15/03/19	Y	Y	(15,000,000)	Nil		Reconciled to Treasury Management System
253096040685	Floating Rate (July 2020)	Y	Y	(5,000,000)	Nil		Reconciled to Treasury Management System
253096040797	Floating rate Note LGFA ANZ_PP2	Y	Y	(10,000,000)	Nil		Reconciled to Treasury Management System
253096040799	Floating Rate Note LGFA 15/04/23	Y	Y	(10,000,000)	Nil		Reconciled to Treasury Management System
253096040800	Float Rate Note 03/12/2020	Y	Y	(5,000,000)	Nil		Reconciled to Treasury Management System
253096040801	Floating Note 15 April 2027	Y	Y	(5,000,000)	Nil		Reconciled to Treasury Management System
253096040802	Floating Note 15 April 2023	Y	Y	(5,000,000)	Nil		Reconciled to Treasury Management System
253096040803	Floating Rate Note \$5m NAL	Y	Y	(1,200,000)	Nil		Reconciled to Treasury Management System
253096040804	Floating Rate Note \$5m MAC	Y	Y	(3,110,000)	Nil		Reconciled to Treasury Management System
253096040805	Floating Rate Note \$5m Gen	Y	Y	(690,000)	Nil		Reconciled to Treasury Management System
253096040807	Floating Rate Note 22 August 2022	Y	Y	(10,000,000)	Nil		Reconciled to Treasury Management System
253096040808	Floating Rate Note LGFA 15/05/21	Y	Y	(10,000,000)	Nil		Reconciled to Treasury Management System
253096048057	Borrower note LGFA 15/05/26	Y	Y	-	Nil		Hedgebook - account not used until May
Non Current Liabilities - Other							
2530960701	Suspensory Loan: Non Current	Y	N	(819,000)	Nil		Housing NZ. Annual adjustment
25309611	Provn for Gratuity/Long Service	Y	N	(155,462)	Nil		Year End Adjustment
25309612	Provision for Gratuities	Y	N	(66,910)	Nil		Year End Adjustment
25309690	Derivatives Reval: Term portion of liability	Y	N	(8,404,573)	Nil		Year End Adjustment
Equity							
25309014	Separate General Rate	Y	N	(4,913,567)	Nil		Cleared annually by appropriation to Equity
2530901401	Seperate General Allocation	Y	N	3,684,741	Nil		Cleared annually by appropriation to Equity
25309015	General Rates	Y	N	(35,955,987)	Nil		Cleared annually by appropriation to Equity
2530901501	General Rates Allocation	Y	N	37,223,332	Nil		Cleared annually by appropriation to Equity
25309016	Waste Water Charge	Y	N	(6,903,188)	Nil		Transferred to Activity - Cleared annually
2530901601	Waste Water Charge Allocation	Y	N	5,177,422	Nil		Transfer to Activity - Cleared Annually
25309017	Water Rates	Y	N	(3,530,308)	Nil		Transferred to Activity - Cleared annually
2530901701	Water Rate allocation	Y	N	2,647,313	Nil		Transfer to Activity - Cleared Annually
2530901703	Drainage Rates Trade Waste Adj	Y	N	64,397	Nil		Cleared to Income at year end
25309018	Uniform Annual Charge	Y	N	(8,409,482)	Nil		Cleared annually by appropriation to Equity
25309801	Proprietors Equity	Y	N	(377,544,312)	Nil		
25309803	Nelmac Shareholding	Y	N	(2,853,272)	Nil		
2530980301	TBHT Shareholding	Y	N	(4,922,000)	Nil		
25309804	TBHT Loan Valn Adjustment Acc	Y	N	366,611	Nil		
25309805	Loans External Repaid	Y	N	-	Nil		Appropriation Account
25309806	Loans Internal Repaid	Y	N	-	Nil		Appropriation Account
25309810	Loans External Raised	Y	N	-	Nil		Appropriation Account
25309811	Loans Internal Raised	Y	N	-	Nil		Appropriation Account
25309898	Asset Movements	Y	N	(568,701)	Nil		Appropriation Account
25309899	Asset Suspense	Y	N	410,967	Nil		Appropriation Account
25309901	Asset Revaluation Reserve	Y	N	(128,434,968)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990101	Asset Revln Reserve: Water	Y	N	(116,278,782)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990102	Asset Revln Reserve: Sewerage	Y	N	(115,496,406)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990103	Asset Revln Reserve: Stormwate	Y	N	(98,895,192)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990104	Asset Revln Reserve: Forestry	Y	N	(2,053,423)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report

Balance Sheet Reconciliation review for ARF - Apr 2017 balances (A1774923).xlsxRECON

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	April 17 Checked	April 17 \$	Risk Amount Apr 17	Risk Commentary	Other Information
2530990105	Asset Revln Reserve: Waste	Y	N	(6,398,718)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990106	Asset Revln Reserve: Rooding	Y	N	(469,829,878)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990107	Asset Revln Reserve: Flood Protection	Y	N	(893,950)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309902	Unused Depreciation Reserve	Y	N	(5,026,170)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309905	Loan Repayment Reserve	Y	N	35,660,407	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309908	Insurance Reserve	Y	N	(428,563)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309909	Insurance Reserve: Building	Y	N	(277,489)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
2530990901	Insurance Reserve: Resource Co	Y	N	(238,983)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309910	Health & Safety Funding A/c	Y	N	(28,332)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309921	Pensioner Housing Reserve	Y	N	(266,503)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report
25309965	Rooding Contributions	Y	Y	(110,863)	Nil		Reserve movement spreadsheet prepared at year end that links into annual report

Liability Management Policy review

1. Purpose of Report

- 1.1 To adopt the amended Liability Management Policy.

2. Recommendation

That the Subcommittee

Receives the report Liability Management Policy review (R7529) and its attachment (A1765543).

Recommendation to Council

That the Council

Adopts the amended Liability Management Policy (A1765543).

3. Background

- 3.1 The current Liability Management Policy (Policy) was approved by Council in March 2016.

4. Discussion

- 4.1 The amended Policy, with the proposed changes highlighted, is in Attachment 1. The following sections set out further details in relation to the changes that are to be considered:
- 4.2 Review date
- 4.2.1 The Policy has been on an annual review cycle. It is proposed to move this to a formal three yearly review. It is also proposed that the Policy be reviewed internally on an annual basis with amendments being brought to the subcommittee, if necessary.
- 4.3 Glossary of terms

- 4.3.1 It is proposed that the Policy be updated to include a reference to a glossary of financial markets terms which is available on request. As it is a lengthy document, it is not proposed that the glossary be included as part of the Policy.
- 4.4 Net/gross debt
 - 4.4.1 Previously the Policy has referenced net debt when managing interest rate risk. As Council does not hold any core investment funds to provide an offset, it is proposed to amend the Policy to reflect that interest rate risk is actually managed on a gross basis.
- 4.5 Risk management instruments
 - 4.5.1 It is proposed that collars be added to the table of risk management instruments allowed, in order to make this clearer. Previously, these were allowed in the wording below the table in certain restricted circumstances and the proposed amendment aims to tidy this up.
- 4.6 Interest rate swaps
 - 4.6.1 Previously any interest rate swaps beyond 12 years required approval of Council. It is proposed that this is moved to 15 years. The exception to this will be if Council raises Local Government Funding Agency (LGFA) funding as fixed rate or as a swapped floating rate and the maturity is beyond 15 years.
 - 4.6.2 The main driver for this proposed change is that the LGFA, which the Council uses for long term borrowing, is now issuing longer dated debt (it has issued a bond out to April 2033) and the proposed amendment will align with this longer term borrowing now available. In addition, the swap market has become more liquid and actively traded beyond ten years.
 - 4.6.3 The propose amendment has been discussed with our treasury advisor, Price Waterhouse Coopers (PWC) and it raised no concerns.
- 4.7 Liquidity and funding risk management
 - 4.7.1 This section has been updated at the request of the LGFA to include the statement *"To minimise concentration risk the LGFA requires that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period"*.
 - 4.7.2 This amendment is consistent across the local government sector and is not specific to this Council.
- 4.8 Specific borrowing limits
 - 4.8.1 It is proposed that definitions for "cash" and "cash equivalent" be included. The suggested definitions are consistent with the manner in which these items are calculated.
- 4.9 Emissions Trading Scheme

4.9.1 The proposed changes in relation Emissions Trading Scheme include removal of any references to types of emission units which can no longer be used and an amendment to the performance benchmarking based on the view our treasury advisor. In order to simplify and describe the benchmark more appropriately, the following is suggested *"the actual annual ETS cost for Council should be no worse than the budgeted ETS cost for that year"*.

4.10 Treasury Performance

4.10.1 It is proposed that the performance benchmarking be simplified to measure as follows: *"the actual borrowing cost for Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted borrowing costs"*. Previously, it was benchmarking the margin against an LGFA credit curve.

5. Options

5.1 The recommendation is to adopt the amendments to the Liability Management Policy.

Option 1: Adopt the amended Liability Management Policy	
Advantages	<ul style="list-style-type: none"> changes are recommended by our treasury advisor and are considered current best practice
Risks and Disadvantages	<ul style="list-style-type: none"> none
Option 2: Not adopt the amended Liability Management Policy	
Advantages	<ul style="list-style-type: none"> no change from existing policy
Risks and Disadvantages	<ul style="list-style-type: none"> policy is due for review policy will not conform to current best practice

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: A1765543 - Liability Management Policy May 2017 [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	Risk management through having a Liability Management Policy enables more efficient and effective provision of services as set out in section 10(1)(b) of the Local Government Act.
2. Consistency with Community Outcomes and Council Policy	The Liability Management and Investment Policies are required by section 102 of the Local Government Act. Nothing in the proposed Liability Management Policy is inconsistent with any other previous Council decision or Council Policy. Updating the policy supports the community outcome "Our Council provides leadership and fosters partnerships, a regional perspective and community engagement".
3. Risk	There is limited risk from the proposed changes although one of the amendments allows officers to take out interest rate swaps with maturity dates out to 15 years, rather than 12 years. However, this would only occur to manage interest rate risk.
4. Financial impact	There is no direct financial impact from adopting the amended Liability Management Policy.
5. Degree of significance and level of engagement	This matter is of low significance because it includes minor amendments to an existing policy, therefore no consultation has taken place.
6. Inclusion of Māori in the decision making process	Māori have not been consulted in the preparation of this report and policy.
7. Delegations	The Audit, Risk and Finance Subcommittee has the responsibility for considering Council's Treasury functions and policies. The Audit, Risk and Finance Subcommittee has the power make a recommendation to Council on this matter.



Liability Management Policy

Effective: June 2017

Review date: June 2020

Contact: Group Manager Corporate Services

Approved by Council:

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Introduction

General Policy

To provide appropriate parameters in which Council will manage its borrowing activities and external liabilities to ensure compliance with the provisions of the Local Government Act 2002.

Section 102 of the Local Government Act 2002 (the "Act") requires Council to adopt a Liability Management Policy (the "Policy"). Section 104 of the Act outlines the contents of Council's policies in respect of the management of both borrowing and other liabilities, including:

- interest rate exposure; and
- liquidity; and
- credit exposure; and
- debt repayment.

The Policy is to be consistent with the Long Term Plan (LTP) and Annual Plan. The formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within Council continue to be well managed

Objectives:

Statutory Objectives

All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.

Council is governed by the following relevant legislation:

- Local Government Act 2002, in particular Part 6 including sections 101, 102, 104 and 105.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
- Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others.
- All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long Term Planning (LTP) process.
- All master legal documentation in respect to external borrowing and financial instruments will be approved by Council's legal counsel prior to the transaction being executed.
- Council will not enter into any borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.

A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:

- The period of indebtedness is less than 91 days (including rollovers); or

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- The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

General Objectives

- Minimise Council's costs and risks in the management of its external borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Monitor, evaluate and report on treasury performance.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy so as to protect Council's financial assets and manage costs.
- Arrange and structure external long term funding for Council at acceptable margins and cost from debt lenders. Optimise flexibility and spread of debt maturity terms within the funding risk limits established by this Policy statement.
- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- Comply with financial ratios and limits stated within this Policy.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- Minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- Ensure that financial planning will not impose an unequitable spread of costs/benefits over current and future ratepayers.
- To ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.
- Any activity that is speculative in nature or where there is not a legitimate underlying business cash flow being managed is strictly prohibited.

Glossary of Terms

- A Glossary of Terms used in the financial markets is available from the Council on request (A1765543). The Glossary has been excluded from this document for the sake of brevity.

Liability Management Policy

Interest Rate Exposure

Interest rate exposure refers to the impact that changes in interest rates can have on the Council's cash flow. The Council's policy for interest rate risk management is to take a conservative, risk-averse approach by requiring a certain percentage of the Council's borrowing to be fixed rate or hedged borrowing. Both the long term nature of the Council's assets and the need for intergenerational equity mean it is important that the Council should:

- Have predictable interest costs;

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- Avoid increases in annual rates caused by interest rate rises.

How Interest Rate Risk Is Managed: The Rules

The Council's external core **gross** debt should be within the following fixed/floating interest rate risk control limits:

Master Fixed/Floating Risk Control Limits	
Minimum Fixed Rate	Maximum Fixed Rate
55%	90%

"Fixed Rate" is defined as an interest rate re-pricing date beyond 12 months forward on a continuous rolling basis.

"Floating Rate" is defined as an interest rate re-pricing within 12 months.

The percentages are calculated on the rolling 12 month projected **gross** debt level calculated by management and signed off by the Council Chief Executive. **Gross** debt is the amount of total external debt. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate protection in place may have to be adjusted to ensure compliance with the policy minimums and maximums.

The fixed rate amount should be within the following maturity bands:

Fixed Rate Maturity Profile Limit		
Period	Minimum %	Maximum %
1 to 3 years	15	60
3 to 5 years	15	60
5 years plus	15	60

Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.

Risk Management Instruments

The following instruments may be used for interest rate risk management activity.

Category	Instrument
Interest rate risk management	Forward rate agreements ("FRAs") on: <ul style="list-style-type: none"> • Bank bills • Government Bonds

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Category	Instrument
	<p>Interest rate swaps including:</p> <ul style="list-style-type: none"> Forward start swaps/collars (start date <24 months, unless linked to existing maturing swaps/collars) Swap extensions and shortenings <p>Interest rate options on:</p> <ul style="list-style-type: none"> Bank bills (purchased caps and one for one collars) Government bonds Interest rate swaptions (purchased swaptions and one for one collars only)

- One for one collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate 'in-the-money';
- Interest rate options must not be sold outright;
- Purchased borrower swaptions mature within 12 months;
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation;
- Forward start period on swaps and collars to be no more than 24 months from deal date except where the forward start swap/collar starts on the expiry date of an existing swap/collar and has a notional amount which is no more than that of the existing swap/collar;
- Any fixed rate hedge with a maturity beyond 15 years must be approved by Council. The exception to this will be if Council raises LGFA funding as fixed rate or as a swapped floating rate and this maturity is beyond 15 years.

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved.

Liquidity and Funding Risk Management

Liquidity risk management refers to the practice of making sure funds are available when needed, without incurring penalties for breaking investments before time. The Council does not hold its reserves in cash and must anticipate and plan for drawings against reserves.

The Council's objective for funding risk management is to minimise the risk of large concentrations of debt being reissued at a time of adverse movements in borrowing margins beyond the Council's control.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with its investors, LGFA, financial institutions/brokers and maintain a long-term credit rating of at least AA.

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Policy

The Council's policy for liquidity and funding risk management is:

- Ensure that the Council's committed debt facilities and term loans mature over a wide time period;
- External term debt plus committed debt facilities, plus available cash and cash equivalents must be maintained at an amount of at least 110% over existing external debt;
- Diversify borrowing over a range of bank and debt capital market lenders ensuring that bank borrowings are only sought from approved strongly rated New Zealand registered banks
- Matching expenditure closely to its revenue streams and managing cash flow timing differences
- Maintaining its financial investments in cash/cash equivalent investments
- Council has the ability to pre-fund up to 12 months of the forecast debt requirements including re-financings. Re-financings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.

Rules

The Council's rules for managing liquidity and funding risk are that the maturity profile of the total committed funding in respect to all external term debt and committed debt facilities is to be controlled by the following system:

Period	Minimum %	Maximum %
1 to 3 years	15	60
3 to 5 years	15	60
5 years plus	10	60

- A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- To minimise concentration risk the LGFA requires that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period.

Credit Exposure

The Council does impose a minimum long term credit rating on its bank lenders of A or better and short term rating of A-1 or better, as determined by Standard and Poor's or equivalent international credit rating agency (Fitch or Moody's). Hedging facilities are only with banks that have a long term A or better credit rating.

Counterparty/Issuer	Minimum long term/short term credit rating	Risk management instrument maximum per counterparty
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NZ Registered Bank (per bank)	A+/ A-1+	15.0
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In determining the usage of the above gross limits, the following weightings will be used:

- Interest rate risk management (eg. swaps, FRAs) – Transaction Notional X Maturity (years) X 3%
- Foreign Exchange Risk (e.g. Forward Exchange Contract) – Transaction Face Value amount x ((square root of the maturity (years)) x 15%).

Debt Repayment

The Council repays borrowings from rates, debt raising, surplus funds, proceeds from the sale of investments and fixed assets.

Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits (per Council delegations register), a loan may be rolled over or re-negotiated as and when appropriate.

Note that the proceeds from sales of fixed assets and investments may also be used for the acquisition of other fixed assets.

Borrowing Mechanisms

The Council will borrow through a variety of market mechanisms including approved financial instruments as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Uncommitted money market facilities Retail and Wholesale Fixed Rate Bond and Floating Rate Note (FRN) Issuance Commercial paper (CP) Promissory notes

Any other financial instrument must be specifically approved by the Council on a case by case basis and only be applied to the one singular transaction being approved.

Specific Borrowing Limits

The Council's policy for borrowing limits is to adhere to the following:

Item	Borrowing Limit
Net interest expense on external debt as a percentage of total revenue to be less than	15%

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Net interest expense on external debt (secured by rates) as a percentage of rates revenue to be less than	20%
Net external debt (secured by rates) as a percentage of total revenue to be less than	150%
Liquidity (external term debt + committed debt facilities + available cash/cash equivalents) over existing external debt to be at least	110%

- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions, for example Development Contributions and vested assets;
- Net external debt is defined as total external debt less cash or cash equivalents;
- Liquidity is defined as external debt plus committed debt facilities plus available cash or cash equivalents divided by external debt. **Cash/Cash equivalents are defined as being:**
 - Overnight bank cash deposits
 - Wholesale / retail bank term deposits no greater than 30-days
 - Bank issued RCD's less than 181 days
- Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period;
- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided and for which the other local authorities rate;
- Financial covenants are measured on Council only, not consolidated group.

Internal borrowing

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies, as savings are created by eliminating the margin that would be paid through Council separately investing and borrowing externally. In addition to external borrowing mechanisms all reserve accounts are used for internal borrowing purposes.

The interest cost will be set with reference to margins on external borrowing.

Actual rates of interest charged for internal borrowing will be approved as part of Long Term Plan process and charged annually in arrears at the weighted average cost of external borrowing (including credit margin and other related costs).

Guarantees

Council, from time to time, provides financial guarantees to local organisations, groups or bodies for recreational and community purposes. Council is prohibited from guaranteeing loans to Council Controlled Trading Organisations under Section 62 of the Local Government Act. In determining whether a guarantee is to be approved, the Council considers the social benefits provided to the community and the following:

- The potential for loss of capital;

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- Where the Council assumes the asset in the case of default; the ongoing operating costs or completion costs of the asset;
- The nature of the organisation including its management, financial stability, cash flow forecasts and membership.

The total value of guarantees at any one time will not exceed 5% of the total annual rates, levied during that year. Total loan guarantees held at any time shall be taken into account when calculating the Council's maximum borrowing limit.

The Finance Department monitors the total value of guarantees provided, reporting annually to Council.

As a condition of the guarantee, the guarantor's annual financial statements are to be promptly given to Council after each year end and monthly reports can be requested at any time.

Security Policy

Council's external borrowings and interest-rate risk management instruments will generally be secured by a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act. The security offered by Council ranks equally or *pari passu* (on equal terms in all respects, at the same rate, or proportionately) with other lenders.

From time to time, with Council and Trustee approval (the Trustee of the Debenture Trust Deed), security may be offered by providing a charge over one or more of Council's assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds, for example an operating lease, or project finance;
- Council considers a charge over physical assets to be appropriate;
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

New Zealand Local Government Funding Agency

The Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) as a Guaranteeing Local Authority. In connection with that borrowing, the Council may enter into the following related transactions to the extent it considers necessary or desirable:

- contribute a portion of its borrowing back to LGFA subordinated debt, convertible to redeemable preference shares in LGFA if required by LGFA
- provide a guarantee of the indebtedness of LGFA;
- commit to contributing additional equity to LGFA if required;
- secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

Foreign Exchange

Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated goods and services.

Generally, all significant individual amounts of NZD100,000 or greater commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is

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approved and the currency amount, and timing are known. Both spot and forward foreign exchange contracts can be used by Council.

By legislative restriction, Council cannot borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

Approved financial instruments

Foreign exchange management	Spot foreign exchange Forward exchange contracts Purchased currency options and 1:1 option collars
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Emissions Trading Scheme

The objective of the ETS carbon credit policy is to minimise the financial impact of movements in the carbon credit prices on Council. The objective requires balancing Council's need for price stability with the benefit of realising market opportunities to reduce costs as they arise.

ETS is risk managed under the following risk control limits.

NZUs and NZAAs are the only units available to participants for surrender.

Period	Minimum %	Maximum %
Committed*	80%	100%
Forecast		
0-1 years	0%	80%
1-2 years	0%	50%
2-3 years	0%	30%

*Exposures become committed Jan-Mar (quarter following emission period as Council must report emissions from previous calendar year).

Forward price transactions are limited to NZ registered banks per approved counterparties and approved legal documentation.

The actual annual ETS cost for Council should be no worse than the budgeted ETS cost for that year.

Approved financial instruments

Carbon price management	New Zealand Units (NZUs) and Assigned Amount Units (NZAAs)
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Delegated Authorities and Limits

Pursuant to Clause 32 (2), Schedule 7, of the Local Government Act 2002, Council may make delegations to officers of Council to allow for the efficient conduct of Council

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business. Clause 32 (3), Schedule 7 of this Act allows officers to delegate those powers to other officers.

Notwithstanding Clause 32 (1) (c), Schedule 7, the power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan remains the sole responsibility of the Council. This responsibility cannot be delegated.

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). To prevent these types of situations, the following procedures must be complied with:

- All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.
- A comprehensive letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind Council.

Whenever a person with delegated authority on any account or facility leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons. Delegated responsibilities and authority limits are captured within Council's delegation register.

Operational Risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls. Operational risk is minimised through the adoption of all requirements of this Policy and detailed within Council's Treasury Procedures Manual.

Cash Management

From time to time, Council has daily cash flow surpluses and borrowing requirements, due to the mismatch of daily receipts and payments. All cash inflows and expenses pass through bank accounts controlled by the Finance Department. Council maintains a daily cash position report, and a yearly cashflow projection is prepared during the annual planning process. These reports determine Council's borrowing requirements and surpluses for investment for the year. Detail is captured within the Treasury Procedures Manual.

Internal Controls

Council's systems of internal controls over treasury activity include:

- Adequate segregation of duties among the core treasury functions of deal execution, confirmation, settling and accounting/reporting. There are a small number of people involved in treasury activity. Accordingly strict segregation of duties is not always achievable. The risk from this is minimised by the following processes:
 - A documented discretionary approval process for treasury activity;
 - Regular management reporting;
 - Regular operational risk control reviews by an independent audit function; and
 - Organisational, systems, procedural and reconciliation controls to ensure:
 - All treasury activity is bona fide and properly authorised; and

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- Checks are in place to ensure Council's accounts and records are updated promptly, accurately and completely.

Legal Risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks. If Council is unable to enforce its rights due to deficient or inaccurate documentation, Council will seek to minimise the risk by adopting policies regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, and contacts for disputed transactions) to be sent to counterparties;
- The matching of third party confirmations and the immediate follow-up of anomalies; and
- The use of expert advice for any non-standardised transactions.

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Agreements

- Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council. All ISDA Master Agreements for financial instruments and carbon units must be signed by the Group Manager Corporate Services and the Chief Executive.
- Council's appointed legal counsel must sign off on all documentation for new loan borrowings, re-financings and investment structures.

Financial Covenants and Other Obligations

- Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.
- Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

Accounting Treatment of Financial Instruments

Council use financial arrangements ("derivatives") for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of derivatives in a broad sense. Further detail of accounting treatment is contained within the appropriate operations and procedures manual.

Under New Zealand Public Benefit Entity (PBE) International Public Sector Accounting Standards (IPSAS) changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship. Council's principal objective is to actively manage the Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's annual accounts.

The Group Manager Corporate Services is responsible for advising the Chief Executive of any changes to relevant New Zealand Public Sector PBE Standards which may result in a change to the accounting treatment of any financial derivative product.

All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

Treasury Performance

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

- Operational performance; compliance to Policy and treasury deadlines.
- Management of debt and interest rate risk (borrowing costs); actual borrowing costs to budget rates and market benchmarks.
 - The actual borrowing cost for Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted borrowing costs.
 - Actual wholesale interest costs must be benchmarked to market interest rates. The applicable market interest rate is determined by finding the mid-point policy benchmark rate. Council's policy mid-point represents an average maturity term of 5-years. The market benchmark rate will be calculated every month and represent the 5-year swap rate monthly rolling average over a 5-year period.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk)

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are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis.

Policy Review

The Policy is to be formally reviewed on a triennial basis, and annually for internal purposes. The Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes.

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Carry Forwards (Interim) 2016/17

1. Purpose of Report

- 1.1 To approve ongoing work using 2016/17 approved budgets until carry forwards are formally approved at the 8 September 2017 meeting of this Subcommittee.

2. Recommendation

That the Subcommittee

Receives the report Carry Forwards (Interim) 2016/17 (R7555) and its attachments (A1770607).

Recommendation to Council

That the Council

Approves continuing work on 2016/17 projects within the 2016/17 approved budgets, noting a final report on carry forwards will come to the Audit, Risk and Finance subcommittee on 8 September 2017.

3. Background

- 3.1 Projects are dynamic, and project expenditure rarely aligns to budget phasing for any number of reasons (e.g. weather, availability of internal or contractor resources, reliance on third parties). The exceptions process has gone a long way in 2016/17 to capture these phasing changes; nevertheless variations to updated budgets are still expected before the end of the financial year as circumstances continue to change.
- 3.2 As the process for Committee and Council approval can take some time, any further exception reporting will not be able to address these changes in a timely enough manner for progress to continue across the end of one financial year and into the next.

- 3.3 This being the case, project managers have been asked for an indication of likely carry forwards at 30 June, and Council approval is sought to enable work to continue on unfinished 16/17 projects after 30 June, within 16/17 budgets.
- 3.4 A report on finalised carry forwards will be brought to the 8 September meeting of the Subcommittee.

4. Discussion

Capital Expenditure

- 4.1 Capital expenditure to 30 April 2017 was \$33.4 million, \$13.2 million (28%) below approved budget year to date. This variance does not reflect the exceptions reports recently approved by Committees but yet to be confirmed by Council. Those exceptions will reduce the approved full year budget by \$10.7 million once confirmed.
- 4.2 58 projects totalling approximately \$3.6 million of budget have been identified as likely to require a carry forward into 2017/18. Please see attachment 1.
- 4.3 22 projects totalling approximately \$1.6 million are multi-year projects where the timing of expenditure has changed. The Saxton Creek upgrade and the Modeller's Pond solution account for \$1m of this.
- 4.4 36 projects totalling approximately \$2.1 million were initially expected to be completed in the current financial year.
- 4.5 43 projects with a carry forward total of approximately \$2.8 million are currently underway. Carry forward approval will ensure that the total project budget remains available.
- 4.6 15 projects with a carry forward total of approximately \$0.7 million were not underway as at 30 April. Delays have occurred for a variety of reasons and project managers have requested that the budget is carried over to allow the projects to be undertaken in 2017/18.

Operating Expenditure

- 4.7 Based on April 2017 year to date results, officers have been asked to identify operating projects that will not be complete by 30 June 2017. Projected carry forwards have been assessed for these projects, please see attachment 2.
- 4.8 39 projects totalling \$1.1 million have been identified as likely to require a carry forward into 2017/18.
- 4.9 In order that staff can keep moving towards delivery of the 2016/17 work programme in the meantime, officers seek approval for 2016/17 budgets to continue to be used on 2016/17 projects as itemised in attachment 2.

5. Options

5.1 Option 1, approve the recommendation is recommended.

Option 1: Approve the recommendation	
Advantages	<ul style="list-style-type: none"> • Spending is within 2016/17 approved budgets • Total project budget will remain available for those projects underway • Work can continue on those projects that do not have a 2017/18 annual plan budget allocation
Option 2: Do not approve the recommendation	
Risks and Disadvantages	<ul style="list-style-type: none"> • Work would need to cease on these projects after 30 June until such a time as the formal report approving carry forwards has made its way through Council. • Contractor relationships may suffer • May introduce a health and safety risk with some projects

6. Conclusion

- 6.1 Most of the projects indicating carry forward are either currently underway or scheduled to be underway before 30 June 2017, and as the budget is approved for spending in 2016/17, it is proposed that work continue on these projects in the meantime.
- 6.2 A report on final carry forwards will be on the agenda for the 8 September meeting of this subcommittee.

Tracey Hughes
Senior Accountant

Attachments

Attachment 1: Interim capital carry forwards requested (A1770607) [↓](#)

Attachment 2: Interim opex carry forwards requested (A1770607) [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	Approval of the recommendation will allow progress/completion of approved projects without the risks associated with unnecessary delay, supporting the efficiency of delivery of public infrastructure and services.
2. Consistency with Community Outcomes and Council Policy	Approval of this recommendation will allow projects as approved in the Annual Plan 2016/17 and subsequent Council resolutions to be delivered without delay.
3. Risk	Failure to approve the recommendation will introduce risk (financial, contractor and community relationships, health and safety) which does not currently exist.
4. Financial impact	There is little financial impact from approving the recommendation as budgets are already approved.
5. Degree of significance and level of engagement	This matter is of low significance as budgets are already approved and the recommendation confirms business as usual.
6. Inclusion of Māori in the decision making process	No consultation has been undertaken.
7. Delegations	The Audit, Risk and Finance subcommittee has oversight of the management of financial risk and makes recommendations to Council.

11. Carry Forwards (Interim) 2016/17 - Attachment 1 - Interim capital carry forwards requested (A1770607)

Interim Capital carry forwards to 2017/18		Approved Budget 2016/17	YTD Actuals	2016/17 Forecast	Variance YTD Actuals to Forecast 2016/17	Carry Forward to 2017/18 Request	2017/18 Carry Forward Comments	AP 2017/18
Grand Total		16,100,740	7,104,387	14,755,302	7,665,915	3,676,191		10,932,494
Corporate		1,429,597	479,778	1,299,597	819,819	621,766		1,201,666
2530 Administration		1,429,597	479,778	1,299,597	819,819	621,766		1,201,666
25307130. Capital: Motor Vehicles		133,393	0	133,393	133,393	133,339	Purchasing delayed while process has been revised.	54,255
253071400189. iPad Mobile Device Upgrades		5,131	1,451	5,131	3,680	3,250	For staged refresh of iPhone	5,266
253071400803. Capital: H/ware: Desktop		136,060	25,555	136,060	110,505	110,505	To enable bulk purchasing of PCs to take advantage of bulk discounting.	380,000
253071400804. Capital: Comp: H/ware: Network		131,499	91,836	131,499	39,663	33,531	For server upgrade	14,481
253071402650. IT Infrastructure Hoating Investigation		96,000	273	96,000	95,727	87,687	Work to start late 17/18	84,255
253071402986. SLT Mobile Requirements Review and Refresh		25,000	8,465	25,000	16,535	16,535	Assist iPhone refresh	0
253071403068. Chamber Sound System Upgrade		80,000	2,616	0	-2,616	-25,000	Budget was transferred to 17/18 for chamber upgrade. \$25k now required in 16/17 for immediate functionality improvements.	180,000
253071801147. Asset Management System enhancements		92,498	31,779	42,498	10,719	21,500	For continued enhancements	77,409
253071801391. Intranet Replacement Project		25,653	0	25,653	25,653	25,653	Project not yet commenced	0
253071802459. Upgrade TOTSM		111,456	0	111,456	111,456	56,236	Now planned for go live in late September 17.	0
253071802979. Property Report Map		12,280	0	12,280	12,280	12,280	To be delivered using datacom sphere	0
253074800675. Core Systems enhancement		416,877	293,902	416,877	122,975	43,000	Budget allocated	276,000
253074802991. NCS LTP Software		54,000	10,000	54,000	44,000	18,800	For training and consultancy during implementation.	0
253074802992. NCS Project Accounting		15,000	0	15,000	15,000	15,000	Required for possible integration with new P3O system in 17/18	0
253077802372. Online Applications		14,750	900	14,750	13,850	13,850	Allocated for email scraping (auto SRs) for snap send solve and solicitors rates	100,000
253077802983. Surveyors Data Import		20,000	0	20,000	20,000	20,000	Project not yet commenced	0
253077803101. LIM Tool		60,000	13,000	60,000	47,000	35,000	For online service delivery	0
Parks & Active Recreation		975,021	84,851	940,521	870,670	656,296		625,400
3531 Landscape Reserves		116,944	9,756	82,444	87,688	36,296		52,404
353172051492. Renewals: Fences		17,444	0	17,444	17,444	17,444	Grampians fencing. Agreement now reached with lessee.	17,904
353172703108. Codgers MTB track reinstatement		15,000	7,150	15,000	22,850	3,000	Minor Carryover due to staging of payments.	0
353178703110. Marsden Valley mountain bike tracks stage one 2016-17		39,500	1,458	5,000	3,542	2,000	For construction continuing into next financial year.	34,500
353178703140. Codgers new MTB tracks		45,000	1,148	45,000	43,852	13,852	Budget is \$40k and \$5k is needed for contingency. NCC have contributed \$30k directly to NMTBC via Community Grant and \$10k has been allocated for consents. Note - Risk that NMTBC cannot raise sufficient to build track - so money might not be spent this financial year.	0
3532 Esplanade & Foreshore Reserves		655,555	30,430	655,555	625,125	570,000		544,890
353272101379. Modellers Pond Solution		560,424	30,430	560,424	529,994	500,000	Construction will be next financial year.	544,890
353272101488. Renewals: Structures		95,131	0	95,131	95,131	70,000	For Bishopdale reserve bridge renewal - critical. Unclear if able to achieve entire renewal this year so could be some carry over to complete this work.	0
4040: Marina		202,522	44,666	202,522	157,856	50,000		28,106
404072201037. Renewal: Services		27,384	0	27,384	27,384	25,000	To complete the renewal of P Pontoon - replacement of fixings - design work is complete	28,106
404075101769. Marina Handstand		175,138	44,666	175,138	130,472	25,000	To complete Handstand access wharf - replacement of angle brackets - design work is complete	0
Social		2,207,093	1,581,805	2,186,976	605,171	418,396		570,189
3801 Managing Heritage And Arts		225,561	83,059	225,561	142,502	139,502		78,989

Interim Capital carry forwards to 2017/18	Approved Budget 2016/17	YTD Actuals	2016/17 Forecast	Variance YTD Actuals to Forecast 2016/17	Carry Forward to 2017/18 Request	2017/18 Carry Forward Comments	AP 2017/18
380172301143. Art Works Programme	225,561	83,059	225,561	142,502	139,502	Project re-phasing required. Artist is near completion of Stage 1, stage 2 will now commence in the new financial year.	78,989
3807 Suter Gallery	777,000	674,029	777,000	102,971	99,000		0
380777201606. Suter Redevelopment	777,000	674,029	777,000	102,971	99,000	Required for retentions. Offset by income.	0
3820 Founders Park	53,726	2,235	33,609	31,374	31,374		30,532
38207130. Motor Vehicle	23,609	0	23,609	23,609	23,609	Vehicle purchasing process underway by Property team. Expenditure to be deferred until 2017/18.	0
382078252902. LOS: accessibility improvement items	30,117	2,235	10,000	7,765	7,765	Frontage-way accessibility work is yet to be done. \$20k already moved to 17/18.	30,532
4005 Nelson Library	498,493	295,189	498,493	203,304	73,500		460,668
40057140. Renewals: Specialised Lib Equip	77,169	24,716	77,169	52,454	43,000	Digital Futures project is awaiting completion after definite plans are put forward by our public internet supplier.	31,912
40057440. Capital: Specialised Lib Equip	23,093	9,138	23,093	13,955	10,500	Digital Futures project is awaiting completion after definite plans are put forward by our public internet supplier.	20,011
40057460. Book Purchases	398,231	261,336	398,231	136,895	20,000	Resource issues have prevented full expenditure however the remainder can be spent wisely in the new financial year.	408,745
4055 Community Properties	643,000	527,293	643,000	115,707	65,707		0
405577203063. Small Bore Rifle - New Building	643,000	527,293	643,000	115,707	65,707	Finalising scope of additional works to complete project.	0
4065 Community Housing	9,313	0	9,313	9,313	9,313		0
406578900390. Seating (Walker Bequest)	9,313	0	9,313	9,313	9,313	For use under new Community Housing contract.	0
Transport	808,702	58,629	723,381	864,752	465,068		3,491,859
5001 Subsidised Roading	507,204	58,629	421,883	363,254	163,570		459,000
500179553025. WC341 Shared zone - Beachville Cres	1,204	0	1,204	1,204	1,204	Carryover for next years work	0
500179553026. WC341 Shared zone - Wigzell	3,000	0	3,000	3,000	3,000	Carryover for next years work	87,000
500179553036. WC341 Main Road Stoke cycleway Saxton Creek to Champion Road	30,000	11,894	30,000	18,106	5,000	Minor Project re-phasing required.	255,000
500179553105. WC 341 Oldham Bridge Replace	383,000	39,789	180,000	140,211	140,000	Some delay due to contractor resources.	0
500179553106. WC 341 Jenkins Creek shared path widening	10,000	5,634	10,000	4,366	4,366	Carryover required for next financial year.	117,000
500179802703. WC 452 Gloucester Street Connections	80,000	1,312	197,679	196,367	10,000	Risk of carryover into next financial year	0
5002 Unsubsidised Roading	301,498	0	301,498	301,498	301,498		3,032,859
500278552948. Tahunanui car park	203,668	0	203,668	203,668	203,668	To continue project - project has been on hold for 16/17.	0
500279602213. Rocks Rd cycling and walking project	97,830	0	97,830	97,830	97,830	Project on hold due to delay in Southern Link outcome.	3,032,859
Environmental Management	403,457	46,564	246,457	199,893	188,911		370,638
4502 Monitoring The Environment	272,474	31,493	115,474	83,981	73,000		370,638
45027140. Renewals: Monitoring Equipment	61,000	0	61,000	61,000	61,000	Equipment ordered but delivery not expected within 16/17 financial year.	0
450279902753. Project Maitai/Maitahi	211,474	31,493	54,474	22,981	12,000	Budget fully allocated, however delivery is dependent on weather and site prep time.	370,638
6015 Landfill	130,983	15,072	130,983	115,911	115,911		0
601576551533. Road extension	130,983	15,072	130,983	115,911	115,911	Minor works expected pending information on movement of road over Winter/Spring.	0
Wastewater	326,324	22,503	300,324	277,821	168,824		175,000
6405 Wastewater	326,324	22,503	300,324	277,821	168,824		175,000
640573102737. Jenner Rd sewer renewal	251,000	8,544	251,000	242,456	142,000	Work committed however completion date will not be met due to contractor resourcing issues.	149,000
640573161493. Pipe Fittings: Flow meters	23,324	0	19,324	19,324	19,324	Design complete. Construction funding required in 17/18.	4,000
640576102884. Gracefield Beheading	52,000	13,959	30,000	16,041	7,500	Project objective for 16/17 complete. Carryover needed to assist with further investigations next financial year.	22,000
Stormwater	389,294	83,436	389,294	305,858	126,945		0
6510 Stormwater	389,294	83,436	389,294	305,858	126,945		0
651079102095. Airie St	51,305	16,189	25,305	9,116	5,000	Minor carryover expected.	78,660
651079102823. Ffeshire	256,525	72,612	256,525	183,913	5,000	Contract retentions.	0

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11. Carry Forwards (Interim) 2016/17 - Attachment 1 - Interim capital carry forwards requested (A1770607)

Interim Capital carry forwards to 2017/18	Approved Budget 2016/17	YTD Actuals	2016/17 Forecast	Variance YTD Actuals to Forecast 2016/17	Carry Forward to 2017/18 Request	2017/18 Carry Forward Comments	AP 2017/18
651079102855. Tahunanui Hills Stormwater- Moana Avenue to Rocks Road	82,610	21,914	62,610	40,696	10,000	To complete delivery.	125,319
651079112589. Stansell PwV Pub Drains	132,769	10,824	132,769	121,945	121,945	Delays due to landowner easement negotiations. Carry over to continue project next financial year.	0
651079112815. Bisley Avenue	89,427	18,219	24,427	6,208	3,000	Additional carryover required to complete project.	65,000
Water Supply	2,364,940	786,994	2,387,440	1,600,446	225,869		882,957
7005 Water Supply	2,364,940	786,994	2,387,440	1,600,446	225,869		882,957
700573252128. Residential Meters renewals	14,500	14,122	37,000	22,878	22,878	Multi year project to continue in 2017/18	100,000
700573302555. Renewal: Membranes WTP	2,020,000	664,853	2,020,000	1,355,148	1,424	multi year project to continue in 2017/18	467,000
700579162131. Fire Flow Upgrades	192,830	32,829	192,830	160,001	150,000	Tender this year was inconclusive; carry forward to allow construction to progress in 17/18.	210,638
700579502806. Seismic Risk Upgrades	137,610	75,190	137,610	62,420	51,567	Delivery of ordered plant delayed and now expected in July.	105,319
Flood Protection	7,196,312	3,959,825	6,281,312	2,321,487	804,116		3,614,785
6520 Flood Protection	7,196,312	3,959,825	6,281,312	2,321,487	804,116		3,614,785
652079112689. Saxton Creek upgrade	2,998,568	666,856	2,098,568	1,431,712	500,000	Construction will continue into next financial year.	2,979,785
652079112865. Hampden St East Little Go Stream: Stage 2	3,710,376	3,122,779	3,710,376	587,597	10,000	Additional carryover for defects period.	430,000
652079122964. Saxton Creek Culvert Upgrade	160,157	127,095	145,157	18,062	10,000	16/17 tasks completed, carry over required for 17/18 elements.	205,000
652079902103. Inventory of Urban Streams	327,211	43,095	327,211	284,116	284,116	To complete remaining project scope.	0

Interim Opex carry forwards to 2017/18	Total Operating Budget 2016/17	YTD Actuals	2016/17 Forecast	Variance YTD Actuals to Forecast 2016/17	Carry Forward to 2017/18 Request	2017/18 Carry Forward Comments	AP 2017/18
Grand Total	2,168,090	664,300	2,177,627	1,513,327	1,010,726		937,696
Corporate	213,160	61,480	225,660	164,180	123,509		92,970
1504 Civic House	177,341	50,100	189,841	139,741	113,509		82,640
15044011. Building Mtce: Programmed	90,569	46,337	90,569	44,232	18,000	Programme works deferred 2017/18 Annual Maintenance Clean Civic House.	51,650
15044032. Property Condition Assessments	63,170	3,763	63,170	59,407	59,407	Further condition assessments on building assets.	-
15044372. Prelim Capex - investigation, options, testing	23,602	0	36,102	36,102	36,102	To progress large deferred capex projects.	30,990
1805 Policy	35,819	11,380	35,819	24,439	10,000		10,330
180523101215. Resident and Customer Surveys	35,819	11,380	35,819	24,439	10,000	For focus group	10,330
Parks & Active Recreation	342,628	27,185	342,628	315,443	239,052		-
3531 Landscape Reserves	20,000	0	20,000	20,000	20,000		-
353147603005. Off Road Tracks and Trails	20,000	0	20,000	20,000	20,000	Delayed to align with the Regional Identity project, which will identify the economic benefits of cycling to the region.	-
3532 Esplanade & Foreshore Reserves	196,458	10,067	196,458	186,391	120,000		-
353247402251. Tahuna Erosion Study	196,458	10,067	196,458	186,391	120,000	For future potential expenditure on detailed erosion assessments (not yet contracted).	-
4040 Marina	71,170	17,118	71,170	54,052	54,052		-
404040312307. Maintenance dredging consent/plan	20,000	7,852	20,000	12,148	12,148	Dredge arriving in Nov 2017.	-
40404032. marina condition assessments	51,170	9,267	51,170	41,904	41,904	To support Marina Strategy and subsequent assessments.	-
4070 Regional Community Facilities	55,000	0	55,000	55,000	45,000		-
407030102142. Remedial work required on land purchase	55,000	0	55,000	55,000	45,000	Still negotiating/consulting with the user groups.	-
Social	398,444	155,338	368,444	213,106	182,031		317,540
3820 Founders Park	60,680	5,346	60,680	55,334	55,101		50,101
382040110103. Development Fund Expenditure	60,680	5,346	60,680	55,334	55,101	Related to book fair proceeds so should be carried forward.	50,101
3850 Festivals	14,500	0	14,500	14,500	14,500		15,000
385043103007. Festivals Governance Structure	14,500	0	14,500	14,500	14,500	Transition delayed	15,000
4010 Stoke Library	46,260	16,792	46,260	29,468	29,468		3,099
40104011. Building Maintenance	46,260	16,792	46,260	29,468	29,468	Exterior repaint delayed due to busy construction sector and poor summer weather. Planned for Nov 2017.	3,099
4055 Community Properties	35,156	7,662	35,156	27,494	27,494		26,490
40554032. Condition Assessments	35,156	7,662	35,156	27,494	27,494	Condition assessment programme continuing for community properties and other buildings 2017/18	26,490
4057 Trafalgar St Hall	20,468	0	20,468	20,468	20,468		20,660
40574011. Property Mtce: Programmed Maintenance	20,468	0	20,468	20,468	20,468	Exterior paint - prices recieved higher than budget - combine with 2017/18	20,660
4065 Community Housing	221,380	125,538	191,380	65,842	35,000		202,190
40653011. Building Maintenance	135,000	77,066	105,000	27,934	15,000	For property inspections.	115,000

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11. Carry Forwards (Interim) 2016/17 - Attachment 2 - Interim opex carry forwards requested (A1770607)

Interim Opex carry forwards to 2017/18	Total Operating Budget 2016/17	YTD Actuals	2016/17 Forecast	Variance YTD Actuals to Forecast 2016/17	Carry Forward to 2017/18 Request	2017/18 Carry Forward Comments	AP 2017/18
40654011. Building Mtce: Programmed	86,380	48,472	86,380	37,908	20,000	For use under new Community Housing contract.	87,190
Economic	100,000	10,000	125,000	115,000	75,000		25,000
4305 Economic Development	100,000	10,000	125,000	115,000	75,000		25,000
430523108048. China Week	0	0	25,000	25,000	25,000	This has had to go through a procurement process - contracts not yet signed	25,000
430543123087. Gondola	100,000	10,000	100,000	90,000	50,000	Cycle Lift Society are behind schedule. Phase 1 due end of June.	-
Transport	473,366	287,289	473,366	186,077	75,000		-
5002 Unsubsidised Rooding	473,366	287,289	473,366	186,077	75,000		-
500230911992. Days Track Recovery	473,366	287,289	473,366	186,077	75,000	Due to delays with wet weather.	-
Environmental Management	471,499	110,905	471,499	360,594	177,800		479,026
4502 Monitoring The Environment	264,265	100,337	264,265	163,928	50,000		209,674
450223101258. Estuarine health investigation	25,585	0	25,585	25,585	10,000	For delivery delayed to factor in report recommendations for improved monitoring.	-
450243102753. Project Maitai/Mahitahi	238,680	100,337	238,680	138,343	40,000	Carry over for Urban Water Quality and York Stream project deliverables not completed due to reduced staff capacity.	209,674
4504 Developing Resource Mgt Plan	50,000	0	50,000	50,000	45,000		-
450427100823. Legal Advice HASHA	50,000	0	50,000	50,000	45,000	Timing of expected expenditure unpredictable, to be carried forward in lieu of additional staff recourse.	-
4514 Environmental Advocacy/Advice	137,000	10,567	137,000	126,433	62,800		100,000
451443423013. Nelson Nature: Significant Natural Areas	137,000	10,567	137,000	126,433	62,800	\$60,000 carry over approved by P&R committee on 25 May 2017. Additional \$2800 carry over requested because contractor has advised that work will be more effective to be done in Spring 2017.	100,000
4518 Pest Management	20,234	0	20,234	20,234	20,000		169,352
451823100443. Provide Biosecurity	10,234	0	10,234	10,234	10,000	For work arising out of strategy review (see 1477)	159,352
451823101477. Regional Pest Management Strategy review	10,000	0	10,000	10,000	10,000	Work committed but delayed due to TDC timelines	10,000
Stormwater	168,983	12,104	171,030	158,926	138,334		23,160
6510 Stormwater	168,983	12,104	171,030	158,926	138,334		23,160
651020310635. Building Act Compliance: Dams	120,000	11,408	120,000	108,592	88,000	Required for completion of dam emergency action plan. Work has been delayed by consultant commitment reallocation as a result of the Kaikoura earthquake.	20,660
65104740. Code of Practise for Open Streams	48,983	0	48,983	48,983	48,983	Awaiting the outcome of the Nelson Plan review to finalise the draft Code of Practice.	-

Council Risk Management Policy and Risk Criteria

1. Purpose of Report

- 1.1 To receive and recommend to the Council for approval a risk management policy tailored for Council, and for adoption criteria for judging risk tolerance.

2. Recommendation

That the Subcommittee

Receives the report Council Risk Management Policy and Risk Criteria (R7572) and its attachments: Risk Management Policy (A1553263) and Council Risk Criteria (A1545157).

Recommendation to Council

That the Council

Approves the Risk Management Policy (A1553263); and

Adopts the Council Risk Criteria (A1545157).

3. Background

- 3.1 While Council has always faced uncertainty in managing its activities, recent developments across the organisation have sought to place managing risks on a common and systematic basis. In 2015 this Committee approved a generic 'Risk Management Framework' document ([A1431519](#)). This document was intended to form a foundation for this more systematic approach.
- 3.2 In retrospect it is now clear that this generic document does not go far enough in tailoring the risk management process to the Council's specific context. Major examples of this include;

- Clearly specifying when risk management processes are to be applied
- Requiring the use of clear, consistent criteria in assessing and acting on risks
- Clearly defining roles and responsibilities for managing risks to the Council's objectives.

3.3 The attached policy [A1553263](#) is intended to provide this direction.

3.4 In addition, effectively managing risks at an organisation level requires consistent criteria, including those for deciding when action should be taken. These criteria need to include all of the types of risks faced by the organisation. The attached risk criteria [A1545157](#) are intended to provide this.

3.5 As the Council's risk management capacity is being developed in stages, the criteria for approval include only criteria to rank and take action on threats or negative risks. It is proposed to next develop criteria for assessing and acting on uncertain opportunities. This is scheduled for the 2017-18 financial year. This process is expected to include workshops for councillors.

4. Discussion

4.1 The attached policy and risk criteria address the following matters.

Clear linkage to objectives

4.2 The internationally accepted definition of risk – the effect of uncertainty on objectives – makes clear the fundamental importance of clarity of objectives in any process of managing risks. This starts at the overall council level and applies at any level in the organisation where risks are to be managed. The draft policy makes this clear and refers back to the overall objectives of the Council as provided in law and through our long term plan.

Clear accountabilities

4.3 The attached draft policy sets out the specific roles of each decision maker in implementing the policy. This extends from the governance and strategic decision making role of Council and Committee members to those with technical expertise in advisory and operational roles. At its most fundamental, risk management is a management function so most of the accountabilities lie with managers across the organisation.

Effort commensurate with the value at risk

4.4 A core principle of good risk management practice is that risk management must add value. While identifying, assessing and as needed acting on risks can reveal ways to reach objectives more quickly and with more certainty, it is important that the effort put in does not outweigh

these advantages. Risk management work must therefore be no more than the value at risk.

- 4.5 However it is equally necessary to be clear that value at risk is measured appropriately. In particular, value will not necessarily be financial or measurable in financial terms.

Internationally standardised process

- 4.6 The international standard ISO 31000: 2009 Risk Management – Principles and Guidelines (formally adopted in New Zealand under the Standards Act as AS/NZS ISO 31000) provides processes for risk management applicable to any situation. The policy requires the Council to follow this process. As risk management is a technical discipline, this requires the use of specifically defined terms –even where such terms have different meanings in other contexts.

Clear linkage to decision making

- 4.7 One fundamental reason for undertaking risk management activities is to improve decisions made. For example to make better choices or to avoid methods of reaching objectives which are more costly. The attached policy is therefore clear that the risk management process is to be applied at the appropriate level to all organisational decision making. This concept of level and appropriate scale (and process complexity) is important in the proper application of risk management. By way of illustration; aircraft pilots are trained to use risk management in decision making and do so in seconds and without formal documentation, while managers of large projects and operations often require significant time and record keeping to use the tools effectively.

Clarity of risk criteria

- 4.8 In reality most organisations' risk management (both nationally and internationally) is based on qualitative judgments by those with the necessary expertise. This is also the case for Council.
- 4.9 With an organisation as diverse as Nelson City Council, it is essential that these judgments are made on a common basis. If this is not done decisions with effects across the organisation will be biased.
- 4.10 The attached risk criteria therefore form a key component in developing the organisation's risk management capacity. They are in three parts,
- A clear set of consequences (or levels of organisational impact)
 - A well-defined and internally consistent basis for estimating likelihood
 - A consistent set of resulting risk levels linked to required actions
- 4.11 The last element is of considerable importance. Larger risks require either a deliberate decision to tolerate, or take management actions. A

clear basis for doing this is where much of the decision making value comes from.

5. Options

- 5.1 The Subcommittee can choose to recommend approval of the attached policy and adoption of the risk criteria or not.

Option1: Recommend policy approval and adoption of criteria

- 5.2 The attached risk management policy and risk criteria are key components in a suite of tools designed to improve the organisation's risk management capability. More importantly they are intended to improve the consistency and quality of decision making in the face of uncertainty.
- 5.3 The option of 'approve and adopt' will enable this.
- 5.4 For reasons set out in paragraph 3.5, the attached documents are an important half way house in moving towards the long term goal of an organisation which has a current complete and comprehensive understanding of its risks (i.e. to its objectives) and actively manages these to within clear and consistent criteria.

Option2: Do not recommend approval and adoption

- 5.5 Alternatively, if the Subcommittee chooses not to recommend approval and adoption:
- Council consideration of risks in decision making will continue to be driven by the less specific risk management framework document (itself due for review in 2018)
 - Criteria will be needed for day today risk management but these may not be consistent across the whole organisation.

Steve Vaughan
Risk & Procurement Analyst

Attachments

Attachment 1: Council Risk management policy(A1553263) [↓](#)

Attachment 2: Council Risk Criteria(A1545157) [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	This report recommends improved tools for risk management. Risk management is a tool to enable more efficient and effective provision on services as set out in section 10(1)(b) of the LG Act.
2. Consistency with Community Outcomes and Council Policy	Risk management tools as recommended in this report are aimed at improving the clarity, efficiency and effectiveness with which an organisation's objectives (in this case as set out in Nelson City Council's planning documents) can be achieved.
3. Risk	<p>The attached policy and risk criteria are key but partial documents in developing the organisation's overall capacity to make better decisions in the face of uncertainty. Of themselves they will not achieve this objective with certainty and must be backed up by</p> <ul style="list-style-type: none"> • Procedures to consistently apply policy and criteria • Willingness at all levels of decision making from strategic to detailed to systematically understand and consider risks <p>While not part of the decisions recommended in this report, action to assist with these other matters is also underway through coaching, workshops and procedure development.</p>
4. Financial impact	This report does not have any specific funding implications
5. Degree of significance and level of engagement	This is a decision of low significance under the Council's Significance and Engagement Policy. Therefore no external consultation has been undertaken in the preparation of this report.
6. Inclusion of Māori in the decision making process	There has been no consultation with Maori in the preparation of this report which deals with internal Council processes.
7. Delegations	The Audit Risk and Finance Subcommittee has oversight of the Council's management of risk.

Risk management Policy

Effective date: 30 June 2017

Review date: 30 June 2020

Contact: Risk and Procurement Analyst

1. Scope

- 1.1. This policy sets out what is required for Nelson City Council to manage risks effectively. It applies to all Council officers and to those contractors advising Council for its decision making purposes.
- 1.2. In this policy, risk means the effect of uncertainty on objectives. The organisation's objectives are those set out in its Long Term Plan as modified from time to time by its Annual Plan. For easy reference, a summary of the overall objectives of Nelson City Council is set out in the Annex.
- 1.3. This policy does not provide detailed methods for Nelson City Council to manage its risks. Those responsible for contributing to the management of the Council's risks should:
 - 1.3.1. Read and understand the documents which support this policy
 - 1.3.2. Use the procedures set out in the organisation's procedures library, and in particular the procedure "Manage Risks" in the library.
 - 1.3.3. As required, seek advice and guidance from the Council's Risk Adviser.

2. Definitions

- 2.1. In this policy terms which have both an everyday and a technical meaning are used in the sense of their technical meaning. The relevant definitions are as set out in AS/NZS ISO 31000:2009, *Risk management – principles and guidelines (ISO 31000)* available for reference at the following Tardis location: [A285617](#). Terms used in this way are *italicised* in this document. Definitions of importance which readers of this policy should familiarise themselves with include:
 - *Risk*
 - *Consequence*
 - *Risk assessment*
 - *Control*
 - *Treatment*
 - *Residual risk*

3. Commitment and rationale

- 3.1. Nelson City Council is committed to using *risk management* principles and techniques to understand and appropriately manage all internal and external factors and influences which affect the achievement of its objectives. Doing this will:
 - 3.1.1. Provide a reliable basis for sound decision making
 - 3.1.2. Increase the likelihood of achieving objectives
 - 3.1.3. Provide an agreed basis for prudent risk taking

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- 3.1.4. Enable the organisation to understand the level of *risk* associated with each decision as well as the Council's aggregate exposure to *risk*
- 3.1.5. Improve accountability and assurance of control
- 3.1.6. Enable the Council to avoid threats and seize opportunities
- 3.1.7. Foster an organisational culture based on reasonable foresight and responsible hindsight.

4. Risk Management Method

- 4.1. The Council will manage risks in accordance with ISO 31000. In doing so it will use the risk criteria agreed from time to time by the Senior Leadership Team (SLT) and approved by the Risk Oversight Committee of the Council. The current *risk criteria* can be found at [A1545157](#). These criteria are to be used for the assessment of *risks*, and for deciding whether and at what level in the organisation action is required to treat *risks*.

5. Policy

- 5.1. All decisions made by Council will take into consideration and where necessary treat *risks* to Council's objectives. In this context decisions include;
 - 5.1.1. The formulation of plans including statutory planning documents and planning of service delivery through Annual Plans, Asset Management plans, Business Unit plans etc.
 - 5.1.2. Decisions to undertake or not undertake particular work in maintaining or developing Council services (including the assets needed for the provision of those services)
 - 5.1.3. Contracting for the provision of goods or services
 - 5.1.4. Deciding on the course of action in response to requests for service
 - 5.1.5. Decisions required during the execution of a project or other item of work
- 5.2. Taking Into consideration *risks* requires:
 - 5.2.1. Clear and (as far as practicable) specific, measurable, achievable, relevant (to the Council's overall goals) and time-bound objectives
 - 5.2.2. The systematic identification of *risks*
 - 5.2.3. The understanding of the effect of existing *controls* on those *risks* so establishing *residual risks*
 - 5.2.4. The analysis and evaluation of those *risks* using the consequence and likelihood parameters set out in the Council's *risk criteria*
 - 5.2.5. Taking actions to treat or explicitly tolerate any *risks* which fall outside the tolerances set in Council's *risk criteria*.
 - 5.2.6. Monitoring to ascertain that *controls* put in place as a result of treatment actions are having the intended effect.

- 5.2.7. Maintaining a record of *risks*, the result of their *assessment*, the current *controls*, and proposed *treatments* sufficient to enable ongoing *monitoring and review*
- 5.3. This *risk management* processes will be based on the best information available at the time the decision is to be made. (This may mean that a decision is made to better characterise *risks* before proceeding.)
- 5.4. Clause 5.1 above does not apply to decisions made by Elected or Appointed Members, although Councillors should seek advice on the *risks* inherent in their decisions and incorporate these into their decision making.
- 5.5. The consideration of *risks* will include early and comprehensive communication and /or consultation with those affected by the decision in a manner consistent with Council's other obligations including but not limited to those under the Local Government Official Information and Meetings Act, Privacy Act and good business practice.
- 5.6. The effort applied to managing *risks* must always be less than the value at risk.
- 5.7. *Risks* are to be reviewed, including the identification of new *risks* and the deletion of *risks* which are no longer relevant to the objectives of the Council, Group or Business Unit, at sufficient frequency to capture changes in the internal and external *context* of that part of Council.

6. Responsibility

- 6.1. The Risk Oversight Committee of Council (currently the Audit Risk and Finance Subcommittee) is responsible for recommending approval of this policy and for recommending adoption by Council of risk criteria. The Risk Oversight Committee of Council is responsible for oversight of the Council's implementation of this policy.
- 6.2. The Chief Executive is responsible for ensuring that this policy is actioned across the organisation in a consistent manner and specifically that appropriate *risk management* is applied to all forms of planning and decision making. This includes allocating sufficient resources.
- 6.3. The SLT is responsible for requiring all decisions, including its own decision making, to be made in a manner which considers the associated *risks*.
- 6.4. Managers are responsible for making decisions within their delegated authority in a way that accounts for *risk* – i.e. as set out in this policy. They are also responsible for identifying *risks* which are sufficiently large as to require treatment but cannot be treated within the scope of their delegated authority. Any such *risks* are to be reported promptly to the SLT with recommended *treatments*. Managers are also responsible for the ongoing application of controls to maintain *risks* to within the Council's risk criteria.
- 6.5. Any officer or contractor advising a decision maker at any level is responsible for:
 - 6.5.1. Identifying the *risks* associated with the decision
 - 6.5.2. Understanding the current *controls* which modify those *risks*

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- 6.5.3. Assessing the *residual risks* in accordance with the Council's *risk criteria*
- 6.5.4. Recommending *treatments* to enable the *risks* to be managed within the Council's *risk criteria*.
- 6.5.5. The Council's risk adviser (currently the Risk and Procurement Analyst) is responsible for maintaining the Council's *risk criteria*, policies, procedures and other tools, and the provision of advice and skill development to any Council officer with responsibilities under this policy. The Council's risk adviser is also responsible for reporting on the organisation's risk management to the Council's Risk Oversight Committee.

7. Reporting

- 7.1. The Council's *risk profile* and its *risk management* performance shall be reported to the Council's Risk Oversight Committee at intervals to be determined by that Committee from time to time.

8. Audit and review

- 8.1. This policy is to be reviewed;
 - 8.1.1. By the review date shown on the cover page; or
 - 8.1.2. In the event that any external standard referenced in the policy is updated; or
 - 8.1.3. At such other time as may be directed by SLT on the advice of the Risk Adviser.
- 8.2. In the event that this review requires changes to this policy the changed policy will be submitted to the Council's Risk Oversight Committee for approval.
- 8.3. From time to time the Council's decision making processes will be audited by the Council's internal auditor who will report, including recommended actions to rectify deficiencies found (if any), on the extent to which risks are being effectively managed.

Annex: summary overall objectives for Nelson City Council

1) Core services:

- a) To deliver core territorial authority services (see s. 10 and 11A Local Government Act) (i.e. network infrastructure, public transport services, solid waste collection and disposal, the avoidance and mitigation of natural hazards, and libraries, museums, reserves and recreational facilities and community amenities) so as to meet present and anticipated future needs of the district
- b) To deliver core council functions (see s.30 and s.31 of the Resource Management Act) to manage the natural and physical resources of the district in an integrated fashion
- c) To provide other regulatory services as specified in other legislation including in areas such as liquor control, animal control, building certification, prostitution, etc.
- d) To provide regional coordination and management of emergencies
- e) To provide such other community services and at levels agreed on by the council from time to time including (for example) the operation of events to build and reinforce a sense of community.

2) Democracy services

- a) To provide comprehensive and accurate information in way that can be readily understood by elected representatives so enabling them to make fully informed decisions about the local management of the district to the extent provided for by law.

3) Style and method

- a) To undertake the activities necessary to deliver (1) to (3) above:
 - i) In compliance with legislation (including law, regulation and other subsidiary instruments)
 - ii) As far as practicable, collaboratively with Tasman District Council and Marlborough District Council and by developing systems procedures and tools in common with other similar unitary authorities
 - iii) Efficiently and in a manner that meets the local community's expectations for transparency and accountability
 - iv) In a manner which meets or exceeds the organisation's expectations of itself in customer focus, integrity and teamwork (organisational KPI).

Table 1: Consequence Rating (Impact)

Rating	Safety	Health	Asset Performance/ Service Delivery	Environmental/ Historical/cultural	Financial	Political / Community/ Reputational	Relationship with Iwi	Legal compliance	Information/ decision support
Extreme (5)	Multiple fatalities of workers or public (MF)	Significant loss of life expectancy for multiple persons or incapacity for more than 1000 person days	Service not provided for more than 5000 person days	Permanent environmental damage on a nationally significant scale and/or permanent loss of nationally significant building, artwork, or other valued entity	Overspend, loss (i.e. spend without result) or income loss of > \$5m OR >100% of business unit budget	Major loss of public confidence in Council (>2000 opponents via social media or other mediums) Negative international mainstream media coverage; shareholder or key stakeholder outage; or loss of a key customer	Major breakdown of relationship affecting multiple areas. Refusal to resolve without one or more major concessions from council	Litigation/ prosecution or civil action successful resulting in major (>50% of maximum available) fine/costs awarded and/or imprisonment of council officer.	Multiple errors in information and analysis and presentation misleading (intentionally or not) or not understandable by non- specialists
Major (4)	Single fatality of workers or public (SF)	Single loss of life expectancy or incapacity for between 100 and 1000 person days	Service not provided for less than 5000 person days but more than 500 person days	Major environmental damage with long-term recovery requiring significant investment and/or loss or permanent damage to a registered historical, cultural or archaeological site or object(s)	Overspend, loss (i.e. spend without result) or income loss of > \$1m and <\$5m OR between 70% and 100% of business unit budget	Significant negative public reaction likely (200-2000 opponents via social media or other mediums) Negative national mainstream media coverage; significant negative perception by shareholder or key stakeholder; or a customer disruption	Significant breakdown of relationship largely in one area. Some concessions from council sought before substantive issue considered by iwi grouping affected	Litigation/ prosecution or civil action successful resulting in minor fine(<50% of max available)/ costs awarded.	One major error in information, analysis incomplete and presentation ambiguous
Moderate (3)	Notifiable injury of workers or public.	Incapacity for between 20 and 100 person days	Service not provided for less than 500 person days but more than 50 person days	Measurable environmental harm on a nationally significant scale. Some costs in terms of money and/or loss of public access or conservation value of the site and/or restorable damage to historical, cultural or archaeological site or object(s)	Overspend, loss (i.e. spend without result) or income loss of > \$0.5m and <\$1m OR between 30% and 70% of business unit budget	Some negative public reaction likely (30-200 opponents via social media or other mediums) Repeated complaints; Regulatory notification; or negative stakeholder, local media attention	Major relationship damaged in a single area but amenable to negotiation	Documented Breach of legislation, no legal action or prosecution or civil action not successful.	Information correct but presentation/ analysis insufficient to support decision on the day
Minor (2)	Serious injury on one person requiring medical treatment (MA)	Incapacity for between 1 and 20 person days	Service not provided for less than 50 person days but more than 5 person days	Medium term environmental impact at a local level and/or development compromise to the integrity of a registered historical, cultural or archaeological site	Overspend, loss (i.e. spend without result) or income loss of > \$100k and <\$500k OR between 10% and 30% of business unit budget	Minor public reaction likely (<30 active opponents via social media or other mediums) Workforce attention; limited external attention;	Relationship damage resolvable through normal communication/ consultation mechanisms	Formal warning of breach from legislative authority.	Information correct, analysis complete but presented in a way which could be misinterpreted
Insignificant (1)	Minor injury requiring only first aid or less (FA)	Incapacity for less than 1 person day	Service not provided for between 1 & 5 person days	Short term and temporary impact requiring no remedial action and/or restorable loss damage to historical/ cultural record	Overspend, loss (i.e. spend without result) or income loss of > \$10k and <\$100k OR between 5% and 10% of business unit budget	Very limited negative reaction (1 or 2 active opponents via social media or other mediums) Internal attention only from staff directly working on the matter.	Iwi/ tribe/ hapu public dissatisfaction resolvable through routine communication	Breach of minor legislation/ no legal action	Small errors in information or presentation - no effect on decision

Table 2: Risk Matrix – Consequences x Likelihood

CONSEQUENCES					LIKELIHOOD of the given consequence occurring			
Insignificant(1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)	Descriptor	Qualitative guidance statement	Indicative Probability range %	Indicative frequency range (years)
Medium (5)	Medium (10)	High (15)	Very High (20)	Very High (25)	Almost certain (5)	The consequence can be expected in most circumstances OR A very low level of confidence/information	>90%	>1 occurrence per year
Medium (4)	Medium (8)	High (12)	High (16)	Very High (20)	Likely (4)	The consequence will quite commonly occur OR A low level of confidence/information	20% - 90%	Once per 1-5 years
Low (3)	Medium (6)	Medium (9)	High (12)	High (15)	Possible (3)	The consequence may occur occasionally A moderate level of confidence/information	10% - 20%	Once per 5-10 years
Very Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)	Unlikely (2)	The consequence may occur only infrequently A high level of confidence/information	2% - 10%	Once per 10 - 50 years
Very Low (1)	Very Low (2)	Low (3)	Medium (4)	Medium (5)	Rare (1)	The consequence may occur only in exceptional circumstances A very high level of confidence/information	<2%	Less than once per 50 years

Table 3: Residual Risk Tolerance

Risk Level	Description and Action	Authority for continued tolerance	Timing for implementing action
Very High	Not normally tolerable, immediate intervention to reduce risk	CE or SLT (Council at CE discretion)	Immediate if possible but no more than one month
High	Not normally tolerable, initiate action as soon as practicable to reduce risk below High	SLT or Group Manager (Council at CE discretion)	As soon as practicable but no more than 2 months
Medium	Normally tolerable, frequently review to look for opportunities to further reduce risk where practicable	Business Unit Manager	At least within one quarter
Low	Acceptable risk, routine review for low cost actions to reduce risk further	No specific authority required	Routine review period (e.g. 3- 6 monthly)
Very Low	Acceptable risk, no specific actions to reduce further	No specific authority required	Only if incidental to another action

Interpretation notes

1) In respect of health impacts, the term incapacity is not limited to inability to undertake remunerated work but includes any incapacity to undertake normal activities including childcare, recreational, community voluntary activities, and normal household activities. It includes both physical and mental or emotional capacity.

Internal Audit - Annual Audit Plan to 30 June 2018

1. Purpose of Report

- 1.1 To approve the Internal Audit Plan for the year to 30 June 2018.

2. Recommendation

That the Subcommittee

Receives the report Internal Audit - Annual Audit Plan to 30 June 2018 (R7587) and its attachment (A1748975);

Recommendation to Council

That the Council

Approves the Internal Audit – Annual Audit Plan to 30 June 2018 (A1748975).

3. Background

- 3.1 Under the approved Internal Audit Charter a risk-based internal audit plan is to be reviewed by the Subcommittee at least annually prior to the beginning of each financial year.
- 3.2 The Charter requires that in compiling the internal audit plan the impact of resource limitations is to be considered.

4. Discussion

- 4.1 The Council's risk criteria has been applied in compiling the Internal Audit Plan to 30 June 2018, with topics assessed as having the highest risks given priority.
- 4.2 Audits which were unable to be completed in the approved plan to 30 June 2017 are also included, as are the two deferred audits approved by Council on 15 December 2016 (Liability Management Policy and Investment Policy audits).

- 4.3 Two complex audits which require specialist knowledge are proposed for the Internal Audit Plan to 30 June 2018. These are in areas where it is considered Council should obtain expert opinion to satisfy itself that there are no risks beyond an accepted level. Note that \$40,000 has been budgeted for this purpose.
- 4.4 In determining the number of audits to be performed to 30 June 2018, each audit has been assessed by complexity – a) complex; b) standard; c) minor. Each of these categories requires an estimated number of hours, based on time taken for audits of similar complexity during the 2016/17 year.

Resource Limitations

- 4.5 The internal audit plan to 30 June 2017 which allowed for 32 audits to be performed proved to be unrealistic. To help remedy this, Council approved non-budgeted funds of \$50,000 for external consultancy engagements (actual costs will fall within budget), and some audits were reallocated to non-audit Council staff. A further four audits were combined into two audits, reducing the total audits to be performed to 30.
- 4.6 Of the eight audits allocated to non-audit staff, only two of these are expected to be completed by 30 June 2017 due to the staff member's non-availability after performing their own formal responsibilities. Looking ahead to the 2017/18 plan, we have therefore set a more realistic target for audits undertaken by non-audit Council staff.
- 4.7 There were 26 audits completed (or soon to be) for the year to 30 June 2017:

Auditor	Audits Completed
Internal Audit Analyst	15
Non-audit Council Staff	2
External Consultants	9
Total Audits Completed for 2016/17	26

- 4.8 The proposed plan for the year to 30 June 2018 provides for 25 audits:

Auditor	Audits Proposed
Internal Audit Analyst	14
Appointed Staff Member	6
Non-audit Council Staff	2

Not yet assigned	1
External Consultants	2
Total Audits Proposed for 2017/18	25

5. Quantity and Assignment of Proposed Audits

- 5.1 The number of audits proposed for 2017/18 is comparable to that accomplished for 2016/17 and is considered realistic.
- 5.2 From 1 July, a staff member to formally assist the internal audit function has been will be assigned to provide hours towards the plan. This will eliminate the need to secure external consultants for standard or minor audits and reduce the number of non-audit Council staff required.
- 5.3 The undertaking of two audits by non-audit staff is considered more realistic than the eight provided for in 2016/17.

6. Options

- 6.1 Accept the recommendation to approve the proposed Internal Audit Plan to 30 June 2018.
- 6.2 Reject the proposed Internal Audit Plan to 30 June 2018.

Option 1: Accept the Proposed 2017/18 Internal Audit Plan	
Advantages	<ul style="list-style-type: none"> Council can demonstrate its commitment to improving controls and practices that ensure the prudent, effective and efficient management of Council resources.
Risks and Disadvantages	<ul style="list-style-type: none"> The audit plan might not be achieved due to unexpected factors, such as the complexity of audits or the non-availability of personnel. The audit plan is finite in scope and therefore functions outside the scope of the plan are not audited.
Option 2: Reject the Proposed 2017/18 Internal Audit Plan	
Advantages	<ul style="list-style-type: none"> The resources applied to this audit plan could be diverted to other Council priorities.
Risks and Disadvantages	<ul style="list-style-type: none"> Council may suffer reputational damage and financial losses that could lead to the public losing confidence in Council's ability to function effectively on its behalf and to meet its obligations under the Local Government Act 2002.

7. Conclusion

7.1 The Internal Audit Plan to 30 June 2018 is recommended for approval.

Lynn Anderson
Internal Audit Analyst

Attachments

Attachment 1: A1748975 - Internal Audit - Annual Audit Plan 2017/18 [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	Council has chosen to undertake internal audits to help improve systems, their controls and efficiencies, in order to help give confidence that it will be able to meet its responsibilities cost-effectively and efficiently.
2. Consistency with Community Outcomes and Council Policy	This report supports the community outcome that Council provides leadership, which includes the responsibility for protecting finances and assets through the minimisation of fraud, consistent with guidance provided in Council's Fraud Prevention Policy.
3. Risk	There is more risk that Council may not meet its responsibilities cost-effectively and efficiently if this recommendation is not accepted.
4. Financial impact	The recommendation will not have any significant financial impact.
5. Degree of significance and level of engagement	This matter is of low significance because it does not affect the level of service provided by Council or the way in which services are delivered. Therefore no engagement has been undertaken.
6. Inclusion of Māori in the decision making process	There has been no consultation with Maori in the preparation of this report.
7. Delegations	The Audit, Risk and Finance Subcommittee has the responsibility for audit processes and the management of financial risks. The Audit, Risk and Finance Subcommittee has the power to make a recommendation to Council on this matter.

Internal Audit Plan
to 30 June 2017

To be completed by	Activity to be Audited	Reason for Audit	Audit Objective	Jul-17 2017	Aug-17 2017	Sep-17 2017	Oct-17 2017	Nov-17 2017	Dec-17 2017	Jan-18 2018	Feb-18 2018	Mar-18 2018	Apr-18 2018	May-18 2018	Jun-18 2018
	Cash Collection - Internal & External			July	August	September	October	November	December	January	February	March	April	May	June
Internal Audit Analyst	Tahunanui Beach Camp revenue receivable	HIGH risk rating for reputational damage (Moderate consequence/likelihood once per 1 - 5 years)	Provide Council with a level of assurance of the reliability of the monthly revenue data provided by the Tahunanui Beach Camp.			✓									
Internal Audit Analyst	Library - revenue collection and recording	Officers have indicated that there are issues reconciling income due to non-integration of software systems utilised	Establish whether there is a sound internal control environment at the Libraries, and if there are gaps from the non-integration of the Library's management system Symphony and MagIQ Accounting Information System which compromise Council's ability to rely on the revenue data provided.										✓		
Internal Audit Analyst	Marina - new berth licence process (permanent & temporary)	Officers have indicated that there are potential legal, political and revenue collection issues due to inconsistency of processes and controls	Ascertain whether formal systems exist, are effective and followed so that Council's legal and financial risk is minimised for new berth-holders licences.		✓										
Internal Audit Analyst	Marina - revenue collection and recording	HIGH risk rating for reputational damage (Moderate consequence/likelihood once per 1 - 5 years)	Provide Council with a level of assurance of the reliability of the monthly revenue data provided by Nelmac for the Marina.		✓										
Internal Audit Analyst	Transfer Station - revenue collection and recording	HIGH risk rating for reputational damage (Moderate consequence/likelihood once per 1 - 5 years)	Provide Council with a level of assurance of the reliability of the monthly revenue data provided by Nelmac for the Transfer Station.						✓						
Internal Audit Analyst	Nbus Ticket Revenue and recording	HIGH risk rating for reputational damage (Moderate consequence/likelihood once per 1 - 5 years)	Provide Council with a level of assurance of the reliability of the monthly revenue data provided by NBus.												✓
Internal Audit Analyst	Total Mobility Taxi - revenue collection and recording & contract compliance	HIGH risk rating for reputational damage (Moderate consequence/likelihood once per 1 - 5 years)	Provide Council with a level of assurance of the reliability of monthly revenue data provided by the taxi companies that are contracted under the Total Mobility Scheme.								✓				
	Fraud														
Internal Audit Analyst	Six Monthly Fraud Training - October 2017						✓								
Internal Audit Analyst	Six Monthly Fraud Training - April 2018												✓		
	Sensitive Expenditure														
Internal Audit Analyst	Gift & Supplier Invitations Policy	Sensitive Expenditure must be closely controlled by Council to maintain its reputation for financial prudence and transparency	Verify whether appropriate Gifts and Supplier invitations are received by Officers and that each receipt follows the requirements of the Policy.												
Appointed staff member	Sensitive Expenditure Policy (non-travel)	Sensitive Expenditure must be closely controlled by Council to maintain its reputation for financial prudence and transparency	Verify whether appropriate non-travel related Sensitive Expenditure is incurred by Officers and that each of these follow the requirements of the Policy.	✓							✓	✓			

Internal Audit Plan
to 30 June 2017

To be completed by	Activity to be Audited	Reason for Audit	Audit Objective	Jul-17 2017	Aug-17 2017	Sep-17 2017	Oct-17 2017	Nov-17 2017	Dec-17 2017	Jan-18 2018	Feb-18 2018	Mar-18 2018	Apr-18 2018	May-18 2018	Jun-18 2018
	Cash Collection - Internal & External			July	August	September	October	November	December	January	February	March	April	May	June
	Governance/Political														
Appointed staff member	NCC Elected Members Code of Conduct with respect to accepting gifts/hospitality/expenses; Sensitive Expenditure that relates to the NCC Elected Members Reimbursement and Expenses Policy 2016-2019	Sensitive Expenditure and the receipt of gifts by elected members from the public at large must be closely controlled and monitored by Council to maintain its reputation for financial prudence and transparency	Verify whether appropriate sensitive expenditure is incurred by elected members and that is recorded and transparent, that records are complete and processes follow the requirements of the Policies.			✓									
	Procurement (Purchasing, Contracting & Tendering)														
External Contractor	Property Maintenance Contracts	Financial loss assessed as HIGH (impact major/likelihood possible)	To provide an assessment of whether adequate oversight and controls exist to ensure that services provided are pre-authorised, necessary, and cost-effective for households and businesses.					✓							
Management Accountant (carryover from 2016/17)	Unprogrammed spend	Financial loss assessed as HIGH (impact major/likelihood possible)	To provide an assessment of the transparency, accuracy and appropriateness of decision-making relating to unprogrammed spend and to its actual recording in the financial statements; to determine if there is adequate oversight that ensures that services are being provided in a way that is most cost-effective for households and businesses.			✓									
	Financial Policies & Reviews														
Internal Audit Analyst	Liability Management Policy (deferred 2016/17)	Reputational damage assessed as HIGH (impact major/likelihood possible)	To provide a view on whether the Liability Management Policy is current and fit for purpose and to review compliance with the Policy.					✓							
Internal Audit Analyst	Investment Policy (deferred 2016/17)	Reputational damage assessed as HIGH (impact major/likelihood possible)	To provide a view on whether the Investment Policy is current and fit for purpose and to review compliance with the Policy.									✓			
	Asset Protection														
Internal Audit Analyst	Asset Disposal Policy	Reputational damage assessed as HIGH (impact major/likelihood possible)	To provide a view on whether the Asset Disposal Policy is current and fit for purpose and to review compliance with the Policy.											✓	
Resource to be determined	Records Management Policy	Legal compliance risk and poor decision-making risk assessed as HIGH (impact major/likelihood possible)	To review organisational maturity with respect to meeting the objectives of the Records Management Policy												

Internal Audit Plan
to 30 June 2017

To be completed by	Activity to be Audited	Reason for Audit	Audit Objective	Jul-17 2017	Aug-17 2017	Sep-17 2017	Oct-17 2017	Nov-17 2017	Dec-17 2017	Jan-18 2018	Feb-18 2018	Mar-18 2018	Apr-18 2018	May-18 2018	Jun-18 2018
	Cash Collection - Internal & External			July	August	September	October	November	December	January	February	March	April	May	June
Internal Audit Analyst	Record Keeping Strategy	Legal compliance risk and poor decision-making risk assessed as HIGH (impact major/likelihood possible)	To provide a level of assurance to Council regarding the progress of the strategy against milestones. If progress is behind indicated timeframes, to identify reasons for this. Assess whether any known vulnerabilities are being adequately managed at each stage of the strategic plan							✓					
Appointed staff member	The Privacy Act in relation to Government Agency Shared Files	Reputational damage assessed as HIGH (impact major/likelihood possible)	To provide a level of assurance of Council's systems and controls adequacy to prevent unlawful or inadvertent disclosure of private or personal information that it is not required to release by law.												✓
Appointed staff member	Property Information Management	HIGH risk of legal non-compliance (Impact major/likelihood possible)	To identify the current status of transfer of property information management impediments to progress that may result in significant risk to Council					✓	✓						
External Contractor	Rates Module processing (this has been carried over from 2016-17 due to the added complexity of the audit now to be performed)	Senior Management Request	Identify and report on any material control weaknesses in MagiQ's Rating Module that may lead to inaccurate data; identify any other control weaknesses in the processing of rates and make recommendations for initial and ongoing testing of data and transactions to identify these inconsistencies				✓								
	Health & Safety														
Health & Safety Adviser	HSMS - physical safety review	HIGH risk rating for Safety of Elected Members and of Officers (Impact Major/likelihood possible)	Provide Council and Senior Leadership with a level of assurance whether there remain any significant risks from the Physical Safety Review.												
	Internal Audit Reporting														
Internal Audit Analyst	ARF - 4th Quarter - 2016/17				✓										
Internal Audit Analyst	ARF - 1st Quarter - 2017/18							✓							
Internal Audit Analyst	ARF-2nd Quarter - 2017/18										✓				
Internal Audit Analyst	ARF - 3rd Quarter - 2017/18													✓	
Internal Audit Analyst	Annual Internal Audit Plan													✓	
	Second Time Around														
Internal Audit Analyst	Segregation of Duties	Repeat audit - high risk area throughout Council without strong controls	Repeat audit. Confirm status of recommendations from prior audit and ensure controls and process improvements are working as intended				✓								
Appointed staff member	Privacy Act	Repeat audit - high risk area throughout Council without strong processes and controls	Repeat audit. Confirm status of recommendations from prior audit and ensure controls and process improvements are working as intended							✓					

Internal Audit Plan
to 30 June 2017

To be completed by	Activity to be Audited	Reason for Audit	Audit Objective	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
				2017	2017	2017	2017	2017	2017	2018	2018	2018	2018	2018	2018
	Cash Collection - Internal & External			July	August	September	October	November	December	January	February	March	April	May	June
Internal Audit Analyst	Parking Meter Revenue	Repeat audit - high risk area throughout Council without strong processes and controls	Repeat audit. Confirm status of recommendations from prior audit and ensure controls and process improvements are working as intended				✓								
Appointed staff member	Business Continuity Planning	Repeat audit - high risk area throughout Council without strong processes and controls	Repeat audit. Confirm progress of responses to recommendations from prior external audit, and any actions subsequently approved by the Senior Leadership Team											✓	

Health and Safety Governance Charter review

1. Purpose of Report

- 1.1 To review and approve the Health and Safety Governance Charter.

2. Recommendation

That the Subcommittee

Receives the report Health and Safety Governance Charter review (R7622) and its attachment (A1767136);

Recommendation to Council

That the Council

Approves the revised Health and Safety Governance Charter (A1767136).

3. Background

- 3.1 Council has implemented a Health and Safety Management System following adoption of the Health and Safety at Work (HSW) Act 2015. The Health and Safety Governance Charter is Council's 'peak' document relating to health and safety. It defines how Council sets health and safety expectations and, in particular, sets out governance expectations in relation to health and safety. The Health and Safety Governance Charter was first adopted by Council on 17 December 2015.
- 3.2 The Governance Charter is supported by the Health and Safety Strategic Plan (2015-2020) also approved by Council. Both documents are now due for review. This report attaches a revised Governance Charter for consideration (Attachment 1). A review of the Health and Safety Strategic Plan is programmed for the September meeting of the Audit, Risk and Finance Subcommittee.

4. Discussion

- 4.1 Under the HSW Act 2015, the Council and members of the Senior Leadership Team assume many of the standard responsibilities that would normally sit with a Board of Directors. They are classed as “officers” under the Act.
- 4.2 Under Section 18 of the Act, an officer of a PCBU (a person conducting a business or undertaking), is either a director of that company or any other person occupying a position that has significant influence over the management of that company e.g. elected members, and certain members of the Senior Leadership Team. Such officers have a duty of due diligence.
- 4.3 Section 44 (4) of the HSW Act 2015 outlines the due diligence expectations of officers, which includes keeping up to date in health and safety matters; understanding the business, its hazards and risks; allocating appropriate resources to health and safety; and ensuring that the business has appropriate processes for collecting and considering health and safety data.
- 4.4 The New Zealand Institute of Directors Good Governance Practices Guideline for Managing Health and Safety Risks has been adopted as the guiding principles for health and safety governance.

5. Review and changes

- 5.1 The current Health and Safety Governance Charter has been reviewed in light of progress made by Council since the HSW Act was introduced. The current Governance Charter appears to have served its purpose well and has provided a basis for measuring Council’s performance. For example, health and safety observations have become a regular part of Councillor visits to work sites, regular reporting to Council on health and safety takes place, and councillors and appointed members actively participate in risk and health and safety workshops.
- 5.2 Since the HSWA 2015 was introduced, Council’s health and safety documentation has been updated, notably the Health and Safety Manual, which is a comprehensive 90 page document covering all aspects of Council’s health and safety management system. In light of that work, the attached update of the Health and Safety Governance Charter has focused the document more specifically on governance responsibilities. The document has been reduced from 22 pages to four pages. The general material previously found in the Governance Charter (e.g. describing the health and safety management system at all levels) can still be read in the Health and Safety Strategic Plan and the Health and Safety Manual. The revised Governance Charter contains a Governance Due Diligence Plan by which Council will be able to measure its progress. It is proposed to include a section in the regular health and safety quarterly reports to report against the Governance Due Diligence Plan.

- 5.3 The revised Health and Safety Governance Charter is attached for approval.

6. Options

Option 1: Approve the H&S Governance Charter	
Advantages	<ul style="list-style-type: none">• Council demonstrates positive due diligence in relation to health and safety matters in the Council workplace. This assists in meeting councillors' obligations as 'Officers' under the HSW Act 2015.
Risks and Disadvantages	<ul style="list-style-type: none">• Receiving the report alone is not sufficient. Positive diligence (understanding, asking questions etc) is required.
Option 2: Decline to approve H&S Governance Charter	
Advantages	<ul style="list-style-type: none">• Further changes or improvements to the proposed Charter could be made.
Risks and Disadvantages	<ul style="list-style-type: none">• Council will not be able to use the revised Charter to help demonstrate due diligence on health and safety matters.

Roger Ball
Manager Organisational Assurance and Emergency Management

Attachments

Attachment 1: Revised Health and Safety Governance Charter (A1767136) [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	This report forms part of Council's work to perform its regulatory functions. Council has an obligation under the Health and Safety at Work (HSW) Act 2015 because it is classed as a Person Conducting a Business or Undertaking (PCBU), and Councillors, appointed members, and Council's senior management have obligations as "Officers" under that Act.
2. Consistency with Community Outcomes and Council Policy	The recommendations align with the Community Outcome: <i>Our communities are healthy, safe, inclusive and resilient.</i>
3. Risk	This report aims to help councillors meet their due diligence obligations as "Officers" under the Health and Safety at Work Act 2015. The likelihood of adverse consequences is assessed as low based on the current record of Council's health and safety systems and our on-going monitoring of them. However the consequences for Council could still be significant if there were to be a serious harm incident to a Council worker, contractor or other person. These consequences could include harm to people, prosecution of the Council and/or its officers, financial penalties, and/or reputational damage.
4. Financial impact	There are no immediate budget implications arising from this report.
5. Degree of significance and level of engagement	This matter is of low significance because it is reporting providing high level guidance on Council's health and safety governance, and no engagement is required.
6. Inclusion of Māori in the decision making process	Māori have not been consulted in the preparation of this report.
7. Delegations	The Audit Risk and Finance Subcommittee has responsibility for Health and Safety and has the power to make recommendations to Council about any matters within its areas of responsibility.



Health and Safety Governance Charter

Approved by Council: XX 2017

Review Date: November 2019

Contact: Manager Organisational Assurance

May 2017

1. Purpose

The Health and Safety Governance Charter outlines governance responsibilities and provides a high level overview of health and safety leadership at Nelson City Council (Council).

This Governance Charter is Council's highest level statement regarding health and safety and is supported by a five year Health and Safety Strategic Plan.

2. Commitment Statement

Council will establish and maintain an effective governance framework in accordance with the Health and Safety at Work Act (HSWA) 2015, other relevant legislative requirements, and established principles to ensure a thorough oversight of health and safety across the full scope of Council's activities.

This framework will be implemented and regularly reviewed to ensure that Council is continuously acting in accordance with best practice for the governance of health and safety, and in order to manage Council's health and safety risks.

3. Vision

Council's health and safety vision is to create a culture of organisational wellness and safety, manage risk to a level as low as reasonably practicable, ensure continuous improvement in our systems and processes, and work together to deliver outcomes in a way that promotes both safety and health.

4. Scope

The requirements of Council's Health and Safety Governance Charter apply to all Council controlled activities. This includes all Council workplaces and workers (employees, contractors or volunteers) where Council acts as principal to the contract or has significant influence or control over the workers in the workplace. It shall only apply to relevant Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs) when they are used as contractors.

5. Responsibilities**5 (a) Due Diligence**

As officers under the Health and Safety at Work Act 2015 (HSWA), Councillors, the Chief Executive Officer (CEO) and some members of the Senior Leadership Team (SLT) are required to exercise due diligence, and in doing so take all reasonably practicable steps to:

- Keep up to date with health and safety matters
- Understand the Nature of the Council business and its hazards and risks
- Ensure that Council has appropriate resources & processes to eliminate or minimise those risks and uses them
- Ensure there are appropriate reporting and investigation processes in place
- Ensure there are processes in place for complying with any duty under HSWA
- Verify that these resources and processes are in place and being used.

(From HSWA 2015 s. 44(4))

Councillors and appointed members will act in good faith at all times to cooperate with and support the CEO to enable him/her to ensure that he/she and the Council comply with the relevant health and safety legislation and best practice. This will include supporting the CEO by ensuring that he/she has the appropriate resources and support to:

- Develop policy and procedures that express the Council's commitment to health and safety
- Manage risks to health and safety under the principle that workers and others should be given the highest level of protection against harm that is reasonably practicable
- Identify key risks to ensure that resources are allocated where they are needed most
- Report and investigate all accidents, incidents and near misses in a timely and accurate manner
- Ensure all workers are appropriately trained and/or supervised
- Provide opportunities for all workers to engage and participate in matters of health and safety
- Establish measurable objectives to ensure continuous improvement in the management of health and safety and report appropriate health and safety lead and lag indicators to Council
- Consult and coordinate activities with other organisations (other PCBU's) that have overlapping health and safety duties
- Ensure the treatment, care and rehabilitation of injured workers including where possible appropriate return to work programmes.

5 (b) Specific Leadership Responsibilities

Council approves the Health and Safety Governance Charter and the Health and Safety Strategic Plan.

The CEO and SLT has management responsibility for setting health and safety expectations, and accountability for health and safety performance.

The CEO is responsible for implementing the strategy and providing the resources to achieve the expectations set by the SLT.

The SLT will maintain appropriate oversight over matters relating to health and safety.

6. Governance Due Diligence Plan

Objectives		Actions	Indicators
Know	Keep up to date with health and safety matters	Understand Council's health and safety management systems	Officer performance in safety leadership
Understand	Understand the nature of the Council business and its hazards and risks	Attend workplace visits with a focus on health and safety matters	ACC accreditation
		Attend and participate in health and safety and risk management workshops	Worksafe interventions
Resource	Ensure that Council has appropriate resources &	Set objectives via the Chief Executive's Employment Committee	Notifiable events
			Workplace Support statistics
			Employee survey results

	processes to eliminate or minimise those risks and uses them	Seek information and assurance through the Audit Risk and Finance Subcommittee that health and safety risks are identified and managed within an appropriate framework	H&S training attendance Employee participation in health and safety Lost time injuries Accident Incident and near miss statistics (InControl) E-Road metrics External and review recommendations Internal audit and review recommendations H&S related employment relations grievances
Monitor	Ensure there are appropriate reporting and investigation processes in place		
Comply	Ensure there are processes in place for complying with any duty under HSWA		
Verify	Verify that these resources and processes are in place and being used.		

7. Monitor and Review

Council will receive quarterly reports regarding implementation of health and safety, including progress towards achieving the above Governance Due Diligence Plan.

This Governance Charter will be reviewed at the commencement of the next triennium.

8. Key Documents

Health and Safety Strategic Plan [A1398549](#)

Health and Safety Policy [A115020](#)

Health and Safety Manual [A117333](#)

Protected disclosure policy

1. Purpose of Report

- 1.1 To note the updated Protected Disclosure Policy.

2. Recommendation

That the Subcommittee

Receives the report Protected disclosure policy (R7631) and its attachment (A1338935) ; and

Notes the revised Protected Disclosure Policy (A1338935).

3. Background

- 3.1 The Audit, Risk and Finance Subcommittee has oversight of the Council's management of risk and internal procedures including those related to disclosure of serious wrongdoing.
- 3.2 The Protected Disclosure Policy is an organisational policy outlining how an employee of Nelson City Council may lodge a disclosure of serious wrongdoing under the Protected Disclosures Act 2000, and how the organisation must respond to such a disclosure. As the policy is an organisational policy rather than a Council policy, approval from the Subcommittee and Council is not required.
- 3.3 The policy is scheduled for review every three years, and a review is due.
- 3.4 There have been no legislative changes or internal procedure changes since the policy was last reviewed in 2014. The policy provides a robust mechanism for disclosure which meets legislative and good practice requirements.
- 3.5 Minor amendments have been made to reflect changes in designated Disclosure Officers. The policy does not require more substantial amendment at this time.

4. Options

- 4.1 It is recommended that the Subcommittee receive and note the reviewed Policy.

Stephanie Vincent

Manager People and Capability

Attachments

Attachment 1: A1338935 - Protected Disclosure Policy 2017 [↓](#)

Important considerations for decision making

1. Fit with Purpose of Local Government

Fit-for-purpose organisational policies are required to ensure that organisational performance is efficient, effective and appropriate to present and anticipated future circumstances.

2. Consistency with Community Outcomes and Council Policy

Fit-for-purpose organisational policies are required to ensure the Community Outcome of *Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement.*

3. Risk

Effective implementation of this policy is likely to reduce the potential for adverse consequences for employees who use the provisions outlined by policy.

4. Financial impact

There is no financial impact associated with this policy.

5. Degree of significance and level of engagement

This matter is of low significance because it is an organisational policy.

6. Inclusion of Māori in the decision making process

No consultation has occurred with Māori.

7. Delegations

No decision is required from the Subcommittee as the matter is an organisational policy, which falls within the delegations of the Chief Executive.

Protected Disclosure Policy

Effective June 2017

Review Date June 2020

**Contact: Manager Organisational Assurance and
Emergency Management**

Nelson City Council

Procedure

Manual Number

A.III.1.2

Contact person for queries:	Manager Organisational Assurance and Emergency Management
Approved by:	Senior Leadership Team
Date:	December 2000, reviewed January 2001, November 2009, December 2014, June 2017
Review Date:	June 2020

PROTECTED DISCLOSURE

Protected Disclosure Procedure

1.0 Purpose

The Council supports open and public accountability. If an employee has a concern regarding any wrongdoing in the Council, they are encouraged to discuss their concerns with either their Manager, Group Manager, the Chief Executive or refer to Report-It-now. However, it is recognised that an occasion may arise when an employee will wish to formally lodge a disclosure of serious wrongdoing. The purpose of this document is to outline how an employee of the Council may do so under the Protected Disclosures Act 2000.

2.0 Legal Requirements

While the Act applies to any body of persons (corporate or unincorporate) and whether in the public or private sector, the following procedure specifically relates to the Council (as an organisation subject to the Act).

The Protected Disclosures Act 2000 came into force on 1 January 2001. Its purpose is to promote the public interest by:

- a) facilitating the disclosure and investigation of matters of serious wrongdoing in or by an organisation; and
- b) protecting employees who, in accordance with the Act, make disclosures of information about serious wrongdoing in or by an organisation.

An employee may disclose information in the manner provided by the Act if:

- a) the information is about serious wrongdoing in or by the Council; and
- b) the employee believes on reasonable grounds that the information is true or likely to be true; and
- c) the employee wishes to disclose the information so that the serious wrongdoing can be investigated; and
- d) the employee wishes the disclosure to be protected.

"Serious Wrongdoing" is defined by the Act as including:

- An unlawful, corrupt or irregular use of public funds or public resources; or
- An act, omission, or course of conduct that constitutes a serious risk to public health or public safety or the environment; or
- An act, omission, or course of conduct that constitutes a serious risk to the maintenance of law, including the prevention, investigation, and detection of offences and the right to a fair trial; or
- An act, omission or course of conduct that constitutes an offence; or
- An act, omission, or course of conduct by a public official that is oppressive, improperly discriminatory, or grossly negligent, or that constitutes gross mismanagement,

3.0 Protections

The Act provides for the employee protection including:

- The employee's identity is protected (see Confidentiality below).
- Where an employee who makes a protected disclosure of information believes that they have suffered retaliatory action from the Council, the employee may have grounds for a personal grievance.
- The employee is protected from victimisation under section 66(1) of the Human Rights Act 1993.
- The Act protects an employee who makes a protected disclosure from any civil, criminal or disciplinary proceedings which might be taken against them for breaching any confidentiality agreement or practice.

However, the protection conferred by this Act **does not** apply where the person

- Makes an allegation which they know to be false;
- Acts in bad faith; or
- Makes a disclosure outside the provisions of the Act.

Matters subject to legal professional privilege cannot be disclosed as a protected disclosure.

4.0 Confidentiality

Every person to whom a protected disclosure is made or referred must use his or her best endeavours not to disclose information that might identify the person who made the disclosure unless the employee agrees in writing or the person who has acquired knowledge of the protected disclosure reasonably believes that disclosure of identifying information is essential:

- i) to the effective investigation of the allegations in the protected disclosure; or
- ii) to prevent serious risk to public health or public safety or the environment; or
- iii) having regard to the principles of natural justice.

This includes developing a practice that a request under the Local Government Official Information and Meetings Act 1987 would be withheld if the identity of the employee was requested.

5.0 Ombudsman Guidance

Any employee who has made a disclosure or is considering making a disclosure may contact the Ombudsman for guidance.

6.0 Procedure

1. Any employee considering making a disclosure of serious wrongdoing may approach a Disclosure Officer on a confidential basis for guidance on how to lodge a complaint. The approach may be made in person, telephone or in writing. The Council's designated Disclosure Officers are:
 - Group Manager Corporate Services
 - Group Manager Community Services
 - Manager People & Capability

2. The Disclosure Officer will;
 - a) provide guidance on the kinds of disclosures that are protected by the Act; and
 - b) provide guidance on the protections and confidentiality issues covered in the Act.
3. The disclosure of information may also be made to the Chief Executive or any Group Manager if the employee believes on reasonable grounds that the Disclosure Officer is or may be involved in the serious wrongdoing alleged in the disclosure, or the employee believes on reasonable grounds that the Disclosure Officer is, by reason of any relationship with a person who is or may be involved in the alleged wrongdoing, not the appropriate person to make the disclosure to.
4. Employees who wish to lodge a formal disclosure of serious wrongdoing may do so orally or in writing. A form is attached as Appendix 1 for those who wish to make a written submission. The purpose of the form is to gather as much relevant information as is possible to facilitate an investigation. Information provided will be treated in a highly confidential manner in accordance with the provisions of the Act.
5. The Disclosure Officer will;
 - a) prepare a written statement recording the facts that will be used for investigation purposes as they understand them and ask the employee to acknowledge the accuracy and correctness of its contents; that they understand the procedures which will be followed and consent to the investigation proceeding. Refer Appendix 2.
 - b) undertake a full and fair investigation of the allegation(s). This will involve checking facts, and may involve interviewing witnesses (if any).
 - c) when undertaking the investigation, use their best endeavours not to disclose information that might identify the person who made the disclosure unless;
 - i) that person consents in writing to the disclosure of that information; or
 - ii) the Disclosure Officer reasonably believes that disclosure of identifying information
 - is essential to the effective investigation of the allegations in the protected disclosure; or
 - is essential to prevent serious risk to public health or public safety or the environment; or
 - is essential having regard to the principles of natural justice.
 - d) conduct the investigation in accordance with the principles of natural justice,
 - e) commence an investigation, or take action or recommended action in relation to the allegations within 20 working days from the date of the disclosure,
 - f) take the appropriate action, or recommend the taking of action in respect of the allegations as soon as possible once the investigation has been completed,

- g) keep the employee making the protected disclosure fully informed of the investigation's progress.

The employee may further disclose the information to an appropriate authority if there has been no action or recommended action on the matter to which the disclosure relates within 20 working days after the date on which the disclosure was made. The appropriate authorities as defined in the Act are listed below.

- The Commissioner of Police
- The Controller and Auditor-General
- The Director of the Serious Fraud Office
- The Inspector-General of Intelligence and Security
- An Ombudsman
- The Parliamentary Commissioner for the Environment
- The Independent Police Conduct Authority The Solicitor-General
- The State Services Commissioner
- The Health and Disability Commissioner
- The head of every public sector organisation, whether or not mentioned above and a private sector body which comprises members of a particular profession or calling which has power to discipline its members.

An appropriate authority **does not** include:

- A Minister of the Crown except in the circumstances outlined in Point 3 of the "**Disclosures to other than the Disclosure officers**" section below.
- A member of Parliament
- The media

7.0 Referral of Protected Disclosures

1. Disclosure Officers may refer a protected disclosure on to another designated Disclosure Officer when they believe that the information disclosed could be more suitably and conveniently investigated by another Officer. Such circumstances may arise, for example, when the receiving Disclosure Officer will be unavailable to initiate and complete an investigation in a timely manner because of their absence from the workplace or because of prior work commitments or alternatively where another Disclosure Officer is, because of the nature of the information provided, better placed to investigate a particular disclosure.
2. A Disclosure Officer referring a protected disclosure to another Disclosure Officer must first ensure the receiving Disclosure Officer is available to initiate an investigation and prior to referring the disclosure notify the person who has lodged the disclosure of information that it is to be referred on.

8.0 Disclosures to other than the Disclosure officers.

1. Section 8 of the Act provides that disclosures may be made to the head or a deputy head of the organisation if:

- the employee making the disclosure believes on reasonable grounds that the person to whom the wrongdoing should be reported in accordance with the Protected Disclosure Policy is or may be involved in the serious wrongdoing alleged in the disclosure; or
- the employee making the disclosure believes on reasonable grounds that the person to whom the wrongdoing should be reported in accordance with the internal procedures is, by reason of any relationship or association with a person who is or may be involved in the serious wrongdoing alleged in the disclosure, not a person to whom it is appropriate to make the disclosure.

2. Section 9 of the Act provides that disclosures may be made to an appropriate authority if the Employee believes

- that the Chief Executive is or may be involved in the alleged serious wrongdoing; or
- the immediate reference to an appropriate authority is justified by reason of the urgency of the matter to which the disclosure relates, or some other exceptional circumstances; or
- that there has been no action or recommended action by the Disclosure Officer on the matter to which the disclosure relates, within 20 working days after the date on which the disclosure was made.

3. Section 10 of the Act provides that an employee may make a protected disclosure to a Minister of the Crown or the Ombudsman under the following circumstances:

- a) the employee has already made substantially the same disclosure to either a Disclosure Officer, or to an appropriate authority; and
- b) believes on reasonable grounds that the Disclosure Officer or appropriate authority to whom the disclosure was made;
 - i) has decided not to investigate the matter; or
 - ii) has decided to investigate the matter but has not made progress with the investigation within a reasonable time after the date on which the disclosure was made to the Disclosure Officer or appropriate authority; or
 - iii) has investigated the matter but has not taken any action in respect of the matter nor recommended the taking of action in respect of the matter, as the case may require; and
- c) **continues to believe** on reasonable grounds that the information disclosed is true or likely to be true.

9.0 Related Procedures

Protected Disclosures Procedure (A138264)

Fraud Prevention Policy (A138198)

Appendix One – Disclosure of serious wrongdoing form

Appendix Two – Summary of Facts written statement of disclosure

APPENDIX ONE – Disclosure of Serious Wrongdoing Form

IN CONFIDENCE

To

[Send this notice to a Disclosure Officer]

In terms of the Protected Disclosure Act 2000 I (insert name)

wish to disclose information on what I believe may be serious wrongdoing

Please describe the act, omission or misconduct in as much detail as you can here. Consider what happened, and when and where the incidents occurred. Who was involved?
Additional information can be attached

This disclosure is made in good faith and on the understanding that I will not be liable to any civil or criminal proceedings or to disciplinary proceedings by reason of having made the disclosure and that no retaliatory action will be taken by my employer for making this disclosure. I believe the allegations to be true.

Signature

Date

Disclosure Officer to complete and retain

ACTION	DATE	ACTION	DATE
1. Complaint lodged		4. Action Plan initiated	
2. Facts verified by Employee		5. Complainant informed of outcome	
3. Investigation Completed			

15. Protected disclosure policy - Attachment 1 - A1338935 - Protected Disclosure Policy 2017

This image shows a full page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(To be signed by the employee lodging the protected disclosure)

[illegible]

Date _____

Trafalgar Park Seating and Sale of the Punawai

1. Purpose of Report

- 1.1 To provide information requested at the Governance Committee meeting of 9 March 2017 in relation to the purchase of seating for Trafalgar Park and the sale of the harbourmaster vessel, the Punawai.

Recommendation

That the Subcommittee

Receives the report Trafalgar Park Seating and Sale of the Punawai (R7383) and its attachments (A345448, A1311242, R6448 and A1412442); and

Notes that the purchase of the Trafalgar Park Seats complied with Council's Procurement Policy 2015 (A345448); and

Notes that the Council approved the private sale of the Punawai for reasons of timeliness and efficiency, and recognised at the time of the sale that this approach departed from Council's Asset Disposal Policy 2015 (A1412442).

2. Background

- 2.1 At public forum on 9 March 2017, Mr Steve Cross suggested that Council had not followed its own procurement policies for the purchase for the seating for Trafalgar Park in 2015, and that it had not followed its Asset Disposal Policy for the sale of the Punawai in 2016.

Trafalgar Park Seating

- 2.2 On 12 February 2015, Council received a report in the public excluded section of the agenda entitled 'Temporary seating for events' (Attachment 1).

- 2.3 Council had previously discussed the possible purchase of 4000 new seats for Trafalgar Park at a workshop on 22 January 2015, and had been considering putting a budget line in the Long Term Plan 2015-25 for such a purchase. At the time, Council was advised that 4000 new seats would cost between \$500,000 and \$1,000,000.
- 2.4 Council heard that the cost of seat hire was significant. For example, during the Rugby World Cup 2011, Council hired in approximately 10,000 seats for \$350,000. Council has had feedback from other event organisers that the costs of overlay (particularly temporary seating) were a barrier to bringing events to Trafalgar Park.
- 2.5 On 3 February 2015 Council officers were made aware of an opportunity to purchase used seats of the same make as the temporary seats owned by Tasman District Council. The initial information provided indicated that the seats were owned by Acrow and were available in New Zealand as a result of the Cricket World Cup. It later transpired that the seats were indeed owned by Acrow but located in Australia.
- 2.6 There was no direct contact between Acrow and Council as it was felt that a negotiation on a commercial basis between two businesses with experience and skills in scaffold seating (Acrow and Nayland Scaffold Ltd) would result in a better value proposition for Council.
- 2.7 Nayland Scaffold provided construction services to Council for temporary seating for both the Rugby World Cup and the Cricket World Cup in 2015. It is a locally owned company with specific expertise in scaffold construction. Given the nature of the opportunity, Nayland Scaffold was approached to negotiate purchase of the seating on Council's behalf.
- 2.8 The initial price quoted for the seats was \$125 per seat (including supporting infrastructure) with transport additional. Council was advised that the total purchase price would be \$750,000 with transport of the seats to Nelson of up to \$60,000.
- 2.9 For comparison, the Tasman District Council paid \$470,000 for 3000 new seats (\$157 per seat), of the same type, in 2007.
- 2.10 A Nayland Scaffold representative visited the storage location in Australia and negotiated a final price of \$695,895 for 6000 seats *inclusive* of delivery to Nelson (\$116 per seat).
- 2.11 Nayland Scaffold passed on the negotiated price direct to Council. It received no commission or mark up from the price it negotiated with Acrow Ltd.
- 2.12 Nayland did receive payment for acting as Council's agent, and for the time taken to inspect the seats in Australia. That payment was less than \$5,000.
- 2.13 Nayland were contracted to construct the seats at Trafalgar Park. The value of this contract was less than \$50,000.

- 2.14 There was some urgency around this issue as there was a major sporting event booked in to use Trafalgar Park on 29 May 2015 which required seating to be available.
- 2.15 Council's procurement policy at the time is attached (Attachment 2)
- 2.16 The purchase of the seats is in line with the procurement policy as:
- The procurement of the seats, constituting a purchase of over \$100,000, did not require a publicly advertised tender as there were exceptional circumstances and there was a Council resolution (from the February 12 Council 2015 meeting) to take an alternative approach.
 - There were exceptional circumstances that allowed for the approval of the procurement of specialist services from Nayland Scaffold by a Group Manager, specifically:
 - Specialist knowledge of scaffold construction for temporary seats
 - Specific knowledge of temporary seating configurations for Trafalgar Park
 - Timeliness.
- 2.17 The use of Nayland Scaffold to negotiate the purchase of the seats involved a low value transaction (less than \$5000) from a supplier of a specialist nature.

Sale of the Punawai

- 2.18 On 8 September 2016 the Council received a report in the public excluded section of the agenda entitled "Proposed asset sale of the Punawai" (Attachment 3).
- 2.19 The report identified that Council's Asset Disposal Policy (attachment 4) requires Council approval for sale by public auction or trade in for assets valued over \$50,000. The Punawai was valued between \$55,000 and \$60,000 in one valuation and \$60,000 to \$65,000 by a second valuation.
- 2.20 Attached to the report was the offer to purchase the Punawai for \$60,000. The offer was made on a standard sale and purchase agreement form obtained from NZ Marine Brokers Ltd.
- 2.21 The report requested the Council approve a change of process by way of a private sale that is an exception to the Asset Disposal Policy and provided reasons why this was the preferred option.
- 2.22 Mr Cross raised three issues with this process:
- If the purchase of the Punawai included a spare outboard the value could be much greater than the Council were informed;

- The legal review of the Sale and Purchase Agreement was poor or non-existent given the reference to NZ Marine Brokers Ltd; and
- The process falls short of the Council's Asset Disposal Policy introduction that states disposals are transparent, accountable, maximise value for money for Council and minimise opportunities for exploitation.

3. Discussion

Trafalgar Park Seating

- 3.1 Council officers at all times were working under some considerable time pressure to deliver, in a cost effective way, the outcomes desired by Council.
- 3.2 Nayland Scaffold provided specialist services that helped Council achieve a good price for the seating and enabled the seating to be installed in a timely manner.
- 3.3 All transactions were within appropriate delegations and complied with the procurement policy.

Sale of the Punawai

- 3.4 The spare outboard is a standard piece of safety equipment to provide an alternative means of returning to shore should the main engine fail. In this case it was a Mercury 6 horsepower motor purchased in 2009 for \$2,100 and may have been worth \$1,000. It is standard practice for safety equipment to remain with the boat when sold.
- 3.5 A legal review of the purchase agreements occurred with more changes made to the purchase of the replacement vessel agreement than the offer to purchase the Punawai. The reference to NZ Marine Brokers Ltd was not relevant to the purchase of the Punawai and should have been deleted.
- 3.6 The Council agreed to depart from the Policy on this occasion to ensure the outcome maximised value for money for the Council.

4. Options

- 4.1 The Committee can either receive this report, or not, or it can request further information.

Chris Ward
Group Manager Community Services

Attachments

- Attachment 1: A1311242 - Previous report - Temporary seating for events February 2015 [↓](#)
- Attachment 2: A345448 - Procurement Policy 2015 [↓](#)
- Attachment 3: R6448 - Previous report - Proposed asset sale of the Punawai September 2016 [↓](#)
- Attachment 4: A1412442 - Asset Disposal Policy 2015 [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	This report deals with process matters in relation to cost effective service delivery.
2. Consistency with Community Outcomes and Council Policy	The report confirms that the relevant Council policies were followed.
3. Risk	There is a low risk that public perception of Council will be negatively affected due to the nature of the transactions. This can be mitigated by clear communications in relation to the policy framework under which decisions were taken.
4. Financial impact	There are no costs associated with the recommendations contained in this report.
5. Degree of significance and level of engagement	This matter is of low significance as the decisions have already been made and no further substantive recommendations are proposed.
6. Inclusion of Māori in the decision making process	Maori have not been consulted in the preparation of this report.
7. Delegations	The Governance Committee requested this report at its meeting of 9 March 2017. This matter falls within the delegation of Audit Risk and Finance Subcommittee as it relates to management of financial service and performance.

Temporary Seating for Events

1. Purpose of Report

- 1.1 To consider purchasing temporary seats to support attracting events to Nelson.

2. Delegations

- 2.1 This is a Council decision.

3. Recommendation

THAT the report Temporary Seating for Events (A1311242) be received;

AND THAT the Chief Executive be delegated authority to:

- **enter into and conclude negotiations for the purchase of 6000 second hand temporary seats from Acrow Ltd. for up to \$750,000 (excluding transport and GST), subject to them being made available by 1 May 2015;**
- **enter into and conclude negotiations with Tasman District Council to explore joint management/purchase of its temporary seats;**
- **enter into and conclude negotiations with suitably qualified companies to develop a management contract for marketing, maintenance and management of the seats;**
- **enter into negotiations for naming rights sponsorship of the temporary stand(s).**

AND THAT Council notes that this is unbudgeted expenditure;

AND THAT officers report back to a future meeting of the Governance Committee through the finance report.

PUBLIC EXCLUDED

4. Exclusion of the Public

- 4.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

- carry out commercial activities (section 7(2)(h))
- carry out negotiations (section 7(2)(i))

5. Background

- 5.1 One of the key limiting factors for attracting events to Nelson is the limited number of venues capable of offering seating to the audience. Trafalgar Park has less than 2000 permanent seats and Saxton Cricket Oval has less than 300.
- 5.2 The cost of hiring seats in from other parts of the country is high, typically \$40 per seat. This cost is too high to be passed on directly to ticket purchasers. Instead Council has subsidised seats in order to bring events to Nelson.
- 5.3 Tasman District Council has approximately 2500 seats available for community use. It charges \$1.50 per seat per week for community groups and \$6 per seat per week for commercial users.
- 5.4 Even with the TDC seats there is still not enough seating available locally to host a major event. A Super Rugby match typically attracts in excess of 8000 people; similar numbers attend Opera in the Park.
- 5.5 A proposal to purchase an additional 4000 temporary seats at an estimated cost of \$750,000 was to be included in the draft Long Term Plan 2015/25. However, an opportunity has presented itself as additional seats have been brought into the country for Cricket World Cup 2015. Some 6000 seats may be available for purchase (second hand) at the end of that tournament. Bringing forward the purchase of the seats into this financial year could result in significant value being added to the purchase.

6. Discussion

Seating available

- 6.1 Acrow Ltd is a multinational supplier of event seating. It has brought some 6000 seats in to New Zealand from Malaysia to support Cricket World Cup, and has indicated that it would consider selling these rather than transporting them back to Malaysia.
- 6.2 An initial enquiry has been made through Nayland Scaffolding. Nayland provided the infrastructure for both Rugby and Cricket World Cups, and

Temporary Seating for Events

A1311242

2

PUBLIC EXCLUDED

has a good understanding of Council venues. The seating available is compatible with the TDC seating and a price of \$125 per seat has been indicated for all 6000. This would give a total purchase price of \$750,000. The cost new would be approximately double that. For comparison, TDC paid \$470,000 for 3000 new seats in 2007.

- 6.3 Transport of the seats to Nelson could cost up to \$60,000, depending on their location in New Zealand.
- 6.4 The Cricket World Cup final is on 29 March 2015. It is expected that the seats would be available on or before that date. Trafalgar Park has a booking for a Super 15 match in May and the seats would need to be in place for that.

Seating required

- 6.5 Trafalgar Park could accommodate up to 8000 additional temporary seats without impacting on use of the cycle track. If Council were to purchase 6000 seats, a stand consisting of 4000 seats could be set up in front of the Eastern stand and a separate 2000 seat stand could be set up at the Southern end.
- 6.6 If TDC seats were available, the Southern end stand capacity could simply be increased to 4000.
- 6.7 There is demand for seating for other events. Saxton Oval is establishing itself as a venue for first class cricket ODIs and there is potential demand from significant athletics, hockey and softball matches.
- 6.8 There is also suppressed demand for a venue for music and arts performances. Trafalgar Park could be configured with a stage over the summer period to offer a ready-made venue for touring artists. This could be built around Opera in the Park infrastructure.
- 6.9 Seats would be taken preferentially from the Southern stand for other events, and could be broken down and replaced with a stage for events such as Opera in the Park.

Management of seats

- 6.10 Officers recommend that a management contract be negotiated with Nayland Scaffolding to include the maintenance and construction/deconstruction of the seats. This would ensure that the assets were looked after when used around the region, and stored appropriately when not in use.

Return on Investment

- 6.11 There is a need to ensure that hire price for venues with additional seating reflects the investment made. This would entail either raising the cost of ground hire (currently \$2500 for charge games at Saxton Oval and Trafalgar Park) or adding a seat supplement to ticket prices.

PUBLIC EXCLUDED

Naming Rights

[REDACTED]

TDC seats

- 6.13 There would be clear benefits to both Council and TDC if the 2500 TDC seats were managed alongside any proposed NCC seats. This could be managed in two ways:
- 6.13.1 TDC could put their seats into the same management contract as NCC, with councils paying costs/receiving revenue on a pro rata basis; or
- 6.13.2 Council could offer to purchase the TDC seats, allowing all seats to be managed under a NCC contract. Officers at TDC believe this may be attractive to the TDC.
- 6.14 Officers recommend that Council delegates the Chief Executive to explore both of these options further.

Community engagement

- 6.15 The community as a whole has not been engaged on this issue, however there has been previous consultation on a general Trafalgar Park upgrade, in 2008, which included seating proposals. An analysis of submissions is attached (attachment 1). Some of the issues raised then are addressed in this proposal, in that:
- The seats are relocatable and can support events in other places (there were concerns about solely investing in Trafalgar Park)
 - Access to the cycle track would be maintained whilst the velodrome is built at Saxton Field (previously there were concerns about track access)
 - Cost – the current proposal to buy second hand seats currently available in New Zealand is cost effective (the previous consultation proposed multi-million dollar investment in Trafalgar Park).
- 6.16 The majority of people who did not support that upgrade gave affordability as the main reason. Any consultation by the Council on this proposal is likely to generate a similar response. Council would then have to make a decision about what Nelson can afford in relation to this proposed investment. This is no different to the situation Council is currently in and Council could determine that further engagement is not required as the views of the community are already known.

7. Options

Temporary Seating for Events

A1311242

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PUBLIC EXCLUDED

- 7.1 Council has to decide if it is committed to purchasing additional temporary seats to support events in Nelson. If it confirms that position, it can either:
- 7.1.1 Consult through the LTP on the purchase of 4000 seats for \$750,000 or;
- 7.1.2 Take this opportunity to purchase 6000 seats for \$750,000.
- 7.2 Officers recommend the second option. It is seen as being more cost effective and would result in additional savings that could be made for upcoming events. [REDACTED]
- 7.3 Council then has to consider how best to manage the seats. They could be managed internally, but there is no staff resource to do this. Outsourcing management of the seats could come at additional cost but would also decrease the risk to Council of losing some of its assets.
- 7.4 Officers recommend that Council explores options in relation to TDC's seats and to naming rights. In the interests of timeliness, Council could delegate those negotiations to the Mayor and Chair of Community Services, or it could decide that any final decisions would be subject to a future report to the Council.
- 8. Assessment of Significance against the Council's Significance Policy**
- 8.1 This is not a significant decision.
- 9. Alignment with relevant Council Policy**
- 9.1 This recommendation is not inconsistent with Council policy. However, there is no provision for the purchase of these seats within the 2012/22 LTP. It supports the Council outcomes 'People friendly places', 'A fun, creative culture' and 'A strong economy'.
- 10. Consultation**
- 10.1 No specific consultation has taken place in preparing this report.
- 11. Inclusion of Māori in the decision making process**
- 11.1 No specific consultation with Maori has taken place in preparing this report.
- 12. Conclusion**
- 12.1 An opportunity has arisen to purchase temporary seating at a good price. This would provide infrastructure for large scale events and support at Trafalgar Park and Saxton Field and elsewhere. It is expected that event organisers will come forward with proposals for other events if this infrastructure is available.

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Chris Ward
Group Manager Community Services

Attachments

Attachment 1: 2008 Trafalgar Park Consultation – Analysis of Submissions
([A267871](#))

Previous Report

Temporary Seating for Events

A1311242

6

16. Trafalgar Park Seating and Sale of the Punawai - Attachment 1 - A1311242 - Previous report - Temporary seating for events
February 2015



Procurement Policy

Effective: February 2015

Review Date: April 2016

Contact: Internal Audit and Procurement Analyst

A345448

1. Scope

- 1.1. This policy covers activities associated with the purchasing of all goods and services by, or on behalf of the (Council). It applies equally to the Council, the Senior Leadership Team, all groups and staff – permanent, temporary or contract.

2. Policy Objectives

- 2.1. The objectives of Council's procurement policy are to provide clear direction to management and staff in relation to the purchasing function and to establish a decision framework that:
- allows Council to be financially prudent through providing the best value for money (taking into account transaction costs) over the whole life of fit-for-purpose goods, service or asset;
 - minimises relationship costs, ongoing operational costs and consequential costs;
 - appropriately manages risk, including fraud;
 - ensures purchases are made with integrity and in an open and transparent manner with full and fair opportunity for all eligible suppliers;
 - contributes to Council's sustainability objectives outlined in Nelson 2060 and requires sustainably produced goods or services whenever possible, having regard to economic, environmental, and social impacts over their life cycle;
 - promotes efficient purchasing practices and their continuous improvement;
 - addresses health and safety considerations before, during and after the purchase of plant, equipment and chemicals;
 - ensures compliance with the requirements and guidelines of the NCC Procurement Manual; and
 - ensures Council's purchasing activities are managed in accordance with its statutory and legal responsibilities.

3. Policy Statements

- 3.1. All purchasing activity within Council shall be undertaken in accordance with policy and principles and shall be in accordance with Council's Delegated Authorities:
- a Procurement Steering Committee, comprising of three Corporate Management Team members and two Leadership Team members, shall oversee procurement practice within the Council;
 - the Council will undertake its purchasing activities in the most effective and efficient manner taking into account the amount involved, the complexity and the risk to Council;

- The cost-effectiveness of current contractual arrangements in delivering services (including provision of infrastructure, public services and regulatory functions) must be reviewed within 2 years of the expiry of any such arrangement or if levels of service have changed significantly, taking into account other options for governance, funding and delivery of the service (Local Government Act 2002 Part 2 s 17A)
- Council has a commitment to sustainability and environmental protection and this will be reflected through purchasing practices;
- Council also has a commitment to health and safety and this will be reflected through purchasing practices (See Health & Safety Policy);
- The transactional cost of the evaluation of any procurement should reflect the value or level of risk of the procurement -
- procurements of less than \$10,000 where applicable, may be sourced from suppliers/service providers designated as 'preferred suppliers' where such preferred supply contracts have been established;
- for low risk procurements falling between \$2,000 and \$10,000, two to three written quotes with a specification are required. Where a supplier is of a specialist nature (ie either one or two who offer a service) then these can be approved individually without further quotes;
- A business case and at least three written competitive prices are required for purchases between \$10,000 and \$100,000, unless there are exceptional circumstances which should be approved by the Group Manager or CEO depending on the delegation level required;
- procurements for Capital Projects of low risk may also be sourced from an 'on-call' supplier where such arrangements have previously been established in the same way as for 'preferred suppliers'; if greater than \$50,000 discuss with the Group Manager;
- a Business Case or other evaluation methodology shall be required for all procurements of \$50,000 or more;
- all purchases over \$100,000 must be publicly advertised tenders unless there are exceptional circumstances and approved by the Chief Executive or Group Manager. Exceptional circumstances may include Council resolution to take an alternative approach; approved major relational purchases;
- CAPEX contracts and changes to contracts that are more than \$1million, and similarly any OPEX PO >\$1.5m, shall be presented to the Council for approval;
- from time to time an internal audit process shall be undertaken to ensure that the terms and conditions of the Council's Policy are being followed;
- where works are NZTA funded, NZTA procurement policies and procedures shall be followed

4. Underlying Principles

- 4.1. The objective of the principles is to provide outcomes consistent with the Council's broader objectives to deliver best value for money through optimized whole-of-life costing and being fit for purpose, while being fair and reasonable, and legally robust.
- Council's broader objectives for procurement are that it should:
 - be value for money, taking into account the "whole of life" costs of goods or services;
 - meet our sustainability objectives;
 - meet a justifiable and approved business purpose;
 - be effective and efficient;
 - be made transparently, so the same information is available to all potential suppliers (subject to obligations of confidentiality);
 - be fair, so that all potential suppliers are treated the same and none is unfairly disadvantaged or advantaged;
 - consider local suppliers for physical construction contracts
 - be risk-based, and
 - be strategic.
 - All procurement must be in accordance with Council's financial delegations. A financial delegation is defined as "being the total amount that will be paid to a particular supplier under any one contract and is EXCLUSIVE OF GST (if any).
 - Valid purchase orders shall be raised and authorised prior to the procurement unless a declared Civil Defence emergency is in place providing the Controller with access to special powers (refer Civil Defence Emergency Management Act 2002 s. 85 and s. 94. See also Nelson Tasman Civil Defence Emergency Management Group Plan 2012)
 - Multiple purchase orders shall not be raised for the same procurement from the same supplier, in an attempt to reduce the level of delegated authority required.
 - Multiple purchase orders must not be raised for variation orders issued under an existing contract authorised by the Engineer-to-the-Contract.
 - When considering syndication Council should carefully consider the effects that joint procurement activity could have on the market.
 - Documentation for supply agreements should include a carefully defined negotiation strategy along with appropriate decision structures, objectives and "exit" strategies.
 - Where NZTA subsidy forms part of a project, prior approval from NZTA is required.

- Buy local is preferred - support for local organisations will be achieved through the weighting attribute system where used.
- A particular procurement method or process required by an external funding agency may take precedence over the NCC procurement policy and procedures in agreed circumstances.
- Legislative compliance is mandatory for all procurement.
- Contracts coming up for renewal must be assessed for cost-effectiveness, suitability and fitness for purpose. Further, all existing contracts must be reviewed within six year cycles (note, this does not mean that tenders can only be let for six years). Where a significant contract is reviewed, an email must be submitted to SLT showing the outcome of the review;
- Council requires its staff to declare any personal conflicts of interest which may affect, or could be perceived to affect, their impartiality (see Conflicts of Interest Register for Councillors and Group Managers). All other staff need to be mindful of their responsibilities and the need to disclose conflicts under the code of conduct [A350434](#)
- Staff must be aware of, and comply with, the [Gifts and Supplier Invitations Policy](#) and the [Fraud Policy](#).
- Particular care should be taken in the handling of commercially sensitive information and the risks associated with intellectual property during procurement.
- The staff member who signs the contract is responsible for all its terms and conditions and therefore should be aware of all risks and exclusions pertaining to it.
- A single point of contact in Council should be established for potential suppliers during a procurement process.
- If a consultant or agent is engaged the contract must require them to observe the same ethical standards, policies, principles, procedures and behaviour that apply to staff.
- A business case or other evaluation should be done for every purchase over \$50,000
- NCC model contracts have precedence over supplier proffered contract documents, although for best practice, continuity and consistency we do employ NZTA procurement processes on non-NZTA funded projects
- Sufficient records must be kept to show that due process was followed.
- The procurement selection must meet health and safety policy objectives.
- These principles do not cover recruitment and engagement of employees, nor for the purchase of real estate.

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Proposed asset sale of the Punawai

1. Purpose of Report

- 1.1 To approve the sale of the harbourmaster's vessel, the Punawai, so the funds can be used to purchase a replacement vessel.

2. Summary

- 2.1 Council's Asset Disposal Policy (A1412442) sets out the methods of disposal of assets and the level of approval required. For assets over \$50,000 Council approval is required for the sale by public auction or trade in. The Punawai is expected to sell for around \$60,000.
- 2.2 The Punawai is no longer fit for purpose for the harbourmaster duties. Funds were allocated in the 2015/16 budget to retrofit the vessel but this does not resolve all issues.
- 2.3 A vessel that has all the required improvements is for sale. In order to purchase it the Punawai needs to be sold with the proceeds added to the budgeted funds (carried forward) to purchase a replacement vessel.

1. Recommendation

It is recommended that the Council

Receives the report Proposed asset sale of the Punawai (R6448) and its attachments (A1602795, A1609429);

Approves the sale of the Punawai as the vessel is valued over \$50,000;

Approves a change of process by way of a private sale that is contrary to the Asset Disposal Policy.

3. Exclusion of the Public

- 3.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government

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Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

- Section 7(2)(b)(ii) To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; and
- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

4. Background

- 4.1 The harbourmaster's functions include: administering and enforcing the Council's Navigation Safety Bylaw, managing and maintaining Nelson harbour so it is fit for vessels it serves, providing information to users of the harbour, identifying risks and develop a system to manage these risks, marking channels or areas to provide for the safe navigation of vessels, supply and manage aid to navigation equipment in accordance with Maritime NZ guidelines and assist with search and rescue and other emergency situations.
- 4.2 Since the introduction of the Navigation Safety Bylaw the harbourmaster averages 20 hours per week of on-water patrols to ensure users of the harbour are aware of and comply with the Bylaw. This requires the vessel to pull alongside other vessels and the Punawai has a solid hard surface that could potentially damage other vessels. The high sides of the Punawai exacerbate the difficulty of retrieving swimmers and this vessel also has no radar.
- 4.3 The Punawai is of a shape that has led to back injuries for operators of the vessel when travelling in rough weather with the pounding of the vessel against the surface of the water.
- 4.4 \$47,000 was allocated in the 2015/16 financial year to be used to add a radar and soft pontoons to the Punawai. While researching options to retrofit the vessel the harbourmaster became aware of a vessel for sale that had these improvements and also performed better in the water in rough conditions.
- 4.5 On 20 June the Senior Leadership Team approved that the budgeted funds could be instead used to contribute to the purchase of this vessel subject to the sale of the Punawai.

5. Discussion

- 5.1 The vessel that would be used to replace the Punawai is the current Whangaroa Coastguard rescue boat. The harbourmaster has inspected the vessel.
- 5.2 An offer has been received for the purchase of the Punawai. The offer is considered fair by Bays Boating Ltd as the enclosed cabin of the Punawai

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may not appeal to fishing enthusiasts. The offer to purchase the vessel is included in Attachment 1 (A1602795) and the valuation by Bays Boating Ltd is included in Attachment 2 (A1609429).

Options

- 5.3 Port Nelson Limited were asked to consider the option of owning the harbourmasters vessel instead of the Council. Port Nelson Ltd examined the ownership of the vessel and did not see it as a viable option for either Port Nelson or the Council. The lease costs back to the Council would be prohibitive meaning there would either be fewer harbourmaster patrol hours or a significantly increased budget required.

Option 1: Retrofit the Punawai	
Advantages	<ul style="list-style-type: none"> No time and costs associated with the sale and purchase of the replacement vessel
Risks and Disadvantages	<ul style="list-style-type: none"> Does not address the back injury issue in rough conditions. The Punawai will be unavailable for patrols while being fitted
Option 2: Sell the Punawai by public auction	
Advantages	<ul style="list-style-type: none"> A more fit for purpose vessel can be purchased to replace the Punawai The public auction sale method is in accordance with the Council's Asset Disposal Policy and may achieve a greater price than the private offer received
Risks and Disadvantages	<ul style="list-style-type: none"> The public auction may not attract a purchaser or the sale price may be less than the private offer received The public auction will take more staff time to arrange potentially jeopardising the ability to purchase the new vessel in a timely manner
Option 3: Sell the Punawai by private offer	
Advantages	<ul style="list-style-type: none"> A more fit for purpose vessel can be purchased to replace the Punawai The private offer is considered fair and minimal staff time will be required to complete the sale
Risks and Disadvantages	<ul style="list-style-type: none"> A private sale is not in accordance with the Council's Asset Disposal Policy

R6448

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6. Conclusion

- 6.1 The sale of the Punawai is preferred to enable the proceeds of the sale to be added to budgeted funds to purchase a more fit for purpose vessel for the harbourmaster duties.
- 6.2 The sale by private offer whilst contrary to the policy is preferred because:
- a) The sale can be done in a timely manner; and
 - b) There is a firm and reasonable offer to purchase the Punawai.

Mandy Bishop

Manager Consents and Compliance

Attachments

Attachment 1: A1602795 Agreement for the purchase of the Punawai

Attachment 2: A1609429 Punawai valuation

Important considerations for decision making	
1. Fit with Purpose of Local Government	The performance of the harbourmaster duties is better achieved by a more fit for purpose vessel than the current vessel. Funds allocated for retrofitting the Punawai are better utilised by adding them to the proceeds of the sale of the Punawai to purchase a replacement vessel.
2. Consistency with Community Outcomes and Council Policy	Council's Long Term Plan identifies Council's responsibilities for navigation safety. The harbourmaster and deputy harbourmasters need an appropriate vessel to conduct on water patrols and respond to incidents. The recommendation of selling the Punawai by private sale does not align with Council's Asset Disposal Policy but may be the most cost efficient option. The option of selling the Punawai by public auction aligns with the Policy but may not have as good an outcome in terms of timing and committing to the sale and purchase.
3. Risk	<p>The main risk in the sale of the Punawai and the purchase of another vessel is in the method of sale. Public auction is a transparent process but it may not attract a buyer. A private offer has been received, the offer is considered fair but Council may risk some reputational damage by not offering the vessel for sale publicly.</p> <p>Another risk is that by not addressing the back injury issue for the current vessel the Council may not be doing all that it needs to under Health and Safety obligations.</p>
4. Financial impact	Budgeted funds have been carried forward. They can either be used to retrofit the current vessel or contribute to the purchase of a replacement vessel. No additional funds are required.
5. Degree of significance and level of engagement	This matter is of low significance because the vessel is not considered a strategic asset and the level of service and financial impact is unchanged. The impact on the community is minor, boaties will benefit from a soft-sided vessel approaching their vessel.
6. Inclusion of Māori in the decision making process	No consultation with Māori has been undertaken.

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7. Delegations

The Council is required to approve the sale of an asset over \$50,000.

Previous Report

Draft Asset Disposal Policy

Effective Date: September 2015

Review Date: September 2018

Contact: Senior Accountant, Finance

1. Introduction

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

2. Purpose

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

4. Definitions

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

5. Principles

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

- 5.7. All asset disposals must be in accordance with any relevant provisions of the Local Government Act 2002 (Section 133, 138 and 140), Consumer Guarantees Act 1993 and Fair Trading Act 1988.

6. Policy content

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

7. Authorisation

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

8. Methods of disposal

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

Estimated sale value of asset	Method	Approval
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Estimated sale value of asset	Method	Approval
Under \$500	Internal tender available to all staff or Trade-in or Gift to non-profit organisation	GM Corporate Services or GM Infrastructure
\$500 - \$5,000	Public auction or Trade-in or Sell to dealer (3 quotes)	GM Corporate Services or GM Infrastructure
\$5,000-\$50,000	Public auction or Trade-in or Sell to dealer (3 quotes)	Chief Executive
Over \$50,000	Public auction or Trade-in	Council

- 8.5. The reserve prices for auctioned items should not be less than the book value of the asset unless there is a tangible reason, such as market belief that the asset is obsolete or the condition of the asset is such that it is reduced in value. With vehicles, if selling by auction, set the reserve price by reviewing similar vehicles on the auction site.
- 8.6. Technology items that hold data will not be on sold. The hard drive of the device will be destroyed and then the item will be disposed of.
- 8.7. Any other item which may contain confidential information should be checked carefully (ie drawers) prior to disposal.

9. Related policies and procedures

- 9.1. Officers Delegations Manual
- 9.2. Promapp
<https://go.promapp.com/nelsoncc/Process/Minimode/Permalink/E4HcKPwG10tygdmFpgPE32#>

Interim audit letter for the year ending 30 June 2017

1. Purpose of Report

- 1.1 To provide the letter to the Subcommittee on the interim audit for the year ending 30 June 2017 from Audit NZ.

2. Recommendation

That the Subcommittee

Receives the report Interim audit letter for the year ending 30 June 2017 (R7627) and its attachment (A1775216); and

Notes the suggested responses to the recommendations.

3. Discussion

- 3.1 Audit NZ carried out the interim audit for the year ending 30 June 2017 in mid-April 2017 which focused on the Council's internal controls and the overall control environment. They issued two letters - a letter to the Council which covers governance issues (Attachment 1) and a letter to the Chief Executive which covers management issues.
- 3.2 Project management
- 3.2.1 Audit NZ raise that there are currently no post implementation reviews undertaken of projects and note that this will be addressed by August 2017.
- 3.2.2 Council's business cases include a statement on expected benefits, and likely timing of benefits realisation. Our process for project closure includes a summary assessment of scope and benefits achievement at the point of project closure. During 2017/18 we will be working on linking these assessments with the asset management planning cycle in a more robust way. Beyond these elements, there is currently no formal process or staff capacity to plan and undertake post implementation

reviews. Our timing to investigate and plan the benefits management and realisation theme is during 2018/19.

- 3.2.3 They have again raised that no project management policy has been developed.
- 3.2.4 Up until the current year Council has included this mandatory policy statement as part of the performance management system: *Project Management: Projects are approved, initiated, planned, managed, reported on and closed according to Nelson City Council standards.* Council will be developing this into a broader organisational policy during 2017/18.
- 3.3 Audit NZ have provided a supplementary letter which identifies areas where the Council could consider enhancing its internal controls. The Chief Executive accepts the comments and they will be addressed prior to the 2016/17 Annual Report.

4. Options

- 4.1 That the Subcommittee note the matters raised in the letter to the Council on the interim audit of Nelson City Council for the year ending 30 June 2017 and the manner in which officers propose to address them.

Nikki Harrison
Group Manager Corporate Services

Attachments

Attachment 1: A1775216 - Draft letter to Council on interim audit to 30 June 2017 [↓](#)

Important considerations for decision making	
1. Fit with Purpose of Local Government	Section 99 of the Local Government Act 2002 requires the audit of information contained in the Annual Report and Summary and the interim audit forms part of that audit process.
2. Consistency with Community Outcomes and Council Policy	This report supports the community outcome that Council provides leadership.
3. Risk	There is more risk that Council will not meet all its responsibilities if the recommendations from Audit NZ are not accepted and actioned.
4. Financial impact	There is no financial impact.
5. Degree of significance and level of engagement	This matter is of low significance because there are no decisions to be made. Therefore no engagement has occurred.
6. Inclusion of Māori in the decision making process	Maori have not been consulted in preparation of this report.
7. Delegations	The Audit, Risk and Finance Subcommittee has the responsibility for considering audit processes and management of financial risk. The Audit, Risk and Finance Subcommittee has the power to make a recommendation to Council on this matter.

8 June 2017

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 interim audit of Nelson City Council for the year ending 30 June 2017

1 Introduction

We have completed our interim audit of Nelson City Council (the City Council) and this letter outlines the work undertaken and the key findings from our audit. We have also provided a separate letter to management, which sets out our detailed findings.

Work undertaken

Our interim audit primarily focused on updating our understanding of the City Council's control environment, including the internal controls in its key financial and non-financial systems. Our assessment of key aspects of the overall control environment is in section 2 of this letter. The work on the issues facing the City Council this financial year which we identified in our audit arrangements letter is covered in section 3 of this letter.

We have provided an overview of the content of our supplementary letter to management, which sets out our more detailed findings in our interim audit in section 4 of this letter.

2 Assessment of the control environment

2.1 The higher level environment

We performed a high level assessment of the control environment. This assessment is for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the City Council's financial statements and the non-financial information.

It is not the purpose of our assessment to provide you with assurance on internal control in its own right. Our assessment will not necessarily identify and detect all matters in relation to internal control.

However, in performing this assessment, we have identified some areas where we believe the control environment can be enhanced. We reported the detail of our recommendations in the supplementary letter to management.

The areas we considered during our high level assessment were:

2.1.1 Project Management

In the 2016 interim report, we noted that the City Council had made changes to its organisational processes to make the management of its projects more effective. However, our discussions with project management staff in the current year identified that currently, there are no realisation, or post-implementation reviews undertaken.

We understand that it is the intention of the project management team to implement such reviews, and the timeframe for a review of this area is expected to be August 2017.

We also understand that the project management policy has not yet been developed.

We will continue to monitor the City Council's progress and its approach to project management.

2.1.2 Internal audit

As part of the interim audit, we met with the City Council's internal auditor. We obtained and reviewed the internal audit plans and also discussed the progress of the various reviews planned for the year. The work plan indicates that internal audit intend to review a wide range of the City Council's activities.

As part of the final audit, we will once again liaise with the internal auditor and review any significant findings, as well as the impact of these findings on our audit approach.

2.1.3 Other aspects of the control environment

We also updated our understanding of; the City Council's processes for identifying and managing conflicts of interest, and its governance structures.

No issues arose from this.

2.2 Internal controls in key systems

We reviewed the internal controls in place for key financial and non-financial information systems. Internal controls are the policies and processes that are designed, implemented and maintained by Council and management – to provide reasonable assurance as to reliability and accuracy of financial and non-financial reporting, as well as compliance with significant legislative requirements. Both

“design effective”¹ and “operationally effective”² internal controls are important to minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the Council.

After reviewing the City Council’s systems of internal controls, we found that generally design effective controls were in place. Where we tested these controls, we found that they were operating effectively.

We identified some areas where the City Council should consider enhancing its internal controls. These areas are outlined in our supplementary letter to management.

3 Business risks/issues

The matters that we are paying particular attention to this year are outlined in our audit arrangements letter. Given the nature of these matters, we will comment in full on these matters in our final management letter. From our work to date no issues have been identified.

4 Supplementary letter

We have provided management with a supplementary letter that outlines our findings and recommendations about less significant and miscellaneous matters. The topics covered in this supplementary letter include:

4.1 Internal controls

Detailed findings and recommendations in relation to the City Council’s systems of internal control.

4.2 Matter raised in the prior year

A listing of recommendations made in 2016 in our letter to management and the updated position in relation to each.

There are no issues arising from these that we need to specifically bring to your attention.

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

Yours sincerely

¹ Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is “fit for purpose”.

² Control has operated effectively throughout the period tested.

Bede Kearney
Director

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the City Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following ratings for our recommendations:

<p>Urgent Major improvements required</p>	<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a serious deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.</p>
<p>Necessary Improvements are necessary</p>	<p>Address at the earliest reasonable opportunity, <i>generally within 6 months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.</p>
<p>Beneficial Some improvement required</p>	<p>Address, <i>generally within 6 to 12 months</i></p> <p>These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weakness that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.</p>

Appendix 2: Prior year recommendation

Matters in progress

Recommendation	Current status	Priority
Contract management		
Implement an integrated contract management system. This will allow the City Council to better monitor the performance of contractors and manage project delays on an organisation-wide basis. It will also enable the City Council to make more informed decisions regarding contract renewals.	The City Council has started this process and has obtained an initial quote for a fully integrated contract management system. <i>In progress</i>	Necessary

Matters that have been resolved

Recommendation	Outcome
Risk Management Adopt a risk management policy and a risk matrix.	A draft risk management policy has been developed in October 2016, which will be approved by Council at the May 2017 meeting. It is intended that this will be a comprehensive, organisation wide policy. Additionally, a risk treatment and consequence document has been developed.