



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

Tuesday 14 November 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 Order 12.1:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings
- 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

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

Nil

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

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

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

5.1 28 September 2017

7 - 13

Document number M2963

Recommendation

That the Audit, Risk and Finance Subcommittee***Confirms the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 28 September 2017, as a true and correct record.*****6. Status Report - Audit Risk and Finance Subcommittee -14 November 2017****14 - 17**

Document number R8676

Recommendation

That the Subcommittee***Receives the Status Report Audit, Risk and Finance Subcommittee 14 November 2017 (R8676) and its attachment (A1753947).***

7. **Chairperson's Report**
8. **Report from 28 September Works and Infrastructure Committee** **18 - 20**

Document number R8681

Recommendation

That the Audit, Risk and Finance Subcommittee

Receives the Report from 28 September Works and Infrastructure Committee (R8681) and its attachment/s () and its attachment (A1839317).

9. **Corporate Report to 31 August 2017** **21 - 34**

Document number R7001

Recommendation

That the Committee

Receives the report Corporate Report to 31 August 2017 (R7001) and its attachments (A1854215, A1853357 and A1852936).

10. **Health and Safety: Quarterly Report** **35 - 48**

Document number R7022

Recommendation

That the Subcommittee

Receives the report Health and Safety: Quarterly Report (R7022) and its attachment (A1845583).

Recommendation to Council

That the Council

Notes the report Health and Safety: Quarterly Report (R7022) and its attachment (A1845583); and

Acknowledges the assessment of critical health and safety risks contained in the attachment (A1845583).

11. Insurance renewal 2017/18 **49 - 54**

Document number R7525

Recommendation

That the Subcommittee

Receives the report Insurance renewal 2017/18 (R7525) ; and

Notes the decision made to exit Local Authority Protection Program (LAPP) and join the Aon South Island Collective from 1 July 2017; and

Notes the decision made to purchase an additional \$125 million shared limit (to a total limit of \$250million) with a Council sublimit of \$160m from 1 November 2017.

12. Internal Audit Quarterly Report to 30 September 2017 **55 - 59**

Document number R7589

Recommendation

That the Subcommittee

Receives the report Internal Audit Quarterly Report to 30 September 2017 (R7589).

13. Key Organisational Risks 2017 - 3rd Quarterly Report **60 - 77**

Document number R7681

Recommendation

That the Subcommittee

Receives the report Key Organisational Risks 2017 - 3rd Quarterly Report (R7681) and its attachment (A1842185).

14. Section 17A Service Delivery Review progress report 78 - 123

Document number R8167

Recommendation

That the Subcommittee

Receives the report Section 17A Service Delivery Review progress report (R8167) and its attachment/s (A1824993, A1845758, A1844354, A1843923, A1837281, A1633609, A1819898, A1844359, A1853049).

15. Tax Risk Management Strategy 124 - 132

Document number R8585

Recommendation

That the Subcommittee

Receives the report Tax Risk Management Strategy (R8585) and its attachments (A1847439 and A1847460).

Recommendation to Council

That the Council

Adopts the Tax Risk Management Strategy (A1847439).

Note:

- **This meeting is expected to continue to lunchtime.**
- **Lunch will be provided.**

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

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

On Thursday 28 September 2017, commencing at 1.02pm

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

In Attendance: Councillors M Courtney, P Matheson, B McGurk, G Noonan, M
Rutledge, and S Walker, Group Manager Corporate Services
(N Harrison), Group Manager Community Services (C Ward),
Senior Strategic Adviser (N McDonald), Manager
Communications (P Shattock), Senior Accountant (T Hughes)
and Governance Adviser (E-J Ruthven)

Apology: Councillor B Dahlberg

1. Apologies

Resolved AUD/2017/056

That the Subcommittee

***Receives and accepts the apologies from
Councillor Dahlberg.***

Barker/Her Worship the Mayor

Carried

2. Confirmation of Order of Business

There was no change to the order of business.

3. Interests

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

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 8 September 2017

Document number M2894, agenda pages 7 - 15 refer.

Resolved AUD/2017/057

That the Committee

Confirms the minutes of the meeting of the Committee, held on 8 September 2017, as a true and correct record.

Barker/Her Worship the Mayor

Carried

6. Status Report - Audit Risk and Finance Subcommittee - 28 September 2017

Document number R8406, agenda pages 16 - 18 refer.

Resolved AUD/2017/058

That the Subcommittee

Receives the Status Report Audit, Risk and Finance Subcommittee 28 September 2017 (R8406) and its attachment (A1753947).

Murray/Barker

Carried

7. Chairperson's Report

The Chairperson gave a verbal report, and explained reasons for the July 2017 financial records not being available for this meeting.

He added that the Annual Report audit had become available this week, and Group Manager Corporate Services, Ms Harrison, tabled a document (A1841934) outlining changes to the Annual Report as a result of the audit process.

Senior Accountant, Tracey Hughes, explained changes in the financial statements for the Annual Report and answered questions.

Attachments

1 A1841934 - tabled document

8. PWC Treasury advisor presentation

Brett Johanson and Jason Bligh, from PriceWaterhouseCoopers, gave a power point presentation regarding the treasury management update (A1838402).

Attendance: Councillor Barker left the meeting from 1.11pm to 1.13pm.

Mr Johanson and Mr Bligh spoke about Council's financial management framework, short and longer term interest rate profiles and Council's ability to raise debt, and answered questions.

Attachments

- 1 A1838402 - PWC Power Point Presentation

9. Protected disclosure policy for elected members

Document number R8402, agenda pages 19 - 31 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report, and explained that a Separate Protected Disclosure policy for elected members would be developed.

Manager People and Capability, Stephanie Vincent spoke about the proposed policy development, and answered questions.

Resolved AUD/2017/059

That the Subcommittee

Receives the report Protected disclosure policy for elected members (R8402) and its attachment (A1338935); and

Requests the development of a separate Protected Disclosure Policy for Elected Members, for review by the Subcommittee prior to submitting the policy for approval by Council.

Barker/Her Worship the Mayor

Carried

10. Results of 2017 Residents Survey

Document number R8361, agenda pages 32 - 125 refer.

Senior Strategic Adviser, Nicky McDonald, presented the report, and answered questions.

Resolved AUD/2017/060

That the Subcommittee

Receives the report Results of 2017 Residents Survey (R8361) and its attachment (A1789495); and

Notes the 2017 Residents Survey results (A1789495) will be communicated to the public.

Her Worship the Mayor/Barker

Carried

11. Health and Safety Strategic Plan 2017 - 2023

Document number R7718, agenda pages 126 - 144 refer.

Health and Safety Adviser, Malcolm Hughes, presented the report, and answered questions.

Resolved AUD/2017/061

That the Subcommittee

Receives the report Health and Safety Strategic Plan 2017 - 2023 (R7718) and its attachment (A1398549).

Barker/Murray

Carried

Recommendation to Council AUD/2017/062

That the Council

Approves the Health and Safety Strategic Plan 2017 - 2023 (A1398549).

Barker/Murray

Carried

12. Audit Engagement Letter 2017 - debenture trust deed

Document number R8254, agenda pages 145 - 169 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report and answered questions.

Resolved AUD/2017/063

That the Subcommittee

Receives the report Audit Engagement Letter 2017 - debenture trust deed (R8254) and its attachment (A1815606); and

Notes the Subcommittee can provide feedback on the Audit Engagement letter – debenture trust deed to Audit NZ if required, noting the Mayor will sign the letter once the Subcommittee's feedback has been incorporated.

Murray/Barker

Carried

13. Revised Internal Audit Annual Plan to June 2018

Document number R8408, agenda pages 170 - 175 refer.

Internal Audit Analyst, Lynn Anderson, presented the report, and noted changes made as a result of a workshop on this subject. She explained that the plan included one additional audit, and that another additional audit may be able to be undertaken within the current budget.

Resolved AUD/2017/064

That the Subcommittee

Receives the report Revised Internal Audit Annual Plan to June 2018 (R8408) and its attachment (A1800209).

Murray/Her Worship the Mayor

Carried

Recommendation to Council AUD/2017/065

That the Council

Approves the Internal Audit – Annual Audit Plan to 30 June 2018 (A1800209).

Murray/Her Worship the Mayor

Carried

14. Exclusion of the Public

Resolved AUD/2017/066

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:

Murray/Her Worship the Mayor

Carried

| Item | General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Particular interests protected (where applicable) |
|------|--|--|--|
| 1 | Audit, Risk and Finance Subcommittee Meeting - Public Excluded Minutes - 8 September 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)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). |

The meeting went into public excluded session at 2.45pm and resumed in public session at 2.47pm.

Please note that as the only business transacted in public excluded was to confirm the minutes, this business has been recorded in the public minutes. In accordance with the Local Government Official Information Meetings Act 1987, no reason for withholding this information from the public exists.

Resolved AUD/2017/067

That the Subcommittee

Confirms the minutes of part of the meeting of the Audit, Risk and Finance Subcommittee, held with the public excluded on 8 September 2017, as a true and correct record.

Barker/Her Worship the Mayor

Carried

15. Re-admittance of the Public

Resolved AUD/2017/068

That the Subcommittee

Re-admits the public to the meeting.

Barker/Murray

Carried

There being no further business the meeting ended at 2.45pm.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

14 November 2017

REPORT R8676

**Status Report - Audit Risk and Finance Subcommittee -
14 November 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 14 November 2017
(R8676) and its attachment (A1753947).***

Attachments

Attachment 1: A1753947 - Audit and Risk Subcommittee Status Report 14
November 2017 [↓](#)

Status Report - Audit, Risk and Finance Subcommittee – 14 November 2017

| MEETING DATE | SUBJECT | MOTION | RESPONSIBLE OFFICER | COMMENTS |
|--------------|--|---|---------------------|---|
| 18 May 2017 | Tax Risk Governance Framework | Resolved AUD/2017/011 That the Subcommittee <u>Receives</u> the report Tax Risk Governance Framework (R7599) and its attachment (A1750676). <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). | Tracey Hughes | A report will come to the 14 November 2017 Audit Risk and Finance Subcommittee meeting. Complete |
| 27 June 2017 | Corporate Report to 30 April 2017 - P&Ls for Consolidated Accounts | Resolved AUD/2017/017 That the Subcommittee <u>Requests</u> that profit and loss accounts for the forestry, marina, and camping grounds consolidated accounts be brought to a future meeting. | Nikki Harrison | Consolidated accounts to be included in the Corporate Report to 14 November 2017 meeting Complete |

Status Report - Audit, Risk and Finance Subcommittee – 14 November 2017

| | | |
|---|--|---|
| <p>09 March 2017</p> <p>Tendering processes</p> | <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> | <p>David Hammond</p> <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>The advice to Council is being expanded with the Crowe Horwath Report to clarify what the issues were that the original report was seeking to address.</p> <p>Once the report is available there will be an evaluation of whether the measures already put in place are complete.</p> <p>Ongoing</p> |
|---|--|---|

Status Report - Audit, Risk and Finance Subcommittee – 14 November 2017

| MEETING DATE | SUBJECT | MOTION | RESPONSIBLE OFFICER | COMMENTS |
|-------------------|---|--|---------------------|--|
| 8 Sept 2017 | Health Safety and Wellbeing Quarterly Report | Resolved AUD/2017/045 That the Subcommittee <u>Requests</u> that officers report back to the subcommittee on security related events at Council libraries including details of controls and treatments. | Nikki Harrison | Report on security incidents at Libraries has been delayed at request of David Hammond, to allow further worker engagement to inform report. Ongoing |
| 28 September 2017 | Protected disclosure policy for elected members | Resolved AUD/2017/059 That the Subcommittee Receives the report Protected disclosure policy for elected members (R8402) and its attachment (A1338935); and Requests the development of a separate Protected Disclosure Policy for Elected Members, for review by the Subcommittee prior to submitting the policy for approval by Council. | Stephanie Vincent | Work underway for early 2018. Ongoing |

Report from 28 September Works and Infrastructure Committee

1. Purpose of Report

At its 28 September 2017 meeting, the Works and Infrastructure Committee resolved:

Resolved WI/2017/058

That the Committee

Receives the Chairperson's Report (R8445) and refers the report to the Audit Risk and Finance Committee.

The 28 September 2017 Works and Infrastructure Committee Chairperson's report is attached as Attachment 1. (A1839317)

2. Recommendation

That the Audit, Risk and Finance Subcommittee

Receives the Report from 28 September Works and Infrastructure Committee (R8681) and its attachment (A1839317).

Elaine Stephenson
Governance Adviser

Attachments

Attachment 1: A1839317 - 28 September 2017 Works and Infrastructure Chairperson's report [↓](#)

Chairperson's Report

1. Purpose of Report

- 1.1 To update the Works and Infrastructure Committee on several matters that I think are worthy of noting.

2. Recommendation

That the Committee

Receives the Chairperson's Report (R8445).

3. Discussion

- 3.1 I wanted to bring to the Committee's attention several challenges Council Officers are facing within the current construction market.
- 3.2 Anecdotal discussion with local Contractors suggests the market is particularly buoyant at this time and many of them are already fully committed to works for various clients.
- 3.3 Several local Contractors confirm they have been unable to tender for Council work as they do not have the resources to achieve the capital spend by the end of the financial year as Council requires.
- 3.4 Officers will consider tendering contracts with a longer delivery period to ensure more of our local contractors can tender competitively for this work.
- 3.5 It is considered this will lead to more competitive and affordable tendered prices. However, a negative impact may be that some of this construction work will carry over into the 2018/19 financial year.
- 3.6 Officers will consider the benefits of an extended contract period for all contracts that awarded in the future.

4. Conclusion

Item 8: Report from 28 September Works and Infrastructure Committee:
Attachment 1

4.1 That the updates provided in this report are noted.

Stuart Walker
Chairperson

Attachments

Nil

Corporate Report to 31 August 2017

1. Purpose of Report

- 1.1 To inform the members of the Governance committee of the financial results of activities for the two months ending 31 August 2017, compared to the approved operating budget, and to highlight and explain any permanent and material variations.

2. Recommendation

That the Subcommittee

Receives the report Corporate Report to 31 August 2017 (R7001) and its attachments (A1854215, A1853357 and A1852936).

3. Background

- 3.1 The financial reporting focuses on the two 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 2017/18 Annual Plan budget plus any carry forwards, plus or minus any other additions or changes as approved by Council throughout the year.
- 3.3 The phasing of budgets to better reflect the timing of anticipated actual income and expenditure has not yet occurred due to resourcing constraints. This should be done in time for the next corporate report.

4. Discussion

- 1.1 For the two months ending 31 August 2017, the activity surplus/deficits are \$2.7 million unfavourable to budget. All of the unfavourable variance is due to budgets not been phased yet and costs such as insurance and rates being charged at the beginning of the year.
- 1.2 Financial information provided in Attachment 1 to this report:

- 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, and year to date expenditure against approved operating budget by activity.
- A major projects summary including milestones, status, issues and risks.

4.1 Capital expenditure is \$2.3 million under budget.

5. Accounts for camping grounds, marina and forestry activities

5.1 At the 27 June 2017 subcommittee meeting the following resolution was passed:

Resolved AUD/2017/017

That the Subcommittee

Requests that profit and loss accounts for the forestry, marina, and camping grounds consolidated accounts be brought to a future meeting.

5.2 The accounts are included as Attachment 3 which outline the separate activities of the three motor camps, the marina and the forestry including asset value and outstanding loans (if any).

6. Options

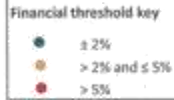
- 6.1 Accept the recommendation. This report is to inform the committee members, and no further actions are required.
- 6.2 Do not accept the recommendation.

Tracey Hughes
Senior Accountant

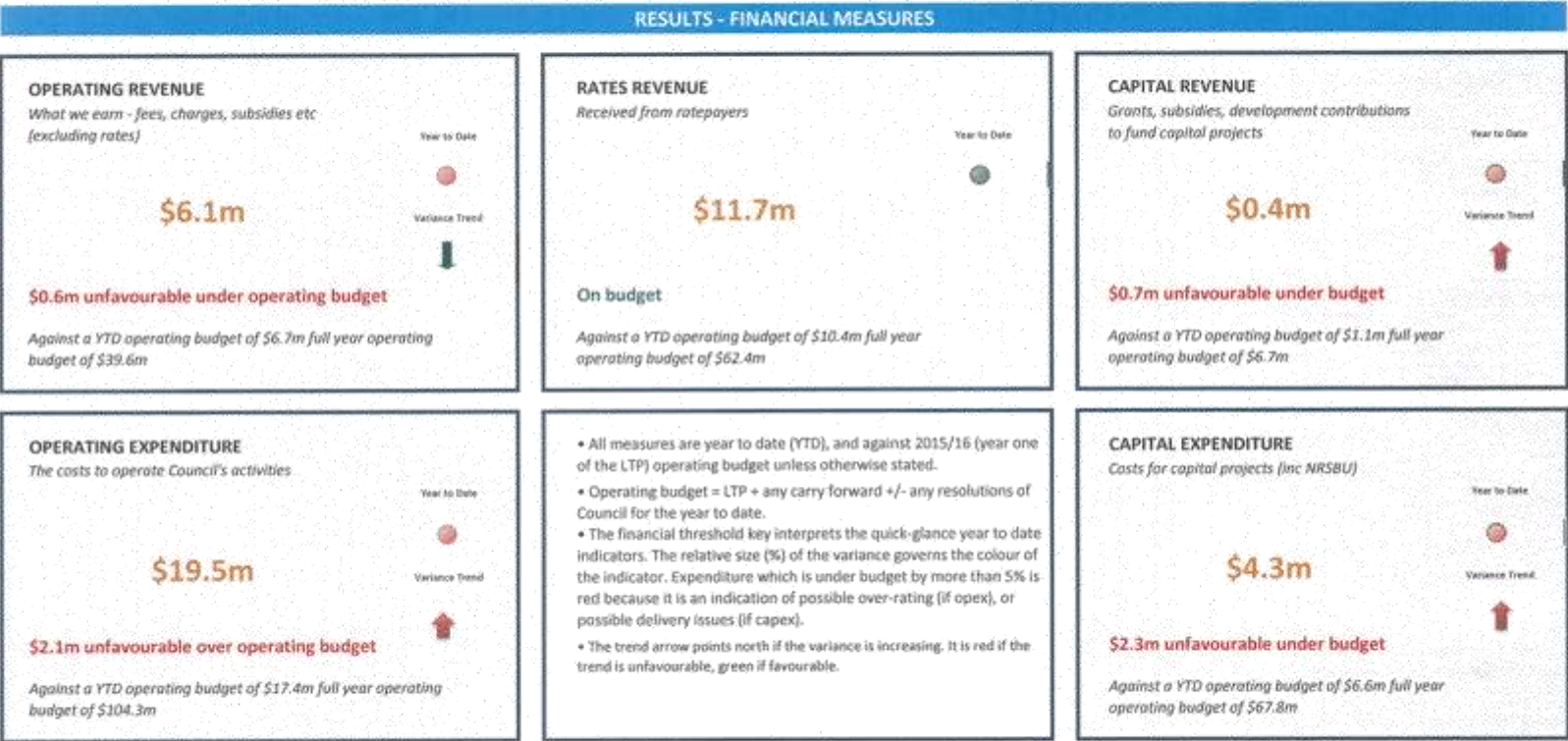
Attachments

- Attachment 1: A1854215 - Financial information [↓](#)
- Attachment 2: A1853357 - Major projects summary [↓](#)
- Attachment 3: A1852936 - Analysis of Motor camps, Marina and forestry [↓](#)

| | |
|--|---|
| 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 2017/18. |
| 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. |



KEY INDICATORS
August 2017
Whole of organisation



August 2017

OPERATING INCOME AND EXPENDITURE BY CATEGORY

Commentary

Other operating revenue \$600,000 less than operating budget.

• Grants, donations and subsidies are \$323,000 less than operating budget - Subsidised roading, public transport and total mobility NZTA claim has not been made yet for the first quarter

• Fees and charges \$174,000 less than operating budget - Forestry income is \$255,000 less than budget reflecting timing of harvesting. Offsetting this, trade waste income is \$55,000 above budget year to date.

• Regulatory income \$420,000 more than operating budget- Dog registration fees collected in August \$279,000 above budget (budget phasing to be fixed). Both building consent fees (\$66,000) and resource consent fees (\$48,000) have had a strong start to the year reflecting continuing high activity levels.

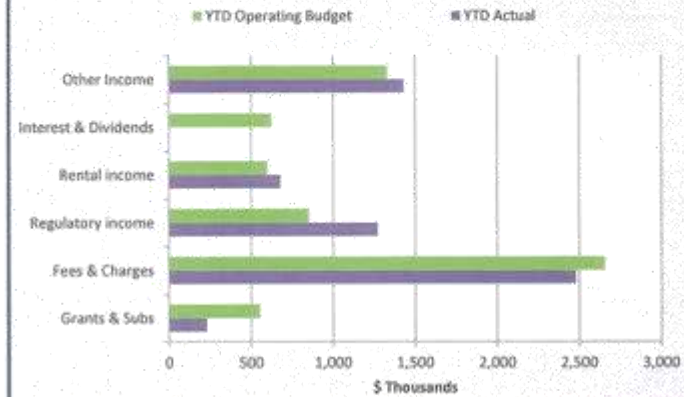
• Interest and dividends \$618,000 less than operating budget - this reflects the need to phase the budgets for dividends from the Port, Airport and Nelmec (\$556,000) and interest from NRSBU

Operating Expenditure \$2.1m more than operating budget

Staff including overhead are \$157,000 more than budget - mainly due to prepayment of annual license fees for IT systems (\$60,000) and insurance (\$60,000).

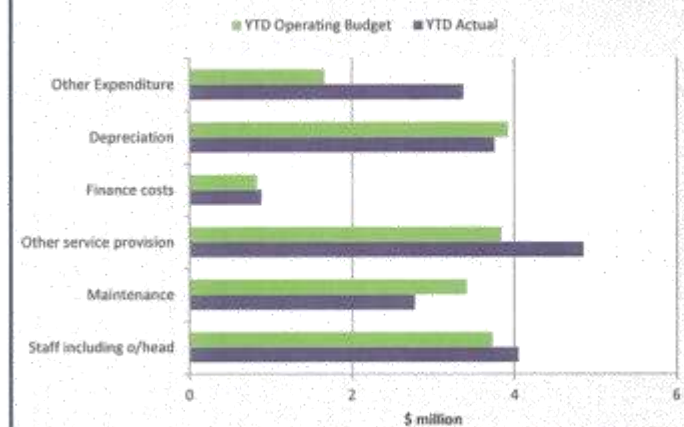
• Maintenance costs are \$636,000 less than budget - includes \$132,000 desludging in Wastewater activity, various Social \$108,000, transport \$108,000, water \$63,000 and Parks and Reserves budgets \$88,000

Other Operating Revenue by Category



Excludes internal interest

Operating Expenditure by Category



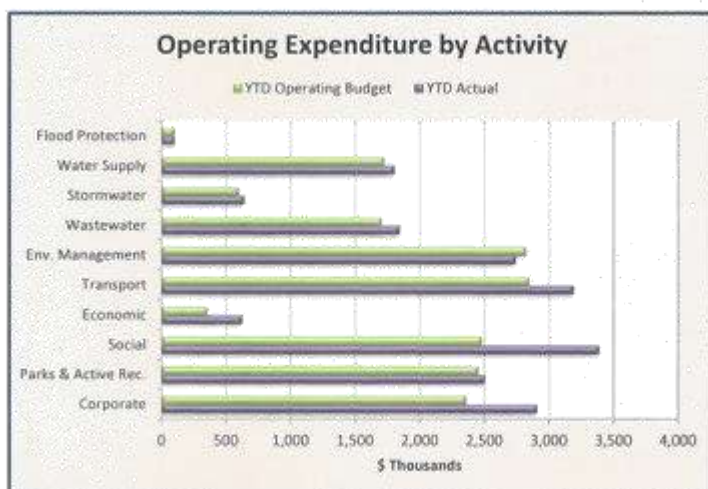
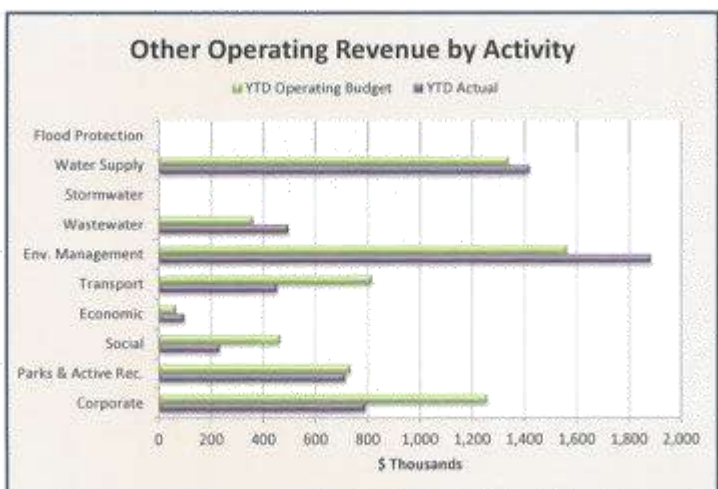
Attachment 2

excludes internal interest

• Other service provision \$1.0m more than budget - relates to phasing of the Museum (\$72,000), Suter (\$47,000) and EDA (\$105,000) quarterly grants. Also phasing of Rates remissions (\$68,000) and Community assistance grants (\$52,000). The grant for School of Music refurbishment is (\$682,000) to August - this is now fully rechargable to the SoM (Council acting as banker for project). \$95,000 recovered to date through an income line. \$128,000 NCC share of NRSBU expenses is over budget also. Offsetting the is Veledrome grant (\$154,000) not made and Nelson Nature expenses \$74,000

• Other expenditure \$1.7 million more than budget - \$99,000 in consultancy and \$1.6 million in base operating expenditure. In consultancy \$48,000 relates to resource consent activity. In Base operating expenditure - this reflects that rates (\$790,000) and insurance (\$852,000) have been paid in full in July (budget needs to be phased).

OPERATING INCOME AND EXPENDITURE BY ACTIVITY



Attachment 2

August 2017

RESULTS - TREASURY MEASURES

- All treasury parameters measured remain compliant except 5 year plus fixed rate at 61% (limit 60%). Council recognises a non-complaint maturity sub-limit, and has a strategy to correct this within 90-days.
- Full year debt expectation (outlook) based on the Annual Plan is \$131.6m.

DEBT/REVENUE RATIO FORECAST

Net external debt/operating revenue & rates at year end

Full year outlook

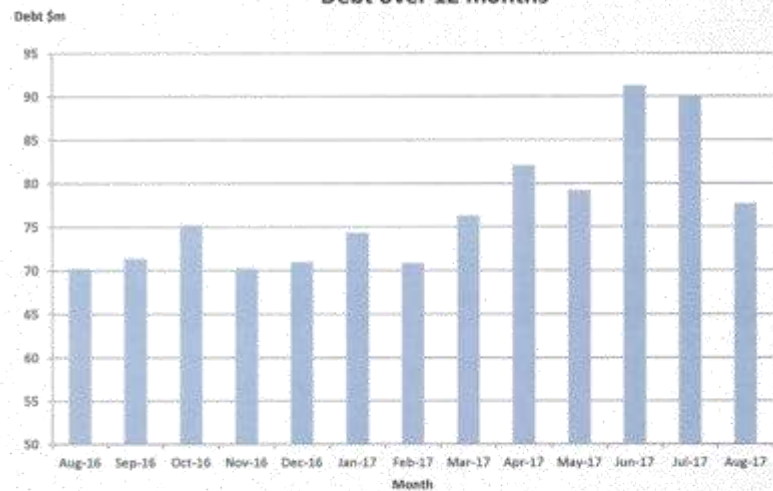
137.0%

Against a full year expectation of 137% in the Annual Plan & a benchmark of 150%

Borrowing Compliance

| | Compliance | Actual | LTP | Minimum | Maximum |
|----------------------------|------------|--------|--------|---------|---------|
| Fixed:floating mix | ◆ | 76.0% | n/a | 55% | 90% |
| Net interest:total revenue | ◆ | 4.6% | 5.4% | 0% | 15% |
| Net interest:rates revenue | ◆ | 33.6% | 7.7% | 0% | 20% |
| External debt:revenue | ◆ | 90.7% | 127.6% | 0% | 150% |
| External debt:equity | ◆ | 6.1% | 8.9% | 0% | 20% |

Debt over 12 months

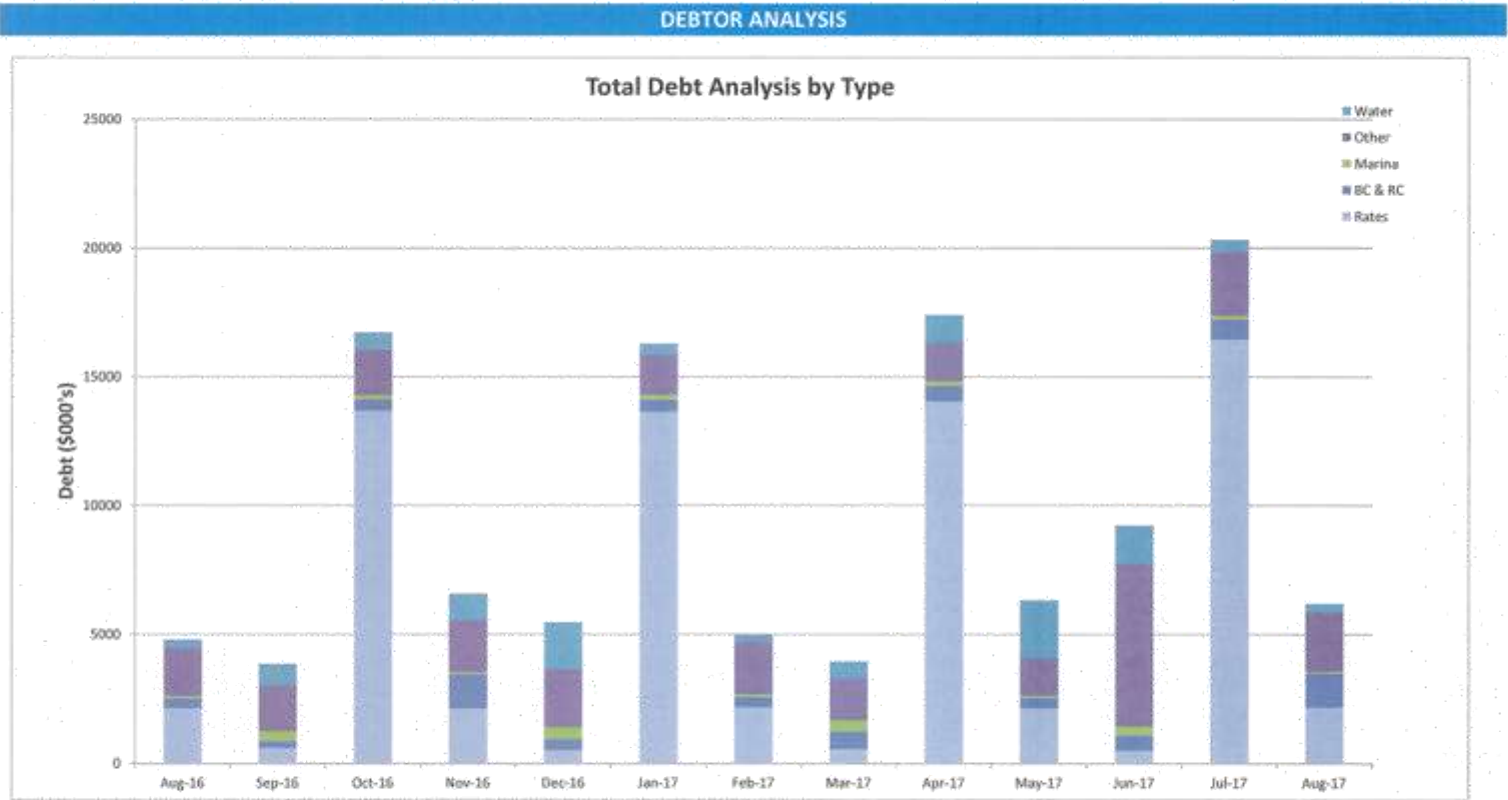


August 2017

| ABBREVIATED BALANCE SHEET | | | | |
|---|------------------------|------------------------|------------------------|--|
| | Aug 2017 YTD | Jul 2017 YTD | June 2016 YTD | |
| Current Assets | | | | |
| Includes call deposits | | | | |
| Cash | 13,152,540 | 779,072 | 244,000 | |
| Includes prepayments and current portions of loans to community organisations and related parties | | | | |
| Receivables | 10,486,179 | 24,906,444 | 13,596,000 | |
| Other Current Assets | 701,890 | 701,890 | 752,000 | |
| Total Current Assets | 24,340,610 | 26,387,405 | 14,592,000 | |
| Non Current Assets | | | | |
| Shares in subsidiaries and associates | | | | |
| Fixed Assets | 1,418,868,348 | 1,418,252,927 | 1,424,184,000 | |
| Non-current portions of loans to community organisations and related parties (includes NRSBU) | | | | |
| Investments | 40,653,743 | 40,653,743 | 51,747,000 | |
| Other Non Current Assets | 3,744,045 | 3,744,045 | 5,080,000 | |
| Total Non Current Assets | 1,463,266,135 | 1,462,650,714 | 1,480,991,000 | |
| Current Liabilities | | | | |
| Term loans due within 12 months | | | | |
| Payables | (16,234,789) | (11,679,790) | (13,109,000) | |
| Borrowings: Current | (1,400,000) | (2,400,000) | (2,350,000) | |
| Current portion of employee benefit liabilities | | | | |
| Other Current Liabilities | (2,506,447) | (2,216,272) | (2,145,000) | |
| Total Current Liabilities | (20,141,235) | (16,296,062) | (17,604,000) | |
| Non Current Liabilities | | | | |
| Housing NZ suspensory loan | | | | |
| Payables: Non Current | (959,263) | (945,097) | (931,000) | |
| Provisions | (1,622,967) | (1,622,950) | (1,313,000) | |
| Borrowings due after 12 months | | | | |
| Borrowings: Non Current | (83,000,000) | (83,000,000) | (83,000,000) | |
| Other Non Current Liabilities | (5,624,533) | (5,624,533) | (5,624,000) | |
| Non-current portion of employee benefits liability + derivatives revaluation as at 30 June 2015 | | | | |
| Total Non Current Liabilities | (91,206,763) | (91,192,580) | (90,868,000) | |
| Net Assets | 1,376,258,747 | 1,381,549,478 | 1,387,111,000 | |
| Equity | | | | |
| Accumulated Funds | (405,687,326) | (411,941,912) | (406,009,000) | |
| Reserves | (970,571,421) | (969,607,566) | (981,102,000) | |
| Total Equity | (1,376,258,747) | (1,381,549,478) | (1,387,111,000) | |

- The balance sheet remains strong, with the usual funding movement in equity. April rates invoicing has been paid, reducing receivables.
- Receivables has reduced \$14.4m reflecting the payment of the rates instalment. Rates paid in advance are also reflected in current payables.
- Accumulated funds have reduced as rates income is utilised.
- Net debt has decreased \$13.3m due to cash received for rates payments, including payments received in advance covering the full year.

August 2017

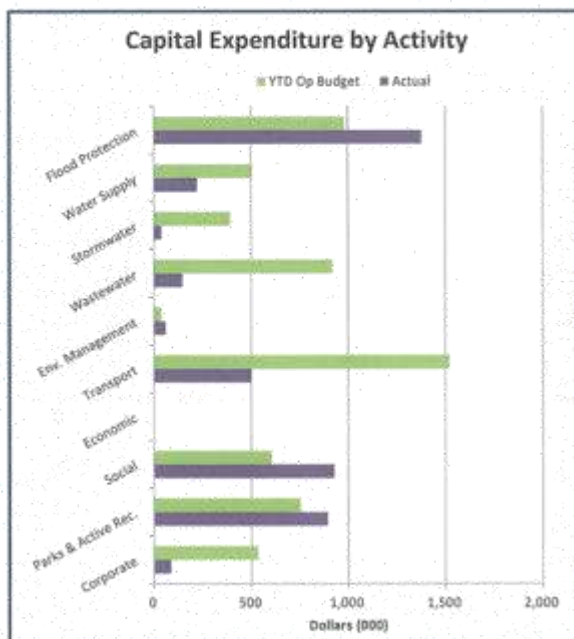
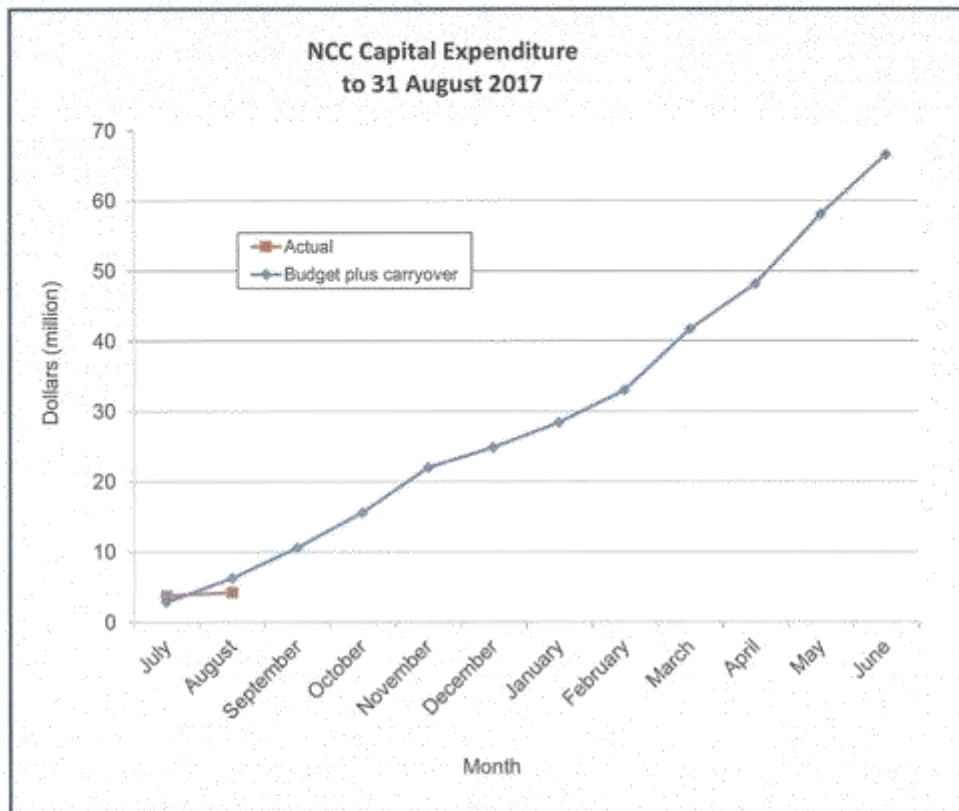


General debtors 3 month plus over \$10,000 or at risk

Account No 3 Mths Overdue Notes
None as at 31 August 2017

August 2017

RESULTS - CAPITAL EXPENDITURE



Major variances (projects)

More detail on major capital projects can be found in the major projects status report.

York Stream and Saxton Creek both ahead of budget as currently phased

Behind budget as currently phased on all but 5 projects

All projects behind budget

All projects behind budget; particularly Neale Park PS
Change in phasing to come to W&I meeting

Most projects behind budget; particularly Streetlight conversion to LED, Seal resurfacing (timing), Rocks Rd Cycling/Walking (on hold)

Greenmeadows Centre and Nellie Nightingale ahead of budget

Trafalgar Centre additional projects ahead of current phasing

Civic House, IT, EQPB remediation

Item 9: Corporate Report to 31 August 2017: Attachment 2

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 | Anticipated Finish Date | Original Total Budget | Forecast Total Spend | Total Spent to date. | 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 | | | | | | | | | | | | | | | | |
| Saxton Creek Upgrade MULTI-YEAR PROJECT | Upgrade stream channel and undertake associated landscaping. | Lodge R.C. for Stage 2 | Nov-17 | 2018/19 | \$ 6,202,682 | \$ 6,202,682 | \$ 3,106,992 | \$ 1,239,280 | \$ 4,095,598 | \$ - | Works & Infrastructure | Carryover included in W&I Q2 Progress Report for 16 Feb 2017. Approved by Council on 23 March 2017. | Y | G | G | Stage 3 - Completed. Stage 2 - Land negotiations on going and anticipated to be resolved by Feb 2018. Construction anticipated to start in April 2018 - Carryover into 18/19 anticipated. |
| Nile Street East SW & flood protection | SW & flood protection to meet appropriate LOS. | Tender Award | Dec-17 | 2018/19 | \$ 513,100 | \$ 900,000 | \$ 78,670 | \$ 12,646 | \$ 777,904 | \$ - | 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. | Y | G | G | Tenders has closed and evaluation completed. Construction now anticipated to start in 2018/19. Request to transfer funds to 18/19 to be included in November W&I Capital Expenditure Progress Report. |
| Water Supply Activity | | | | | | | | | | | | | | | | |
| Maitai Pipeline Upgrade (WTP - Westbrook Tce) | Construction of a trunk main from WTP to Brook Street. | End of Defects Liability Period | Jun-18 | 2016/17 | \$ 4,117,535 | \$ 4,954,724 | \$ 4,954,724 | \$ 2,856,553 | \$ 80,000 | \$ - | Works & Infrastructure | None | G | G | G | Project completed, 12 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 | Update Indicative Business Case | Nov-17 | 2017/18 | \$ 952,000 | \$ 1,400,000 | \$ 198,934 | \$ 83,926 | \$ 859,696 | \$ - | 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. | Y | R | G | Easement negotiations ongoing and have become protracted. Forecast of insufficient budget primarily due to lack of competitive pricing within the construction market. |
| York Stream Channel upgrade MULTI-YEAR PROJECT | Install large stormwater pipe along Kawai St to Boundary Road. | Complete Construction | Apr-18 | 2017/18 | \$ 4,651,332 | \$ 3,902,043 | \$ 1,539,514 | \$ 112,000 | \$ 2,605,000 | \$ - | Works & Infrastructure | W&I Q3 Progress Report to Council in June 2017 regarding additional money and carryover. | G | G | G | On site and on track. |
| Railway Reserve - Saxton Rd West - Dryden Street | Install stormwater to connect historical subdivisions that discharged direct to railway reserve. | End of Defects Liability Period | Jan-18 | 2016/17 | \$ 849,575 | \$ 599,495 | \$ 599,495 | \$ 781,963 | \$ - | \$ - | Works & Infrastructure | None | G | G | G | Project completed, 6 month defects period underway. |
| 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. | Complete Construction | Dec-18 | 2018/19 | \$ 6,865,588 | \$ 7,122,748 | \$ 574,073 | \$ 123,068 | \$ 6,557,392 | \$ - | Works & Infrastructure | W&I Q3 Progress Report to Council in June 2017 regarding carryover. | G | G | G | Construction underway. Construction period is approx. 14 months. Carry forward into 2018/19 anticipated. |
| Transport Activity | | | | | | | | | | | | | | | | |
| Rocks Rd cycling and walking project MULTI-YEAR PROJECT | Development of walking and cycling solution along Rocks Road. | On Hold | - | TBC | \$ 2,860,010 | \$ 2,860,010 | \$ 270,689 | \$ - | \$ 3,130,689 | \$ - | Works & Infrastructure | Carryover Report to Council in August. | R | R | R | Discussions with NZTA to commence following release of their Programmed Business Case. Unlikely to spend 17/18 Budget. |
| St Vincent to CBD cycle connection | Minor improvements in Anzac Park and new Pedestrian/Cycle Refuge on Rutherford St. | Project Close | Oct-17 | 2017/18 | \$ 160,000 | \$ 222,917 | \$ 222,917 | \$ 120,000 | \$ - | \$ - | Works & Infrastructure | Council previously revoked W&I recommendations and option approved. | G | G | G | Project Completed. |
| Days Track Recovery | Reinstate/Remediate Days Track following landslip in Dec 2011 rainfall event. | End of Defects Liability Period | Jul-18 | 2017/18 | \$ 422,384 | \$ 473,366 | \$ 459,171 | \$ 380,912 | \$ 117,526 | \$ - | Works & Infrastructure | None | G | G | G | Construction completed - 12 Month defects period underway. |
| Parks and Active Recreation Activity | | | | | | | | | | | | | | | | |
| Rutherford/Trafalgar Park Development | Development of Rutherford park in line with Development Plan. | Project Close | Dec-17 | 2016/17 | \$ 1,783,046 | \$ 2,824,144 | \$ 2,824,144 | \$ 1,912,265 | \$ - | \$ - | Sports and Recreation | None | G | G | G | Construction completed - 12 Month defects period underway. |
| Trafalgar Centre Reopening | Complete upgrade to allow reopening & safe public use of the Centre. | Project Close | Oct-17 | 2016/17 | \$10,236,975 | \$14,702,915 | \$14,702,915 | \$ 4,480,592 | \$ - | \$ - | Community Services | None | G | G | G | Construction completed - 12 Month defects period underway. |
| Modellers Pond Solution MULTI-YEAR PROJECT | Improve Water quality and amenity of the pond. | Review original options | Feb-18 | 2017/18 | \$ 517,460 | TBC | \$ 287,205 | \$ 79,851 | \$ 1,070,463 | \$ - | Sports and Recreation | S&R approved in October 2017 to investigate options. | R | R | R | Due to budget issues for the modified option, the S&R committee approved in October 2017 to investigate alternative options and to carryover any budget over to 18/19. |
| Stoke sports & community facility MULTI-YEAR PROJECT | New sports and community facility in Stoke. | Complete Construction | Mar-18 | 2017/18 | \$ 5,717,450 | \$ 6,630,729 | \$ 2,716,979 | \$ 1,521,920 | \$ 4,196,080 | \$ - | Community Services | None | Y | G | G | Construction underway. Delays on site and additional work has pushed completion date out from February 2018 to March 2018. |
| 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 November 2017 | Nov-17 | 2017/18 | \$ 1,019,400 | \$ 695,424 | \$ 15,423 | \$ 10,706 | \$ 673,890 | \$ - | Sports and Recreation | S&R in November 2017. | G | G | G | Land purchase conditional subject to Council approval. |
| Saxton Cycle Track (Regional Velodrome) | Design and build a 330m outdoor cycling velodrome. This is a TDC lead project. | Complete construction of Stage 2 | Dec-17 | 2017/18 | \$ 688,000 | \$ 878,000 | \$ 652,000 | \$ 252,220 | \$ 174,800 | \$ - | Saxton Field | None | Y | G | G | NCC are a key stakeholder and contributing funds. Project being managed by TDC. The new asphalt surface has been completed |
| Social Activity | | | | | | | | | | | | | | | | |
| NSOM upgrade | Earthquake Strengthening. | Completion of Construction | Jan-18 | 2017/18 | \$ 3,028,500 | \$ 3,028,500 | \$ 2,591,985 | \$ 2,585,148 | \$ - | \$ - | Community Services | None | G | G | G | On track - Council funding \$3million. |

Item 9: Corporate Report to 31 August 2017: Attachment 3

| Tahuna Motor Camp | Full Year Actuals 2014/15 | Full Year Actuals 2015/16 | Full Year Actuals 2016/17 |
|--|--|--|--|
| Income | (118,450) | (121,541) | (139,315) |
| Contribution to rates | 157,861 | 111,043 | 257,708 |
| Other Income | (276,310) | (232,584) | (397,023) |
| Expenses | 264,457 | 267,545 | 285,327 |
| Staff Operating Expenditure | 2,015 | 2,094 | 2,880 |
| Base Expenditure | 116,435 | 119,447 | 128,185 |
| Programmed Expenses | 0 | 0 | 8,250 |
| Depreciation | 146,007 | 146,004 | 146,012 |
| Operating deficit (unfunded depreciation) | 146,007 | 146,004 | 146,012 |

| | | | |
|--|------------------|------------------|------------------|
| Internal Debt | 0 | 0 | 0 |
| Total Assets NBV (excluding land) | 4,877,897 | 4,732,497 | 4,586,485 |

| Maitai Camp | Full Year Actuals 2014/15 | Full Year Actuals 2015/16 | Full Year Actuals 2016/17 |
|--|--|--|--|
| Income | (15,283) | (17,582) | (21,612) |
| Rates Income | (10,261) | (9,069) | (5,466) |
| Other Income | (5,021) | (8,513) | (16,146) |
| Expenses | 20,093 | 22,393 | 26,422 |
| Staff Operating Expenditure | 623 | 989 | 1,127 |
| Base Expenditure | 14,016 | 15,955 | 19,995 |
| Finance Expenses | 644 | 638 | 490 |
| Depreciation | 4,810 | 4,810 | 4,810 |
| Operating deficit (unfunded depreciation) | 4,810 | 4,810 | 4,810 |

| | | | |
|--|---------------|---------------|---------------|
| Internal Debt | 11,708 | 11,708 | 6,987 |
| Total Assets NBV (excluding land) | 88,400 | 83,569 | 78,779 |

| Brook Camp | Full Year Actuals 2014/15 | Full Year Actuals 2015/16 | Full Year Actuals 2016/17 |
|-----------------------------|--|--|--|
| Income | (312,305) | (250,564) | (417,825) |
| Rates Income | (180,250) | (141,242) | (301,069) |
| Other Income | (132,055) | (109,322) | (116,756) |
| Expenses | 319,487 | 257,948 | 425,833 |
| Staff Operating Expenditure | 135,673 | 132,019 | 181,436 |
| Base Expenditure | 159,047 | 96,106 | 172,845 |
| Unprogrammed Expenses | 3,209 | 3,251 | 31,972 |
| Programmed Expenses | 11,513 | 15,347 | 27,829 |
| Finance Expenses | 2,193 | 3,171 | 3,073 |

Item 9: Corporate Report to 31 August 2017: Attachment 3

| | | | |
|--|--------------|--------------|--------------|
| Depreciation | 7,851 | 8,054 | 8,678 |
| Operating deficit (unfunded depreciation) | 7,182 | 7,384 | 8,008 |

| | | | |
|--|---------|---------|---------|
| Internal Debt | 58,649 | 58,809 | 68,856 |
| Total Assets NBV (excluding land) | 191,621 | 184,398 | 186,436 |

| Marina | Full Year Actuals 2014/15 | Full Year Actuals 2015/16 | Full Year Actuals 2016/17 |
|---|--|--|--|
| Income | (1,791,832) | (1,824,985) | (1,953,841) |
| Rates Income | 0 | (30,000) | 0 |
| Other Income | (1,791,832) | (1,794,985) | (1,953,841) |
| Expenses | 1,240,247 | 1,347,085 | 1,561,915 |
| Staff Operating Expenditure | 52,190 | 108,247 | 74,673 |
| Base Expenditure | 560,772 | 589,243 | 801,628 |
| Unprogrammed Expenses | 0 | 65,863 | 78,442 |
| Programmed Expenses | 82,312 | 64,336 | 42,866 |
| Finance Expenses | 364,879 | 338,533 | 361,294 |
| Depreciation | 180,094 | 180,863 | 203,013 |
| Operating surplus (closed account) | (551,585) | (477,901) | (391,925) |

| | | | |
|--|------------|------------|------------|
| Internal Debt | 6,456,714 | 7,471,954 | 7,124,393 |
| Total Assets NBV (including land) | 12,950,659 | 14,500,378 | 15,324,079 |

| Forestry | Full Year Actuals 2014/15 | Full Year Actuals 2015/16 | Full Year Actuals 2016/17 |
|-----------------------------|--|--|--|
| Income | (554,955) | (609,940) | (3,341,917) |
| Other Income | (554,955) | (609,940) | (3,341,917) |
| Expenses | 317,331 | 318,067 | 1,915,403 |
| Staff Operating Expenditure | 15,608 | 21,821 | 14,431 |
| Base Expenditure | 77,012 | 119,864 | 1,787,315 |
| Unprogrammed Expenses | 24,563 | 0 | 0 |
| Programmed Expenses | 86,770 | 58,388 | 5,475 |
| Finance Expenses | 112,197 | 116,793 | 107,197 |
| Depreciation | 1,182 | 1,182 | 985 |
| Operating Surplus | (237,624) | (291,872) | (1,426,514) |

| | | | |
|----------------------|-----------|-----------|-----------|
| Internal Debt | 2,023,276 | 2,183,222 | 849,047 |
| Total Assets | 5,238,000 | 5,691,000 | 5,764,324 |

Health and Safety: Quarterly Report

1. Purpose of Report

- 1.1 To provide the Subcommittee with a quarterly report of health, safety and wellbeing data collected over the July to September quarter of 2017, and an update on the health, safety and wellbeing work programme.

2. Summary

- 2.1 Health and safety performance reports are provided quarterly to the Subcommittee. These reports provide an overview of health and safety performance based on key lead and lag indicators. Where a concerning trend is identified more detail is provided in order to better understand issues and implement appropriate controls.

3. Recommendation

That the Subcommittee

Receives the report Health and Safety: Quarterly Report (R7022) and its attachment (A1845583).

Recommendation to Council

That the Council

***Notes the report Health and Safety: Quarterly Report (R7022) and its attachment (A1845583);
and***

Acknowledges the assessment of critical health and safety risks contained in the attachment (A1845583).

4. Background

- 4.1 Councillors, as 'Officers' under the Health and Safety at Work Act 2015 (HSWA), are expected to undertake due diligence on health and safety

matters. Council's Health and Safety Governance Charter states that quarterly performance data reports will be presented to Council.

5. Discussion

- 5.1 Attached is a report outlining data on health, safety and wellbeing drawn from Council's health and safety system. The wellbeing section in this report is new and shows the total number of sick days taken and the number of work or non-work issues raised with workplace support. These provide an indication of trends in the broadest sense only, as more detailed analysis is not practicable due to data limitations or privacy.
- 5.2 Physical security continues to be rated as a High risk in the attached assessment. This is due to the large number of areas where this risk is present and outstanding actions relating to further controls. As this work is completed it is expected that this will move to a Medium risk.
- 5.3 The key health and safety risks as reported on are currently being reviewed by Council officers to ensure we are focusing our energy on the right risks.

General work programme

- 5.4 **Governance activities:** Councillors have participated in site visits to the Maitai dam, Tantragee water treatment plant and the Stoke Greenmeadows centre. These visits help councillors to meet their due diligence obligations, and form part of the governance due diligence plan, outlined in the Health and Safety Governance Charter.
- 5.5 The Health and Safety Strategic Plan was reviewed by the Audit Risk and Finance (ARF) Subcommittee on 28 September 2017.
- 5.6 On 8 September 2017 it was requested that officers report back on security related events at Council libraries, including details of controls and treatments. This work is well underway and it is planned to have a report for Subcommittee at its next meeting once worker engagement on security controls and treatments has been completed.

Other activities:

- 5.7 The contract with the provider of Council's health and safety data base (InControl) has been renewed. After careful consideration and worker engagement it has been decided to upgrade to the latest version. A review of the InControl platform is programmed for later in the financial year.
- 5.8 Further training has been provided to the 'Champions and Connectors' as the next steps in the 'Wellbeing at Work' programme.
- 5.9 Council's Health and Safety Policy has been reviewed.
- 5.10 The health and safety forum received a presentation on safety in design (SID).

6. Options

6.1

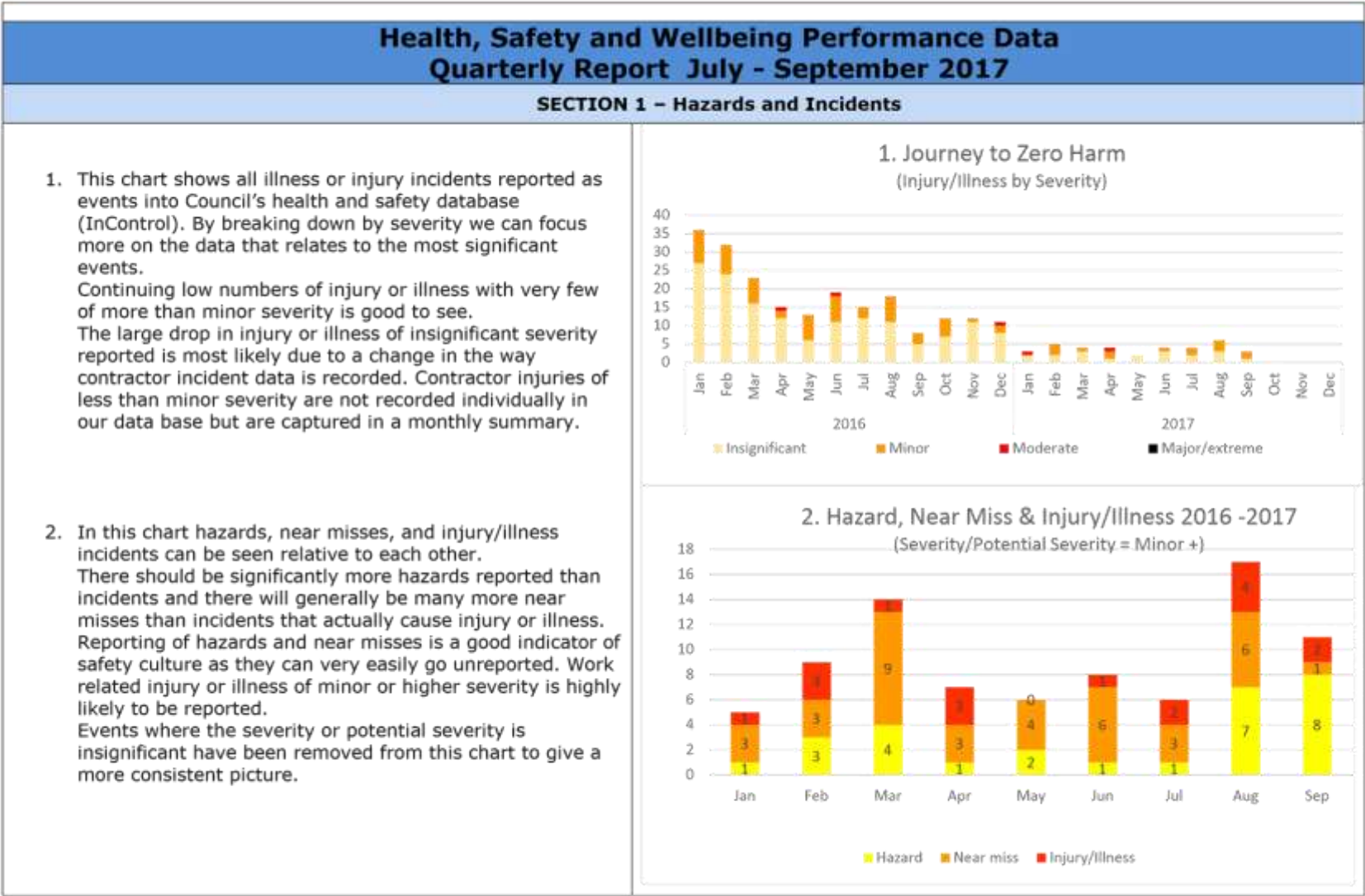
| Option 1: Receive the report and its attachment | |
|---|--|
| Advantages | <ul style="list-style-type: none">• Council demonstrates positive due diligence in relation to health and safety matters in the Council workplace. This assists in meeting councillors' obligations as 'Officers' under the HSW 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 receive the report and its attachment | |
| Advantages | <ul style="list-style-type: none">• An advantage could not be identified |
| Risks and Disadvantages | <ul style="list-style-type: none">• Council will not be able to use this report to help demonstrate due diligence on health and safety matters. |

Malcolm Hughes
Health and Safety Adviser

Attachments

Attachment 1: A1845583 - Quarterly Health and Safety Performance Data July to September 2017 [↓](#)

| Important considerations for decision making | |
|--|--|
| 1. Fit with Purpose of Local Government | <p>This report forms part of Council's work to perform its regulatory functions. Council has an obligation under the Health and Safety at Work Act 2015 because it is classed as a Person Conducting a Business or Undertaking (PCBU), and both councillors and Council's senior management have obligations as "Officers" under that Act.</p> |
| 2. Consistency with Community Outcomes and Council Policy | <p>The recommendations align with the Community Outcome: <i>Our communities are healthy, safe, inclusive and resilient.</i></p> |
| 3. Risk | <p>This report aims to help councillors meet their due diligence obligations as "Officers" under the Health and Safety at Work Act 2015. It is likely this objective will be achieved when combined with other actions outlined in 'Governance due diligence plan' found at section 6 of the Health and Safety Governance Charter (A1767136). The likelihood of adverse consequences is assessed as low based on the current record of Council's health and safety systems and 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.</p> |
| 4. Financial impact | <p>There are no immediate budget implications arising from this report.</p> |
| 5. Degree of significance and level of engagement | <p>This matter is of low significance because it is a quarterly progress report regarding the Council's health and safety data, and no engagement is required</p> |
| 6. Inclusion of Māori in the decision making process | <p>Maori have not been consulted in the preparation of this report.</p> |
| 7. Delegations | <p>The Audit, Risk and Finance Subcommittee is delegated oversight of Health and Safety.</p> |



3. This chart breaks down the injury/illness category into the subtype of who was affected and does not include incidents where the consequence was insignificant. Incidents are summarized below for the July to September quarter:

Staff

- Flare up of a pre-existing gradual process injury
- A soft tissue injury from lifting a bag out of a vehicle

Contractors

- Bruising and abrasions to the face from flying debris when a water line unexpectedly re-pressurized
- Concrete truck driver had a medical event while on site
- Minor injury when a scaffolder fell from a low height onto pipes

Public

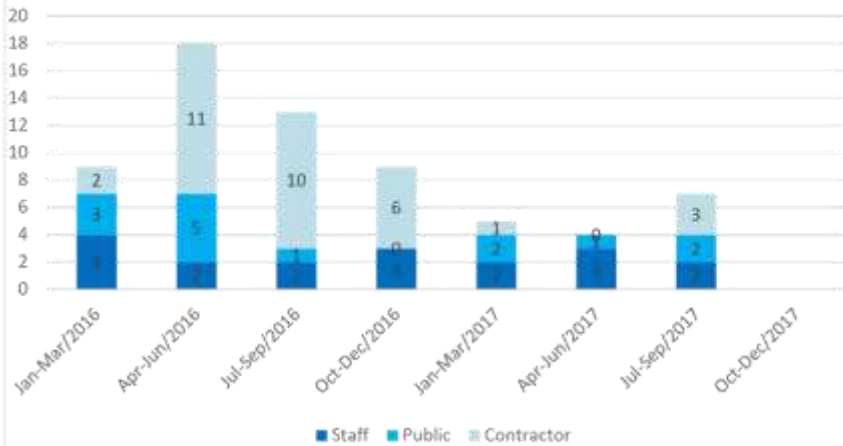
- Suspected heart attack in the Council chamber
- Minor electric shock to a resident at the Brook Valley camp.

4. Workstation assessments are an important prevention and early intervention tool in regard to gradual process injuries. The early reporting of discomfort is a key step to ensure early intervention and reduce the impact of an issue on the worker and the organisation.

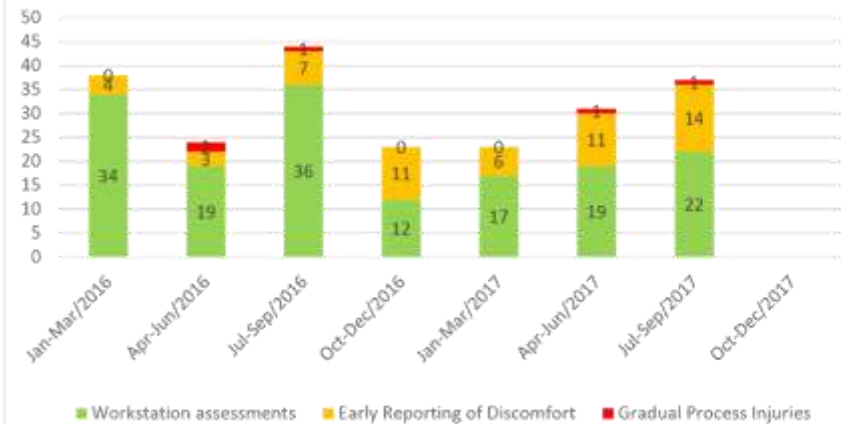
Events are only recorded as gradual process injuries where there were ongoing impacts that were unable to be addressed by work station and habit changes alone. Or where medical treatment or time off work was required.

Most Council staff are exposed to this risk through time spent at workstations, and considerable focus on appropriate controls needs to be maintained.

3. Injury/Illness Subtypes (Minor +)



4. DPI Assurance & Reporting



5. Here we show the comparative data in regard to some other incident types.

The non-conformances are mostly individuals with significant over-speed reports as measured by Council's ERoad fleet management system. There are now far fewer drivers who have over-speed reports that meet the threshold for reporting as a non-conformance.

For this quarter there were no security events reported where the severity was minor or greater, insignificant security events are shown in the next chart.

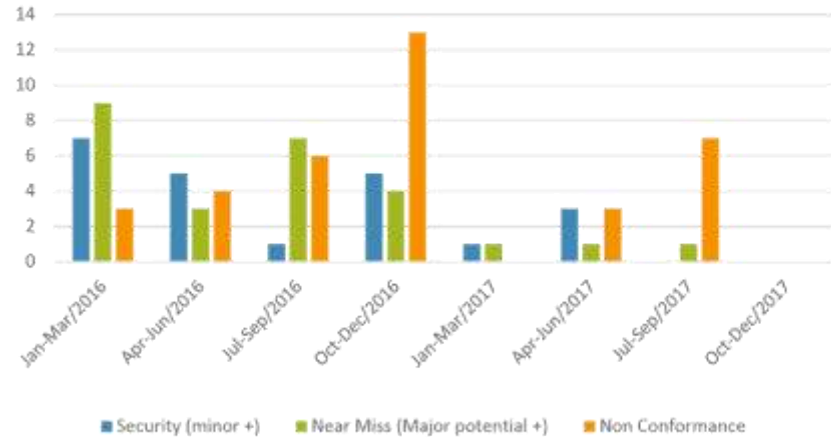
- 5a. This is a breakdown of all security events reported in Council Workplaces over the past 12 months. EIL incidents are generally customers becoming upset with either dog control officers or parking wardens.

Library Incidents July-September

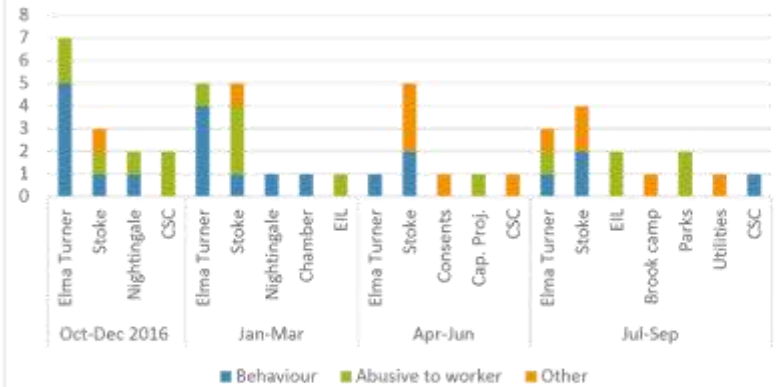
- Man drinking outside Elma Turner Library
- Police accompanied youth they were seeking from Stoke library
- Drunk man trespassed from Elma Turner Library
- Four teens causing disruption outside Stoke Library
- A customer verbally abusing staff after receiving an upsetting phone call at Elma Turner Library
- Swearing and disruptive customer at Stoke Library
- Trespassed person kept returning to Stoke Library.

Security incidents at libraries since October 2016 along with controls and treatments are being outlined in more detail in a supplementary report. This report is well underway, and will be provided to the Audit Risk and Finance Subcommittee at the first opportunity once worker engagement on the subject has been completed.

5. Other Incident Types



5a. Security Events

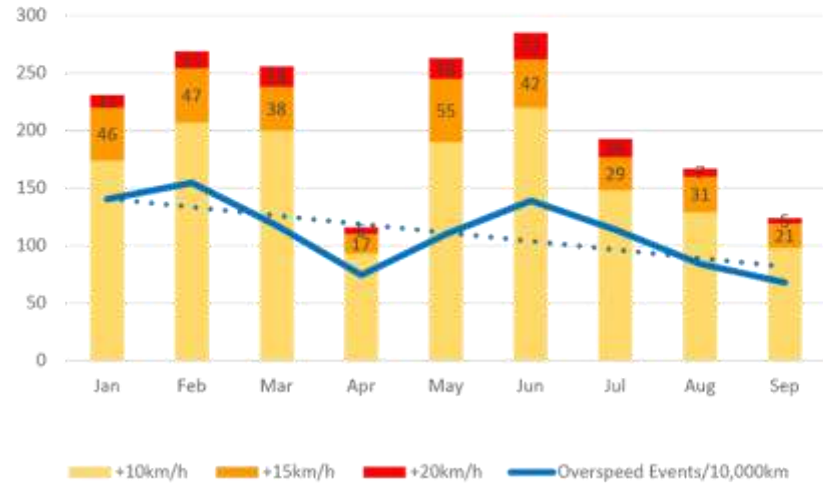


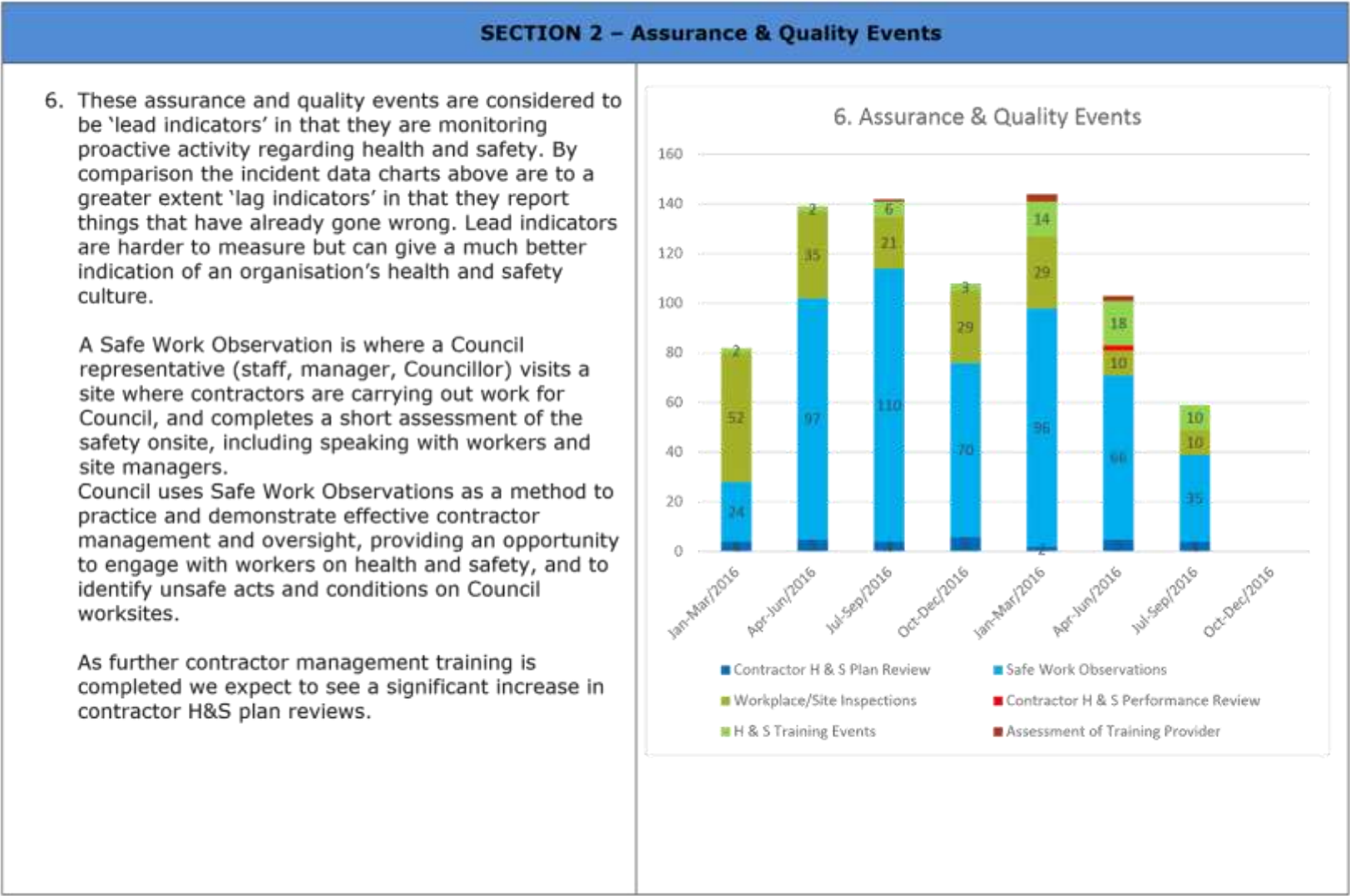
5b. Here we have taken the data straight from ERoad reports and have a high level of assurance that the data is complete. An over-speed event is any time the posted speed limit is exceeded by >10Kmph.

The rate of over-speed events is shown by the blue line. This removes any anomalies due to the total fleet kilometres travelled each month. It is expressed as events per 10,000 km to fit the same scale as total events. This may be easier to see in perspective if you look at it as roughly 0.7-1.5 over-speed events per 100km travelled, with a peak of 2.4 in August 2016.

This report is now broken down into each of the speed bands. It is reassuring to note the significant decrease in events in the higher speed bands, along with the overall downwards trend in the number and rate of over-speed events

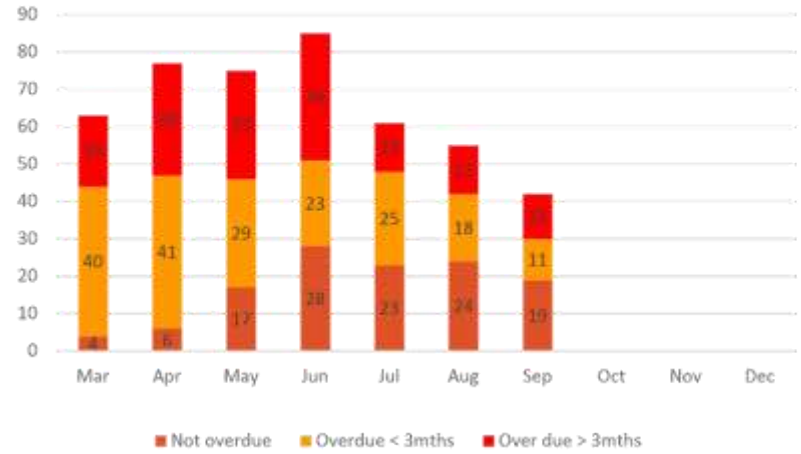
5b. Over Speed Events 2017 (from ERoad)





7. Outstanding H&S Actions in In Control:
 This chart shows all health and safety related actions that are outstanding or overdue.
 A project to identify and remove the barriers to clearing actions, has seen a steady decrease in overdue actions, while new actions being created has continued at a steady rate. Individuals with a high number of 'overdue actions' and/or 'in progress events' have been provided or offered additional training and support in the use of the InControl data base.

7. Outstanding H & S Actions (InControl)



SECTION 3 - Staff Wellbeing

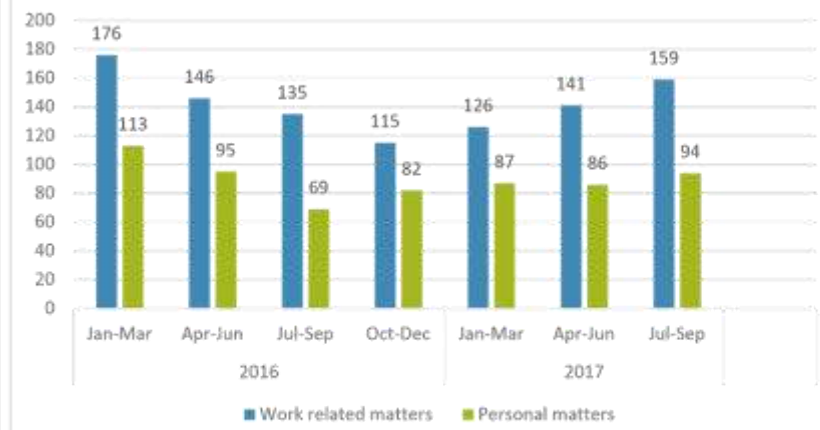
8. This new section of the report aims to provide data regarding staff wellbeing. This chart shows total sick leave taken by staff each month. The available data does not provide a distinction between staff illness and sick leave taken so staff can care for an ill dependant. It will also not account for annual leave/LWOP taken due to illness when a staff members' sick leave allocation has been used. The peak in July is attributable to seasonal upper respiratory tract illnesses (colds/flu).

9. Workplace support is a counselling and support service provided to staff. This data is taken from a quarterly report provided by Workplace Support and shows the number of times the service has been accessed by staff for either personal matters or work related matters.

8. Total Sick Leave Taken



9. Times Workplace Support Accessed by Staff



SECTION 4 – Critical Health and Safety Risks

These are Council's "Top 6" Health and Safety risks. This list helps us to keep a focus on "the things that matter most"- Updated May 2017

| Key H&S risk area | Current controls | Current risk level (this reporting period) | Next management actions and progress |
|---|---|--|---|
| <p>1. Insufficient oversight of contractors to meet Council's duty as a PCBU that has influence and control over the work</p> <p>Under the HSW Act Council carries some of the responsibility for protecting workers in all of the situations where it contracts work to be done. If these responsibilities are not adequately met any injury or illness of contract workers may lead to Council being prosecuted along with the contractor.</p> | <p>-Contractor Management Principal Control Plan is in place.</p> <p>-Standardised contract templates are in use for all new contracts.</p> <p>-Audit of the H&S management system in regard to a selection of Council's larger Contractors and larger projects has been completed June 2017.</p> <p>-Range of contractor assurance activity categories in data base.</p> <p>-Contractor H&S requirements workshop has been completed with capital projects</p> | <p>Consequence – Major Likelihood - Unlikely Risk rating - MEDIUM</p> | <p>Further communication of revised expectations to current Council contractors and contract supervisors.</p> <p><i>Actions from contractor health and safety management audit are in database and are being worked through.</i></p> <p><i>Further contractor health and safety requirements workshops are being developed and scheduled.</i></p> |
| <p>2. Harm to the public from Council or contractor work</p> <p>Inadequate control of work in places where the public has access can lead to injuries or illnesses to members of the public.</p> | <p>Current controls in this respect generally fall under contractor management. Sometimes a public perception that Council is responsible beyond what is reasonably practicable in regard to control and influence over contractors (the perception of risk exceeds Council's actual duties under HSWA).</p> | <p>Consequence – Moderate Likelihood - Possible Risk rating - MEDIUM</p> | <p><i>Guidelines document has been completed</i> by the Contracts Supervisor Roding with the objective of achieving a higher standard of safety for pedestrians near construction sites where Council has a level of control and influence over the workplace through the approval of a traffic management plan.</p> |

| | | | |
|--|--|---|---|
| <p>3. Security of Council staff or contractors Staff or contractors whose job interacts with the public may be exposed to stress or injury from threatening public behaviour.</p> | <ul style="list-style-type: none"> -Physical Security Review completed in 2016. Follow up actions are being progressed with priority given to high risk areas by appropriate managers. -High risk contractors provided with body cameras. -Training provided in de-escalation techniques. -Formal risk assessment and increased use of security guard for Council meetings. -Second sign in station for contractors reduces risk in the customer service centre. -The highest priority actions from the security review relating to unrestricted access to level one and the Mayors reception have been completed. - Key security recommendations from OPSEC physical security review have been included in the scope of the accommodation upgrade for Civic House. | <p>Consequence – Major Likelihood - Possible Risk rating -HIGH</p> <p>Specific security risks are generally not accepted at this level. An overall rating of high has been assigned due to the number of situations where employees and contractors may be exposed.</p> | <p>Ongoing follow up to recommendations of 2015 and 2016 reviews:</p> <p>Further actions relating to access and CSC area that can be completed independently of the accommodation upgrade are being progressed by property services.</p> <p>Comprehensive review of security incidents, controls and treatments for libraries.</p> |
| <p>4. Employee wellness Staff may become unwell as a result of either or both of the physical nature of their work or the stresses imposed by the job.</p> | <ul style="list-style-type: none"> -Workstation assessments provided for all new employees. - Early reporting of discomfort procedure is in place and further workstation assessments or other actions completed as required. -Wellbeing at work program; Champions and connectors network is active and some profiles have been communicated. -Data related to employee wellbeing is included in performance data reports. -Workplace survey includes a number of additional questions related to employee wellness -Working well together' policy in place and training has been provided. | <p>Consequence – Minor Likelihood - Likely Risk rating - MEDIUM</p> <p>Risk assessment is based on limited information at present. 2017 staff survey 50.3% of staff responded positively to question, 'The level of work related stress I experience is acceptable.</p> | <p>A program of activities based around the five ways to wellbeing is scheduled for mental health awareness week.</p> |

| | | | |
|--|--|---|--|
| <p>5. Lone work Staff or contractors working alone or in remote locations may be harmed as a result of their situation or any injuries may be exacerbated by the difficulty of assisting such workers after an injury</p> | <p>-Lone Worker Policy in place. In vehicle monitoring (ERoad) can give location in real time. -Improved communication options provided where a specific risk is identified.</p> | <p>Consequence – Major Likelihood - Unlikely Risk rating - MEDIUM</p> | <p>Policy/procedure development by Environment team for working in or near water to integrate with lone worker policy.</p> <p>Implement organisational lone worker procedure to support policy.</p> |
| <p>6. Work in high hazard environments High hazard environments are those in which injuries are more likely because of the hazards present. Special procedures are required to maintain worker safety.</p> | <p>-Permit to work system required for contractor work in particular hazardous situations. -Higher level of contractor monitoring for higher risk contracts. (Controls outlined in 'Contractor Management Principal Control Plan')</p> | <p>Consequence – Major Likelihood - Unlikely Risk rating - MEDIUM</p> <p>Likelihood of exposure to high hazard environments for Council employees is low. Contractors however have more frequent exposure to these high consequence risks in areas such as construction and forestry.</p> | <p>Implementation of a Contracts data base that is intended to integrate with Health & Safety data base will allow better monitoring of activity in regard to particular hazardous works.</p> <p>Ongoing review to establish extent of particular hazardous works where Council employees may be exposed to health and safety risks.</p> |

Insurance renewal 2017/18

1. Purpose of Report

- 1.1 To update the subcommittee on the 2017/18 insurance renewal.

2. Summary

- 2.1 Nelson City Council is part of the Top of the South Collective with Tasman District Council and Marlborough District Council which was formed 1 July 2011. The insurance broker is Jardine Lloyd Thomson (JLT) and Nelson City Council has various insurance policies including material damage insurance for 'above ground' assets ie buildings etc.
- 2.2 Separately, Council was a member in the Local Authority Protection Programme (LAPP) scheme which is a mutual scheme whose membership consists of 32 local authorities. It is aimed at providing insurance cover for damage to 'infrastructural assets' from natural hazard events only (not fire etc). It only covers the 40% of damage costs not covered by the National Disaster Recovery Plan which currently covers 60%.
- 2.3 Aon New Zealand has undertaken risk modelling on Council's flood and earthquake risks using Tonkin and Taylor analysis and data on our infrastructure assets (including location and value). Based on the latest risk assessment it would appear that Council is underinsured; that the \$125m loss limit is not enough.
- 2.4 At the Governance Committee meeting on 9 March 2017 (prior to the Audit, Risk and Finance subcommittee being formed) a report was presented looking at the option to exit LAPP for Council's infrastructure insurance and the appropriate level of insurance cover, given the risk modelling work undertaken by Aon/Tonkin and Taylor. This decision was delegated to a small group of councillors, the Chief Executive and the Chair of Audit, Risk and Finance subcommittee to make the decision.
- 2.5 This report is both an update to the subcommittee on those decisions and the 2017/18 insurance renewal.

3. Recommendation

That the Subcommittee

Receives the report Insurance renewal 2017/18 (R7525) ; and

Notes the decision made to exit Local Authority Protection Program (LAPP) and join the Aon South Island Collective from 1 July 2017; and

Notes the decision made to purchase an additional \$125 million shared limit (to a total limit of \$250million) with a Council sublimit of \$160m from 1 November 2017.

4. Background

4.1 Top of the South Collective

4.2 Nelson City Council is part of the Top of the South Collective with Tasman District Council and Marlborough District Council which was formed 1 July 2011. The insurance broker is Jardine Lloyd Thomson (JLT) and Nelson City Council has various insurance policies including:

4.2.1 Material Damage;

4.2.2 Business Interruption;

4.2.3 Motor Vehicle;

4.2.4 Public and Professional Indemnity;

4.2.5 Crime, Statutory and Employers Liability;

4.2.6 Harbour Masters and Wreck Removal Liability;

4.2.7 Hall Hirers Liability;

4.2.8 Personal Accident;

4.2.9 Forestry.

Infrastructure insurance

4.3 Separately, Council was a member in the Local Authority Protection Programme (LAPP) scheme which is a mutual scheme whose membership consists of 32 local authorities. It is aimed at providing insurance cover for damage to infrastructural assets from natural hazard events only (not fire etc). It only covers the 40% of damage costs not covered by the National Disaster Recovery Plan which currently covers

60%. Council had \$707 million of infrastructure assets covered by the Local Authority Protection Programme (\$719m 2015/16).

Risk modelling for infrastructure assets

- 4.4 As part of the presentation of our infrastructure asset portfolio to insurance companies in London, Aon New Zealand has undertaken risk modelling on Council's flood and earthquake risks using Tonkin and Taylor analysis and data on our infrastructure assets (including location and value).
- 4.5 This risk modelling was undertaken during 2016 and has been further refined following the Kaikoura earthquake and similar modelling for Marlborough and Tasman District Council.
- 4.6 Based on the latest risk assessment it would appear that Council is underinsured; that the \$125m loss limit is not enough.

5. Discussion

Top of the South Collective

- 1.1 Confirmation was received from the brokers on 30 June 2017 that the insurance program was successfully placed and cover was in place for the current financial year.
- 5.1 Material Damage & Business Interruption – Lead insurer has now changed to QBE, followed by AIG, Berkshire Hathaway Ltd, NZI (part of IAG New Zealand Ltd) and XL Catlin Pty Ltd. QBE were the second co-insurer behind Vero in prior year renewals so they have agreed to accept the expiring wording and terms so, other than the premiums, everything else remains unchanged. Material Damage premiums have increased by \$54,000 (8%) for 2017/18 which reflects the impact on the insurance market from the Kaikoura earthquake as well as increased insured valuations (\$276m to \$318m).

Infrastructure insurance

- 5.2 At the Governance Committee meeting on 9 March 2017 (prior to the Audit, Risk and Finance subcommittee being formed) a report was presented looking at the option to exit LAPP for Council's infrastructure insurance and the appropriate level of insurance cover, given the risk modelling work undertaken by Aon/Tonkin and Taylor. The following resolution was passed at Council:

Approves delegating authority to the Mayor, Chair of Governance, Deputy Chair of Governance, Chair of Audit, Risk and Finance Subcommittee and Chief Executive to decide whether Nelson City Council should exit from the Local Authority Protection Program for Council's infrastructure insurance and the appropriate level of insurance cover, by

the end of May 2017 and take any action required to give effect to the decision.

- 5.3 Meetings were held with the group delegated with the decision and it was agreed to exit LAPP from 1 July 2017 and join a South Island Collective through Aon with a \$125 million shared limit. As the renewal date for the South Island collective is 1 November 2017 Council (along with Tasman District, Grey District and Environment Southland Councils) joined the program for four months on existing terms and pricing of the collective.
- 5.4 The decision on the appropriate level of insurance cover was deferred while Aon worked on placing and obtaining terms for an excess layer for Council above the \$125m limit and confirming other potential participants in time for the 1 November 2017 renewal date.
- 5.5 During October, Aon confirmed that it would be able to place \$125 million above the \$125 million (ie \$250 million limit) as a shared limit with one right of reinstatement for earthquake at nil additional premium. The overall programme limit defines what is shared by the collective per loss and the maximum amount payable.
- 5.6 Within this shared program limit, Council has a sub-limit of \$160 million plus AICOW – Additional Increased Cost of Working – this allows for additional costs to be paid over and above normal operating costs during a loss. The \$160m was deemed to be the mean 1 in 750 ARI (annual return interval) loss estimate. This limit is one Council will need to review on an annual basis.
- 5.7 The group delegated with the decision on the appropriate level of insurance cover met in late October and agreed to participate in the additional \$125 million shared limit from 1 November 2017 at an estimated cost of \$75,000.
- 5.8 The premium is based on historical losses/claims, inherent risk (i.e. likelihood of loss), capacity requirements (as part of programme), sub limit and excess level. The additional premium can be accommodated within the insurance budget for the current year.

Other matters

- 5.9 Treasury has not yet put out a consultation document on the current 40/60% cost sharing arrangement. This consultation document will include consideration of Central Government contributing a lower percentage for smaller more frequent events, introduction of risk management regulations etc. The Subcommittee will be updated when this consultation is undertaken as the implications may be substantial for Council.

6. Options

- 6.1 The options are to receive the report or not, as the decisions outlined in the report were delegated to a subgroup.

7. Conclusion

- 7.1 The decisions to decide whether Nelson City Council should exit from the Local Authority Protection Program for Council's infrastructure insurance and the appropriate level of insurance cover were delegated and this report updates the subcommittee on these decisions.

Nikki Harrison
Group Manager Corporate Services

Attachments

Nil

| | |
|--|---|
| Important considerations for decision making | |
| 1. Fit with Purpose of Local Government | Risk management through using insurance is a tool to enable more efficient and effective provision on services as set out in section 10(1)(b) of the Local Government Act. |
| 2. Consistency with Community Outcomes and Council Policy | This recommendation is not inconsistent with any previous Council decisions. It supports the Community Outcome 'Our Council provides leadership'. |
| 3. Risk | Work by Aon in association with Tonkin and Taylor highlighted to Council that it did not necessarily have the right level of insurance cover for its infrastructure assets, if a large earthquake was to occur. |
| 4. Financial impact | The financial impact from this decision is an additional \$75,000 insurance premium which has been budgeted. |
| 5. Degree of significance and level of engagement | This matter is of low significance because it is of limited interest to ratepayers. Therefore no consultation has occurred. |
| 6. Inclusion of Māori in the decision making process | No consultation with Maori has been undertaken in preparing this report. |
| 7. Delegations | The Audit, Risk and Finance subcommittee has responsibility for organisational risk management. The Audit, Risk and Finance subcommittee has the power to make a recommendation to Council on this matter. |

Internal Audit Quarterly Report to 30 September 2017

1. Purpose of Report

- 1.1 To update the Audit, Risk and Finance Subcommittee on the internal audit activity for the quarter to 30 September 2017.

2. Recommendation

That the Subcommittee

Receives the report Internal Audit Quarterly Report to 30 September 2017 (R7589).

3. Background

- 3.1 The Internal Audit Charter was approved by Council on 15 October 2015.
- 3.2 Under the Internal Audit Charter, the Audit, Risk and Finance Subcommittee requires a periodic update on the progress of internal audit activities relative to any current Internal Audit Plan approved by Council, and to be informed of any significant risk exposures and control issues identified from internal audits completed.
- 3.3 The current Annual Audit Plan period is to 30 June 2018. The Plan for this period was initially received by the Audit, Risk and Finance Subcommittee on 27 June 2017.

4. Progress Against Annual Audit Plan During the Quarter

- 4.1 Due to the decision to review the Annual Audit Plan to 30 June 2018 at the Council meeting of 10 August 2017, internal audit activity for the quarter has focussed on:
- a) Developing a revised Annual Audit Plan
 - b) Improving processes associated with internal audits.
- 4.2 This has meant that only one audit has been in progress during the three month period from 1 July 2017 to 30 September 2017. There are

therefore no new risk exposures and control issues to report from internal audits during this period.

5. Revised Annual Audit Plan

Analysis of Internal Audit Programme since Inception

- 5.1 A full analysis of the audit programme of work since inception was performed by officers and this indicated that a closer alignment with Council's recently developed risk management principles would enhance the benefits to Council from the internal audit work programme.
- 5.2 Positive effects:
 - 5.2.1 On the upside, 33 audits have been performed since late 2015, and from these, 589 findings were identified. Almost all the recommendations associated with the findings have been actioned by officers, and these have positively contributed to control and process improvements throughout Council.
 - 5.2.2 As there had previously been no internal audit function at Council, the approach to focus initial audits on controls in areas where Council could be more exposed to fraud was a prudent one. Areas such as cash handling, procurement, credit notes, payroll, grants, and mobile fixed assets have been reviewed, as well as fundamental controls such as segregation of duties, conflicts of interest, access permissions to IT systems, and contract management. Having a light shone on these fundamental controls has been invaluable to Council.
 - 5.2.3 The internal audit function is a key component of managing risk at Council and officers are now familiar with the internal audit process.
- 5.3 Limitations found:
 - 5.3.1 To date, and including the original Annual Audit Plan to 30 June 2018, audits have had a strong financial focus. Council's recently approved risk criteria have now been incorporated into the internal audit programme, and this suggests a need to widen the ambit of the audit programme to include more non-financial topics.
 - 5.3.2 As a result, other important risk areas that Risk ratings from internal audits had generally been recorded at a higher level than they would have been under Council's now-approved risk matrix.
 - 5.3.3 The sheer volume of audits and limited resources had meant that some audits could not be performed to an ideal depth and breadth.
 - 5.3.4 Organisational capacity has not been able to match the flow-on effect of the large volume of internal audits.

Audit, Risk and Finance Subcommittee Workshop

- 5.4 Following the above analysis and then discussions with key stakeholders, including the Acting Chief Executive and Acting Chair of the Audit, Risk and Finance Subcommittee, a Council workshop was held to clarify direction on the future compilation of an Annual Audit Plan that would ensure closer alignment to Council's risk management principles whilst matching organisational capacity. This was held on 14 September 2017 and provided the guidance necessary for officers to present the final Annual Audit Plan to the Audit, Risk and Finance Subcommittee meeting of 28 September 2017.

6. Internal Audit Process Improvements

Risk Management of Actions Recommended from Internal Audits

- 6.1 As part of the Annual Internal Audit Plan review process, risks from all 'open' recommended actions from internal audits that had been performed were aligned to meet Council's approved risk criteria. All future risk assessments will be based on these criteria. In general, as the impact statements in Council's Risk Criteria have higher thresholds than those in the original Internal Audit Procedure, this will lead to less unnecessary treatment of risks from future internal audits that would have previously been recorded as higher risks.
- 6.1.1 The tolerance periods for treating risks were also aligned to meet Council's approved residual risk tolerance timeframes. These timeframes are more realistic than those in the original Internal Audit Procedure.
- 6.1.2 Where previously there was no requirement to formally record a decision to continue tolerating a risk beyond the allowable period, there is now a process which will require that there is evidence that the management of risk has been properly considered in line with risk management principles.

Review of Internal Audit Procedure

- 6.2 The original Internal Audit Procedure which was approved in September 2015 is no longer relevant and has been reviewed in its entirety. It had been based to a large extent on processes mimicking those for Health and Safety audits. The Senior Leadership Team approved the revised Procedure at its meeting of 16 October 2017.

7. Recommendation Options

- 7.1 The acceptance of the recommendation to receive the Internal Audit Quarterly Report to 30 September 2017 outlining internal audit's activity demonstrates Council's commitment to improving controls and practices that ensure the prudent, effective and efficient management of Council resources. No advantage could be identified from not receiving this report.

Lynn Anderson
Internal Audit Analyst

Attachments

Nil

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|---|
| <p>Important considerations for decision making</p> |
| <p>1. Fit with Purpose of Local Government</p> <p>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.</p> |
| <p>2. Consistency with Community Outcomes and Council Policy</p> <p>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.</p> |
| <p>3. Risk</p> <p>When considering planned audits collectively, there is a high likelihood that Council could suffer a moderate level of negative public reaction resulting from its failure to assess and implement strong controls. According to Council's Risk Criteria this corresponds to a high risk.</p> |
| <p>4. Financial impact</p> <p>The recommendation will not have any significant financial impact.</p> |
| <p>5. Degree of significance and level of engagement</p> <p>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 and no engagement has been undertaken.</p> |
| <p>6. Inclusion of Māori in the decision making process</p> <p>There has been no consultation with Maori in the preparation of this report.</p> |
| <p>7. Delegations</p> <p>The Audit, Risk and Finance Subcommittee has responsibility for audit processes and management of financial risks. The Audit, Risk and Finance Subcommittee has the power to make a recommendation to Council on this matter.</p> |

Key Organisational Risks 2017 - 3rd Quarterly Report

1. Purpose of Report

To update the Subcommittee on progress with identifying and managing key risks to the organisation's objectives. The report is intended to assist the governance role of the Subcommittee in overseeing the organisation's risk management.

2. Recommendation

That the Subcommittee

Receives the report Key Organisational Risks 2017 - 3rd Quarterly Report (R7681) and its attachment (A1842185).

3. Background

- 3.1 At its meeting on 8 September 2017, the Audit Risk and Finance Subcommittee received and considered the previous quarterly report on key organisational risks to Council's objectives. This reporting forms part of the development of Council's overall risk management capability. As noted in the previous report, this capability is being developed using the organisation's existing business model – that is by basing risk management processes within each business unit. This includes business unit objectives which are, as far as possible, specific, measurable and achievable within a defined timeframe, and using organisationally consistent techniques and criteria.
- 3.2 At its meeting of 10 August 2017, the Council adopted an updated Risk Management Policy ([A1553263](#)) and Risk Criteria ([A1545157](#)). These documents had been in use for some time across the organisation but the Subcommittee recommended and Council agreed to some changes to both the Policy and the Risk Criteria. As a result (and because of some internal changes to business unit function over the last several months) business unit risk management is not yet fully aligned to the recently adopted policy and criteria. In particular because of business unit function changes, some business unit risk registers are no longer aligned to business unit function and some updating will be required.

4. Key risk reporting and management

- 4.1 Staff have taken the opportunity presented by the above changes, and by the evolving practice in health and safety risk management to:
- Better align this report with the quarterly report to the subcommittee on health and safety
 - Review and consider in the light of Council activities so far this year whether or not the key risk areas in previous reports are still appropriate.
- 4.2 The attached document outlining key risk areas has been updated to reflect this. In particular the attached document now:
- Condenses all health and safety related risks into a single topic area (detail on these risks is contained in the quarterly health and safety report to the Subcommittee)
 - Adds a new key risk area related to timing and extent of legal advice used in Council decision making.
- 4.3 The Subcommittee's attention is also formally drawn to the fact that this report does not deal with financial risks or with insurance matters. This has always been the case on the basis that the Subcommittee receives more detailed reporting on both of these matters.

Summary of control changes since last report

- 4.4 The table below summarises areas where controls on key risks have been progressed.

| Key risk area | Progress on risk treatments since last report |
|---|--|
| 1 Maintaining lifeline services ... | <ul style="list-style-type: none">• Exercise to test and improve responding to major disruptions scheduled for 15 November• Action from regional lifelines review commenced including enhancements to stream flood protection, water supply and wastewater management |
| 2 H&S risks from higher hazard work situations ... | [Condensed from two previous risk areas, detail of actions in health and safety report] |
| 10 Lack of adequate consideration of legal implications ... | [New area] |

Capital works programme risk

- 4.5 In the previous report to this Subcommittee, officers noted a risk that may have consequences large enough to warrant corporate action. In

summary this risk arises from mechanisms for reconsidering expenditure in cases where fixed sums are allocated to projects by Council decision (often substantially ahead of time). When these projects come to execution, changes in the market can alter the real cost of these projects. The experience from the capital works programme suggests that the time required to revisit a specific Council decision (which may be in the order of 90 days) can lead to significant time delays for the total work programme.

- 4.6 Council agreed that this matter was significant and has requested action to resolve this, which is in progress.

5. Options

- 5.1 It is recommended that this report be received as it will further improve the Subcommittee's understanding of the risks faced by Council and the actions being taken to manage them.
- 5.2 There can be value from a discussion of the factors contributing to risks and the Subcommittee may consider such a discussion useful.

Steve Vaughan
Risk & Procurement Analyst

Attachments

Attachment 1: Key Risks Report Quarter 3 Calendar 2017 (A1842185) [↓](#)

| |
|--|
| Important considerations for decision making |
| <p>1. Fit with Purpose of Local Government</p> <p>This report describes risk management activity. Risk management is a tool to enable more efficient and effective provision of services as set out in section 10(1)(b) of the LG Act.</p> |
| <p>2. Consistency with Community Outcomes and Council Policy</p> <p>This report describes risk management activity. Risk management at its most fundamental is about achieving an organisation's objectives (in this case as set out in Nelson City Council's planning documents) with increased clarity, efficiency and effectiveness.</p> |
| <p>3. Risk</p> <p>The report does not recommend a particular goal or objective to which risks may be considered. It serves to provide information about Council's work in addressing those risks judged to be key to the organisation achieving its objectives.</p> |
| <p>4. Financial impact</p> <p>This is a report on work already underway as part of Council's regular management activity. Therefore there are no additional funding implications.</p> |
| <p>5. Degree of significance and level of engagement</p> <p>This is of low significance decision under the Council's Significance and Engagement Policy. Therefore no external consultation has been undertaken in the preparation of this report.</p> |
| <p>6. Inclusion of Māori in the decision making process</p> <p>There has been no consultation with Māori in the preparation of this report, which deals with internal Council processes.</p> |
| <p>7. Delegations</p> <p>The Audit, Risk and Finance Subcommittee has responsibility for overseeing the Council's risk management systems.</p> |

Council's Key Organisational Risks: Quarter 3 2017

Revised October 2017

A1842185

Page 1 of 14

Overview

The purpose of this document

This progress report provides an update of the key risks which the Council faces. In many cases the information to meaningfully update risk levels requires significant time to acquire, so this is always a 'snapshot' at the indicated date.

In particular:

- To streamline total reporting, health and safety related risks have been condensed into a single key risk area.
- Most assessed risk levels for these key risks remain largely unchanged from the last report. In some cases we are starting to see risk levels respond to controls while in others external factors are 'swamping' the controls available to Council
- The re-alignment of functions in the organisation requires some (still to be completed) redrafting of business unit objectives and updating/ restructuring of risk information
- At the organisational level, events over this year have indicated the addition of a further key risk area in respect of legal advice

Omitted areas:

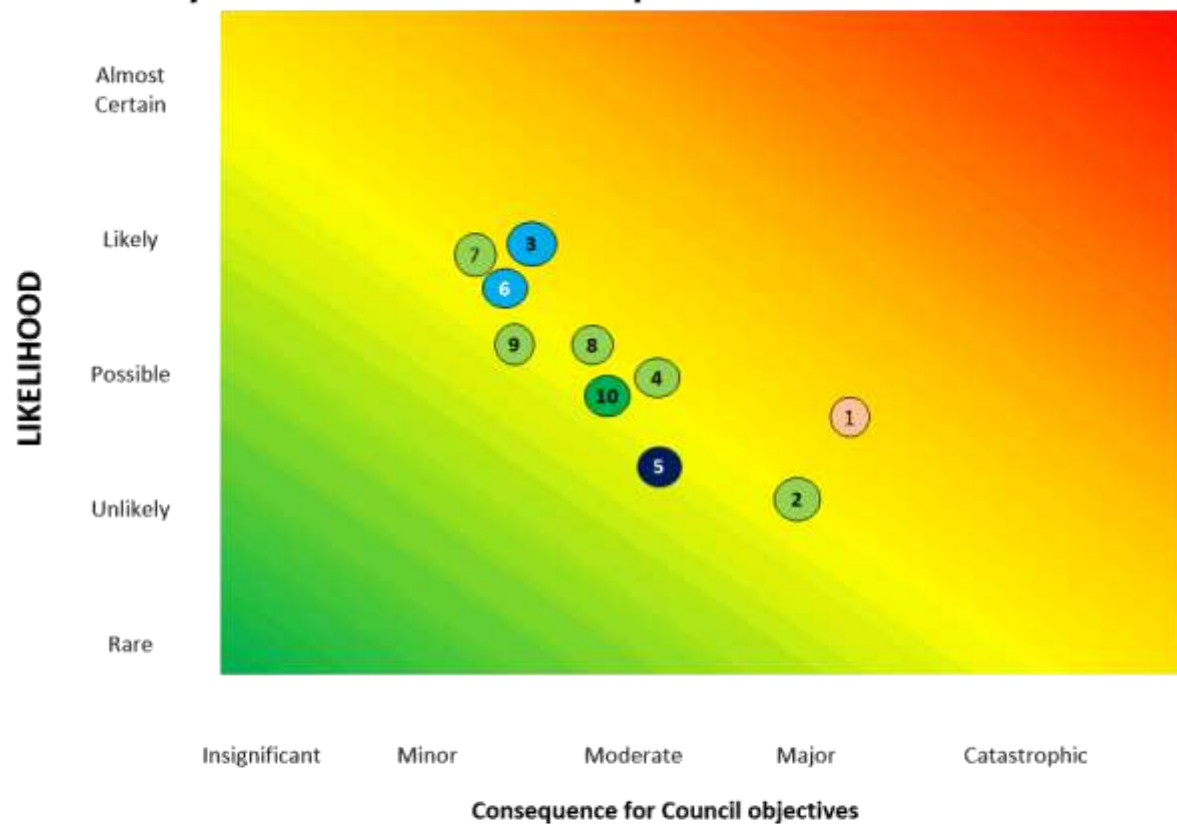
This report does not provide an update on any financial risks faced by the organisation, as it is considered that these are adequately reported on in other more detailed reports routinely provided to the Subcommittee. This report also does not consider the appropriateness of levels of insurance cover carried by the Council. Formally, insurances are risk sharing contracts and so are a type of risk treatment. The Council carries insurance on assets and several types of liability cover against the actions of its employees (but not contractors, who are expected to provide such cover as part of the contract).

Developing the Risk Profile

This report is continuing to be developed into a risk profile for the whole organisation providing detail (noting the omissions above) on:

- What are our key organisational risks – body of this report
- Any change in these risks –right hand side panel of each page
- What we are doing to manage these risks – i.e. the controls already in place
- Where we are doing, or plan to be doing, more – treatments or planned controls

Council Key Residual Risk 'Heat Map'



| Risk Owner (Person with the authority and accountability to manage the risk. If the risk cuts across many areas, the CEO is noted as the risk owner, supported by relevant SLT members) | | | | | |
|---|--------------------|--|------------------------|--|-----------------|
| | Corporate Services | | Strategy & Environment | | Chief Executive |
| | Community Services | | Infrastructure | | |

| ID | Risk | Rating | Movement |
|----|----------------------------------|--------|----------------|
| 1 | Maintaining lifeline services | High | - |
| 2 | Higher hazard work situations | Med | High -> Medium |
| 3 | Negative media | Med | - |
| 4 | Management of contractors | Med | - |
| 5 | IT failure | Med | - |
| 6 | Records quality & accessibility | Med | - |
| 7 | Loss of key staff | Med | - |
| 8 | Fraud | Med | - |
| 9 | Privacy violations | Med | - |
| 10 | Adequacy of legal considerations | Med | - |

1. Difficulty maintaining lifeline services in the face of natural hazard and similar events

Why do we see this as a risk?

The Council is responsible for maintaining many lifeline services such as water, wastewater, and the roading network. The operation of these services is subject to disruption by natural hazard and related events such as severe weather events, seismic events, rural fire, or tsunami. Maintaining services and restoring them after these events requires planning and diversion of resources from 'business as usual' infrastructure maintenance and development.

Managing the risk

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

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

Controls - What we have in place

- Civil defence planning, management and resources; Data Management in emergency event, Some business unit business continuity planning
- Disaster recovery funding; Natural Hazards project work, Nelson Resource Management Plan;
- Insurance/Risk sharing;
- Infrastructure planning; LIMS;
- Earthquake strengthening of buildings and structures (e.g. bridges)
- Asset Management plans for each network
- Structural Engineer in Building Unit
- 30 Year infrastructure strategy

Treatments - What we are planning

- Update and test organisation wide major disruption response capability (planning for Council exercise in November)
- Review infrastructure insurance arrangements (LAPP v external insurer) – for next cover period
- Earthquake Prone Building Legislation implementation – Act (now in force) sets 5 year timeframe to identify and provide protection for strategic routes
- Actions from regional lifeline review started – stream flood protection work, wastewater pump station upgrades, water supply network enhancements

Risk Owner

Group Manager Infrastructure

[support from Group Manager Strategy & Environment]

Residual Risk Rating

High

Risk Map

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

Risk Movement

None

Last Update: October 2017

2. Higher hazard work situations pose threats to the Health & Safety of Council workers

Why do we see this as a risk?

The Council's objective is to have all those who work for us safe at work. Council staff, elected representatives, contractors and volunteers may be harmed while carrying out Council duties. Significant hazard areas include those who interface with the public (e.g. Customer Service centre, contracted staff, public events, libraries) and those where work alone or in isolated situations is required.

Managing the risk

Council manages this risk through best practice H&S management systems and continuous improvement. This work is detailed in the quarterly Health and Safety Report.

Controls - What we have in place

- Health and Safety Management System with comprehensive documents outlining key responsibilities and expectations (e.g. Governance charter, safety policy, health and safety manual, critical risk policies and procedures)
- Incident and assurance event reporting, including analysis, corrective and preventative actions monitored through the InControl database
- Visible Felt Leadership through involvement in the health and safety management system including completion of assurance activities safe work observations
- Training as required for each role (e.g. safety leadership, incident investigation, dealing with difficult customers etc.)
- Emergency plans maintained and implemented for range of emergency situations (e.g. fire, earthquake, bomb threat)
- Widespread use of technology for communication, monitoring and surveillance (satellite communicators, two way radios, ERoad vehicle monitoring)

Treatments - What we are planning

- Ongoing improvement to Council premises in regard to physical security. (e.g. changes to Mayor's office, increased security for lifts and doors and the CSC main counter)
- Review of emergency procedures across all Council workplaces
- Increase uptake of contractor health and safety management requirements
- Develop improved event management procedures
- Improved procedures in regard to safety in design

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

Medium

Risk Map

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

Risk Movement

From High to Medium (aggregation of two topics)

Last Update: October 2017

3. Reputational Damage from Negative Public Perception

Why do we see this as a risk?

The ongoing public and media scrutiny of Council activities combined with conflicting interests and perceptions of individuals and community sectors can result in negative and incorrect media (including social media) exposure. This in turn can lead to reputational damage, with loss of public confidence and trust and internal consequences such as damage to staff morale.

Managing the risk

Proactive and early communications of fact about Council operations.

Controls - What we have in place

- Communications Manager role
- Communications plans for all projects and weekly meetings with Project Managers
- Customer surveys
- Use of different communications media
- LGNZ know how, training and internal induction training
- Councillor code of conduct
- Standing orders
- Councillor interests register
- Staff conflict of interest policy and register – induction requirement and regular reporting
- Media Policy
- Internal communications resource to enable staff to provide correct information about Council work
- All new contracts prohibit contractor responses to media inquiries – must be referred to Council (i.e. Communications Unit)

Treatments - What we are planning

- Further develop alignment between Council and Council related organisation public communications

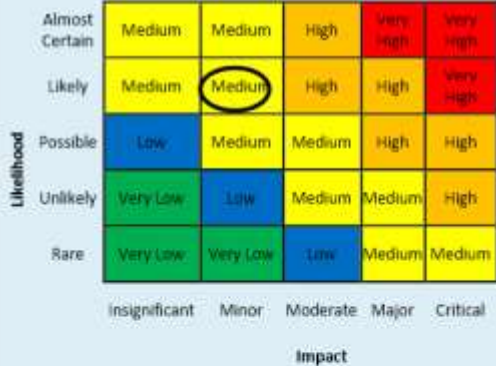
Risk Owner

GM Community Services

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

None

Last Update: October 2017

4. Ineffective Contracts and Management of Contractors compromises Council service performance

Why do we see this as a risk?

Council delivers a very large amount of its key services by using contractors. Inconsistent quality of contracts and oversight of the activities of contractors can impact on our objectives to keep people safe, operate within budget, deliver quality services and maintain a high reputation. In addition errors in contracting and insufficient Council supervision can add costs to the delivery of services, including the costs of resolving contract disagreements. Further, if contractor Health and Safety management is insufficient Council may be exposed to liability under the Health and Safety at Work Act 2015.

Managing the risk

A major upgrade of both contracting procedures and tools and Council management of contractor H&S is now being implemented.

Controls - What we have in place

- An extensive suite of new contract and procurement templates is now available and staff training on their use is now entering a second round (esp. for new staff)
- Procedures to properly specify (particularly non-Civil Works) Contracts are being expanded and more extensive use is being made of in house business analyst capability
- Contract performance management processes including reviews
- Where relevant, contractors follow NCC procedures
- Contractor audits/oversight – includes completion of a Council Internal Audit into a selection of large contracts and contractors used by Council
- Clarified and simplified procurement policy now in use
- Coaching of contract managers to support and align to Council expectations

Treatments - What we are planning

- Procedure changes to ensure consistency in contract renewal and extension
- Final proposal for database to track contract performance received – budget authority being sought (requires MagiQ accounting system update so will not be in place until mid- 2018)

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map

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

Risk Movement

None

Last Update: October 2017

5. Technology (IT) failures Impacts on Service Delivery

Why do we see this as a risk?

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

Managing the risk

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

Controls - What we have in place

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

Treatments - What we are planning

- Upgrade to core system hardware and support arrangements – progress accelerated as a result of recent incidents
- Removing dependency on bespoke systems (approx. 10% remaining)
- IT strategic plan – next 3 year revision being prepared

A1565520

Risk Owner

GM Corporate Services

Residual Risk Rating

MEDIUM

Risk Map

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

Risk Movement

None

Last Update: August 2017

Page 8 of 14

6. Incomplete and difficult to access records compromise decision making and public services

Why do we see this as a risk?

Council is required to comply with the Public Records Act. Council relies on a number of different systems to provide information for the public and on which to base decisions. Where the information is incomplete or difficult to access this can lead to poor advice or decision making with the potential for litigation and adverse media reporting. For example, poor information on GIS used for planning can result in costly construction delays and rework. Failure to follow records management processes may result in documents/information being overlooked which in turn creates a risk of legal non-compliance and reputational damage. Our inherited mix of paper and electronic records may lead to incomplete information provision to the public.

Managing the risk

The Recordkeeping Strategy Steering Group are directing the implementation of an organisation wide records and archives management strategy.

Controls - What we have in place

- Quality assurance and sign off processes
- Council procedures (Promapp)
- Records management policy and process
- Archivist position, and recent addition of another Records Support Officer
- 5-year Recordkeeping Strategy
- GIS data accuracy input and checking protocols in place

Treatments - What we are planning

- Implementation of Records Strategy across the organisation – in progress (multi-year) includes:
 - reconfiguring Electronic Document Records Management system, to enable recordkeeping compliance and improve business process – underway due mid 2018
 - Improved management for hard copy records and archives for legislative compliance and ease of location (started due mid 2019)

Risk Owner

GM Community Services

Residual Risk Rating

MEDIUM

Risk Map

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

Risk Movement

None

Last Update: October 2017

7. Loss of specialist expertise compromises capability to deliver Council work programme

Why do we see this as a risk?

Council's delivery of all of its objectives can be affected by the loss of staff in specialised roles or with extensive organisational knowledge. Loss of staff, particularly in key project or planning phases has the potential to disrupt timing, impact on outcomes and place pressure on remaining staff. This potential exists across the organisation where specialised expertise is required.

Managing the risk

Controls - What we have in place

- Procedure and Promapp project documentation
- File management system
- HR notice periods and handovers
- More than one staff member with knowledge of key roles/projects
- Succession, business units and long term planning
- Workplace Support Service and Reporting
- Council procedure (Promapp)
- Staff survey for morale and culture
- CEE committee/relationship with CE
- Preferred suppliers, short term contracts, e.g. working with other BCA
- Business Planning
- Networking within sector e.g. SOLGM, Institute of Public Works Engineering Australasia.
- Council Wellness programme
- Implementation of standardised project tracking/recording protocols including improved tools, procedures and staff training (partially complete)

Treatments - What we are planning

[Treatments now in place and implemented as controls]

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map

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

Risk Movement

None

Last Update: October 2017

8. Fraud, corruption or theft attacks Council reputation and reduces capacity to deliver its work programme

Why do we see this as a risk?

Economic crime is a potentially fundamental exposure for any organisation. NCC has fraud exposures both internally and via the reliance on use of contractors and volunteers for activities such as festivals and through provision of grants. Fraudulent activities reduce the Council's ability to deliver on most of its objectives which involves the expenditure of funds or generation of revenue. Such activities also divert time and resources to track and rectify them.

Managing the risk

Council has a system of internal controls over all aspects of its business. These are being progressively audited and audit recommendations used to strengthen controls where required. All audits will include an assessment of internal controls and fraud risk. A physical security review has been completed.

Controls - What we have in place

- Internal controls and training
- Internal and External audit
- Code of conduct
- Organisational values
- Building security systems
- Report It Now
- Review of community assistance grants process
- Delegated authorities
- Segregation of duties
- Findings from physical security review being implemented
- Fraud considered in all internal audits

What is planned?

[Treatments now in place and implemented as controls]

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map

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

Risk Movement

None

Last Update: October 2017

9. Breach of Privacy of Personal Information affects Council's reputation

Why do we see this as a risk?

Information held by Council is publicly available but may include personal information that should not be disclosed. Staff may inadvertently or wilfully disclose personal information, either electronically or by supplying documents or leaving documents unattended, damaging the Council's reputation. This can possibly lead to legal action.

Managing the risk

Controls - What we have in place

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

Treatments - What we are planning

[Treatments now in place and implemented as controls]

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

None

Last Update: October 2017

10. Council actions without adequate consideration of legal implications generate unworkability, liability and loss of reputation.

Why do we see this as a risk?

In order to carry out its functions Council must comply with or use in excess of 300 separate items of legislation (statute, regulation and other instruments) as well as being required to adhere to common law principles. This complexity and volume provides situations for liability exposure and loss of reputation.

Managing the risk

Controls - What we have in place

A key requirement for managing this is obtaining early and well defined legal advice. This includes:

- In house legal adviser (75% FTE)
- Induction for all new staff includes obligations in respect of key legislation
- Documented procedures for obtaining legal advice
- Use of good practice guidance (e.g. SOLGM flowcharts)
- Relationships with local law firms and access to national legal advice providers for specialist services
- Procedures mandate obtaining legal advice for certain activities
- Documented previous advice available organisation wide
- Use of standardised templates for legal agreements (contracts, property leases etc.)
- Minimum levels of knowledge/ qualification for inspection and enforcement contractors and staff
- Obligation to consider legal compliance risk in all decisions (Risk Management Policy and Criteria)

Treatments - What we are planning

- Joint legal services provider panel with TDC – panel member selection in progress
- Improved procedures including development of enhanced tools for briefing, tracking and reporting on legal advice
- In-house seminars on key topics by legal services panel experts

Risk Owner

Chief Executive

Residual Risk Rating

MEDIUM

Risk Map

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

Risk Movement

New item

Last Update: October 2017

Annex: Key Risk Management Concepts

Risk: The effect of uncertainty on objectives.

Risk is usually described as a combination of consequence for a given objective or objectives and the likelihood of that consequence eventuating. The levels of risk set out in this report are derived from evaluating the consequence and likelihood of a series of events which may affect the Council's overall objectives in each area.

Consequence: The effect that a particular (uncertain) event would have on a given objective (or objectives). At present consequences are scaled using the following scales:

- **Safety of staff or public:** from minor injury to multiple fatalities
- **Health of staff or public:** from few people affected temporarily to large numbers with serious effects
- **Asset performance:** from few people affected by failure to several thousand affected
- **Environmental:** from short term temporary impact to major/ permanent environmental damage
- **Historical/ cultural:** from minor/temporary loss of historical record to major damage / destruction of nationally important objects/ buildings etc.
- **Financial:** from losses of less than \$100,000 to more than \$5million
- **Reputation:** from minor reaction by a small number to complete loss of confidence in the council
- **Relationship with Iwi:** from minor issues to complete breakdown of relationships
- **Legal compliance:** from minor infringements to convictions with serious fines or officer imprisonment

Likelihood: scale extends from rare (e.g. less common than 1 in 100 year event) to almost certain.

Residual Risk: The level of risk remaining after controls have been put in place. The risk levels given in this report are all residual risks.

Controls: Actions which are in place which modify (generally reduce) risks.

Treatments: Actions which are proposed or planned but are yet to be taken to modify (generally reduce) risks.

Section 17A Service Delivery Review progress report

1. Purpose of Report

- 1.1 To receive a quarterly report on progress for service delivery reviews subject to section 17A of the Local Government Act (LGA) 2002.

2. Summary

- 2.1 Changes to the LGA saw the introduction of new requirements under section 17A to review the cost-effectiveness of current arrangements for meeting the needs of communities within a district or region for good quality local infrastructure, local public services, and performance of regulatory functions.
- 2.2 The LGA has a transitional provision that requires all services to be reviewed by 8 August 2017, however the Subcommittee, at its meeting on 18 May 2017, granted an extension for the completion of reviews until the end of the 2017 year. This decision recognised that it was more efficient to continue to progress reviews within existing resources than to redirect officers from other higher priority areas of work.
- 2.3 These quarterly reports are brought to the Subcommittee in order for it to have oversight of the progress of reviews.

3. Recommendation

That the Subcommittee

Receives the report Section 17A Service Delivery Review progress report (R8167) and its attachments (A1824993, A1845758, A1844354, A1843923, A1837281, A1633609, A1819898, A1844359, A1853049).

4. Purpose of reviews

- 4.1 Section 17A service delivery reviews seek to determine whether cost effectiveness gains can be made by adopting an alternative funding, governance or service delivery option by considering a variety of arrangements including having services delivered by a council controlled organisation, or by another local authority or other party.

- 4.2 A review need not be undertaken if;
- Delivery is governed by legislation, contract or other binding agreement that cannot be reasonably altered in the next two years
 - The benefits to be gained do not justify the cost of the review.

5. Resource Consent update

- 5.1 At the last Subcommittee meeting in September the Subcommittee asked for more information to be provided in the area of Resource Consents (recovery targets, costs and performance as well mixed model delivery arrangement such as in-house - contracting out ratios) and this is set out below.
- 5.2 Consultants processed 116 resource consents in the 2016/17 financial year, with 36 of these outsourced due to conflict of interest issues. This represents a quarter (25%) of the total consents processed over the last year. Over the previous five years the average number of consents processed by consultants has been 11% of total consents issued.
- 5.3 The main factors leading to the higher number of consents being outsourced last year are: a sustained increase in the level of applications received; more complex consents to process including notified applications; and staff vacancies. One planner can process up to 100 straightforward consents a year or approximately 50-60 consents of mixed complexity. The number of consents outsourced last year has prompted the increase in staff numbers to reduce reliance on external consultants and recruitment for this position is currently underway.
- 5.4 Last financial year the resource consent activity achieved a 68% cost recovery from consent fees. The year before the recovery was 59%. The amount spent on consultants more than doubled in this timeframe but the higher level of income gained, mainly from the more complex consents last year, will have offset the cost of consultants. It is not expected this higher level of income will be sustained going forward so a reduction in consultant costs will be required to maintain the required level of cost recovery between 40 and 60%.

6. Review progress update

- 6.1 In November 2015, Council agreed to the approach staff would take to address the new requirement for s17A reviews. This included a schedule of review areas, template and timeline. Reviews either come as part of a larger piece of work through the relevant committee or are attached to these progress reports.
- 6.2 Since the last progress report, the review of Nelmac as a CCTO, which had been previously scheduled, has been removed as all contracts with Nelmac have been reviewed within existing business unit activity areas under the s17A process and reported to Council.

- 6.3 This brings the total of review areas on the schedule to 47 with 36 of these having been previously reported to Council in a progress report. Since then a further 10 reviews have been undertaken and these are noted in the table below:

| Service | Outcome |
|--|---|
| Heritage Houses | Continue with Council governance, funding and delivery |
| Commercial Property Portfolio | Continue with Council governance, funding and delivery |
| Community Health and Safety | Report to Planning and Regulatory Committee 3 October (Public Excluded) |
| Corporate Services | Continue with Council governance, funding and delivery |
| Founders Heritage Park | Continue with Council governance, funding and delivery |
| Nelson Marina | Continue with Council governance, funding and delivery by Council's CCTO |
| Saxton Field and Pavilion - <i>funding and delivery only</i> | Continue with shared funding with Tasman District Council and delivery by a CCTO |
| Golf Course | Continue with Council governance and funding and delivery by a mix of external providers and Council's CCTO |
| Solid Waste | Continue with Council governance, funding and delivery noting that this activity is self-funding |
| Festivals and Events - <i>excluding Nelson Arts Festival</i> | Continue with Council governance, funding and delivery with some delivery by external providers |

- 6.4 Reviews that have not already been before Council are attached. (Please note that the Community Health and Safety review has not been attached as this has already been before Council).
- 6.5 One further review has been completed (Listed Trees) and will be coming to the Subcommittee with a report detailing the recommended approach and seeking a decision.
- 6.6 Including the one review detailed in 6.5, the status of the first round of service delivery reviews is that all reviews have been completed.

7. Future review process

- 7.1 The LGA requires reviews to continue to be undertaken;
- In conjunction with the consideration of any significant change to service levels
 - Within two years before the expiry of any legislation, contract or other binding agreement affecting the service
 - No later than six years after any previous review.
- 7.2 In line with this requirement, officers will continue to undertake reviews within their existing work programmes and will bring these via the relevant Committee as required. There will be no further progress reports to the Audit Risk and Finance Subcommittee as s17A reviews will become part of business as usual and the responsibility of Business Unit Managers.

8. Conclusion

- 8.1 It is recommended the Subcommittee receives this report, noting the completion of the first round of s17A reviews and the future approach for reviews to come to relevant Committees as required.

Gabrielle Thorpe
Policy Adviser

Attachments

- Attachment 1: A1824993 - s17A Service Delivery Review - Heritage Houses [↓](#)
- Attachment 2: A1845758 - s17A Service Delivery Review - Corporate Services [↓](#)
- Attachment 3: A1844354 - s17A Service Delivery Review - Founders Heritage Park [↓](#)
- Attachment 4: A1843923 - s17A Service Delivery Review - Solid Waste [↓](#)
- Attachment 5: A1837281 - s17A Service Delivery Review - Saxton Field [↓](#)
- Attachment 6: A1633609 - s17A Service Delivery Review - Golf Course [↓](#)
- Attachment 7: A1819898 - s17A Service Delivery Review - Festivals and Events [↓](#)
- Attachment 8: A1844359 - s17A Service Delivery Review - Nelson Marina [↓](#)
- Attachment 9: A1853049 - s17A Service Delivery Review - Commercial Property Portfolio [↓](#)

| Important considerations for decision making | |
|--|---|
| 1. Fit with Purpose of Local Government | Section 17A service delivery reviews are a statutory requirement of the LGA 2002. |
| 2. Consistency with Community Outcomes and Council Policy | <p>The service delivery review process aligns with Council's due diligence obligations and regular reviews of contract performance that are part of business as usual. This work also supports the following Community Outcomes:</p> <ul style="list-style-type: none"> - That our infrastructure is efficient, cost effective and meets current and future needs - Our Council provides leadership and fosters partnerships, a regional perspective and community engagement |
| 3. Risk | There is some risk that officers may not continue to undertake reviews as per legislated requirements however it is anticipated that workflow enhancements as part of a contract monitoring addition to MagicQ scheduled for early 2018 will provide a means of automatic reminder for reviews. A review schedule will also be disseminated to staff who have responsibility for review areas detailing information for them to programme. |
| 4. Financial impact | The process of reviewing service delivery functions may bring cost savings in some areas. Staff resources required to complete reviews are currently within existing budgets. |
| 5. Degree of significance and level of engagement | This quarterly update is of low significance and no community engagement has been undertaken. |
| 6. Inclusion of Māori in the decision making process | Māori have not been consulted in preparation of this report. |
| 7. Delegations | The Audit, Risk and Finance Subcommittee has the responsibility for the Council's financial and service performance. The Audit, Risk and Finance Subcommittee has the power to make a recommendation to Council on this matter. |



S17A REVIEW OF SERVICE DELIVERY – Heritage Houses

| PART I: PRESENT ARRANGEMENTS | |
|--|---|
| <i>Name of the service and scope</i> | <p>Heritage houses (Broadgreen, Isel and Melrose)</p> <p>The scope of the activity covers the management of Heritage Houses owned by Council.</p> |
| <i>Rationale for service provision</i> | <p>The Local Government Act states that the purpose of Local Government is to deliver local, public services. The provision of heritage houses fulfils this purpose by offering exhibits and delivering programmes at a local level which serve the wider community for the public good.</p> <p>Councils are required by the Local Government Act to have community outcomes, which are a statement of the outcomes Council is working to achieve in meeting the current and future needs of our community. In 2014 Nelson City Council (in cooperation with neighboring Tasman District Council) approved a list of community outcomes, to suit the community's needs and aspirations. These regional outcomes fit with the purpose of local government to guide delivery of services in a way that is efficient, effective and appropriate to present and anticipated future circumstances. Of the several outcomes listed, the one that the heritage houses most contribute to is:</p> <p><i>"Our communities have opportunities to celebrate and explore their heritage, identity and creativity."</i></p> <p>Council strategies and plans the services contribute to are:</p> <ul style="list-style-type: none"> • The Long Term Plan 2015-2025 - residents "are encouraged to explore our diverse heritage and historic places." • The Whakatu Nelson Heritage Strategy 2006 – "We value, protect and celebrate our distinctive heritage, recognising it contributes to our identity and sense of belonging." |

S17A Service Delivery Review draft - Heritage Houses - September 2017 (A1824993)

Page 1 of 5

Item 14: Section 17A Service Delivery Review progress report: Attachment 1

| <i>Present arrangements</i> | <p>Council operates the three facilities as below:</p> <p>Broadgreen – overall governance and funding, with partial delivery in conjunction with the Broadgreen Society.</p> <p>Isel – overall governance, funding and delivery.</p> <p>Melrose – partial governance, funding and delivery, in conjunction with the Melrose Society.</p> | | | | | | | | | | | | | | | |
|---|--|--------------------------------|----------------------|--------------------------------|------------|----------|----------|------|--------|--------|---------|---------------|---------------|-------|-----------|----------|
| <i>Last review</i> | This is the first review of the service under section 17A of the LGA 2002. | | | | | | | | | | | | | | | |
| <i>Performance</i> | <p>Levels of service and performance measures are provided in the Heritage Activity Management Plan 2015-2025.</p> <p>Measures include:</p> <ul style="list-style-type: none">• Two new or enhanced displays each year, at Broadgreen and Isel.• Maintain or increase visitor/user numbers/bookings each year.• Measures to encourage greater community use of properties are to be completed next year. | | | | | | | | | | | | | | | |
| <i>Cost</i> | <p>The operating costs (per the Long Term Plan) are:</p> <table><thead><tr><th></th><th><u>Current year:</u></th><th><u>Average, next 10 years:</u></th></tr></thead><tbody><tr><td>Broadgreen</td><td>\$55,104</td><td>\$34,401</td></tr><tr><td>Isel</td><td>24,926</td><td>23,217</td></tr><tr><td>Melrose</td><td><u>29,575</u></td><td><u>25,060</u></td></tr><tr><td>TOTAL</td><td>\$109,685</td><td>\$82,678</td></tr></tbody></table> <p>There are no major capital renewals upcoming in the next three years.</p> | | <u>Current year:</u> | <u>Average, next 10 years:</u> | Broadgreen | \$55,104 | \$34,401 | Isel | 24,926 | 23,217 | Melrose | <u>29,575</u> | <u>25,060</u> | TOTAL | \$109,685 | \$82,678 |
| | <u>Current year:</u> | <u>Average, next 10 years:</u> | | | | | | | | | | | | | | |
| Broadgreen | \$55,104 | \$34,401 | | | | | | | | | | | | | | |
| Isel | 24,926 | 23,217 | | | | | | | | | | | | | | |
| Melrose | <u>29,575</u> | <u>25,060</u> | | | | | | | | | | | | | | |
| TOTAL | \$109,685 | \$82,678 | | | | | | | | | | | | | | |
| PART II: DECISION TO REVIEW | | | | | | | | | | | | | | | | |
| <i>Why is the review required (S17A(2))</i> | This is the first review under S17A. | | | | | | | | | | | | | | | |
| <i>Does the activity meet any of the exception rules to undertaking a review (s17A(3)):</i> a) <i>Is there legislation, contract or other binding agreement that cannot be reasonably altered within two years</i> | No | | | | | | | | | | | | | | | |

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| b) <i>Does the cost of undertaking the review outweigh the benefits</i> | |
| <i>Recommendation whether or not to review this service more fully</i> | A full review is recommended. |
| PART III: ANALYSIS OF OPTIONS S17A(4) | |
| 1. Governance, funding and delivery by Nelson City Council | <p>This is the current model of delivery for this service, to varying degrees for each House:</p> <p>For Isel House, this is complete Council control for governance, funding and delivery. Council provide governance and decide on the amount and priorities for funding. Delivery is provided through Council officer time. There is no extant heritage society for Isel.</p> <p>For Broadgreen House, this is complete Council control for governance and funding. Council provide governance and decide on the amount and priorities for funding. Delivery is provided through combined efforts of Council officers and members of the Broadgreen Society.</p> <p>For Melrose House, Council governs and funds everything regarding the grounds and the exterior of the House, and the Melrose Society governs and funds anything interior to the House. Delivery is provided through the Melrose Society.</p> <p>As per the Crown Entity, Heritage New Zealand, "Most protective mechanisms for land-based historic heritage are administered by local authorities through their District Plan policies and heritage listings under the <i>Resource Management Act 1991</i>." So this would indicate continued overall administration of local heritage houses by NCC.</p> <p>Economies of scale are achieved with administering the Houses together.</p> |
| 2. Governance and funding by Nelson City Council with delivery by a CCO wholly owned by Nelson City Council | This option is not appropriate as the service is not a core service and establishing a CCO would incur additional costs. |
| 3. Governance and funding by Nelson City Council with delivery by a CCO partly owned by Nelson City Council | The service is located within the Nelson region and it is unlikely that TDC or any other local authority would agree to participate in governance, funding or delivery of this service. |

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| and partly owned by other local authorities | This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs. |
| 4. Governance and funding by Nelson City Council with delivery by another local authority | The service is located within the Nelson region and it is unlikely that TDC or any other local authority would agree to participate in governance, funding or delivery of this service. TDC does not possess the in-house skills and capabilities required to provide the service. |
| 5. Governance and funding by Nelson City Council with delivery by a person or agency not listed above. | This is in part the current model of delivery for this service, in varying degrees relating to two of the Houses (see from option 1 above): For Broadgreen House, this is complete Council control for governance and funding. Council provide governance and decide on the amount and priorities for funding. Delivery is provided through combined efforts of Council officers and members of the Broadgreen Society. For Melrose House, Council governs and funds everything regarding the grounds and the exterior of the House, and the Melrose Society governs and funds anything interior to the House. Delivery is provided through the Melrose Society. |
| 6. Governance and funding by joint committee or other shared governance with delivery by Nelson City Council. | Formation of a joint committee would require agreement / willingness from TDC. As the service is in the Nelson region, it is unlikely that TDC would wish to form a joint committee. |
| 7. Governance and funding by joint committee or other shared governance with delivery by a CCO wholly owned by Nelson City Council. | Formation of a joint committee would require agreement / willingness from TDC. As the service is in the Nelson region, it is unlikely that TDC would wish to form a joint committee. This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs. |
| 8. Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Nelson City Council and partly owned by other parties. | Formation of a joint committee would require agreement / willingness from TDC. As the service is in the Nelson region, it is unlikely that TDC would wish to form a joint committee. This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs. |

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| 9. Governance and funding by joint committee or other shared governance with delivery by another local authority. | This option is unrealistic as it is dependent on TDC's willingness to form a joint committee and deliver the service. As the service is for the Nelson region, it is unlikely that TDC would wish to form a joint committee. |
| 10. Governance and funding by joint committee or other shared governance with delivery by a person or agency not listed above. | This option is unrealistic as it is dependent on TDC's willingness to form a joint committee and deliver the service. As the service is in the Nelson region, it is unlikely that TDC would wish to form a joint committee. |
| 11. Other reasonably practicable options (identify in detail). | No further options have been identified through this review. |
| Conclusion: Which of the above options is most cost effective? | Option one: Governance, delivery and funding by Nelson City Council. |
| Recommendations from the service delivery reviews | The recommended option is the status quo, as presented, in option one: governance, delivery and funding by Nelson City Council. This is recommended as it is the most cost effective option and allows for continued relationships and connections between Officers and heritage societies to work together to achieve outcomes for the community. |

Review Completed:

Jay Robinson

Manager Libraries and Heritage

October 2017

Review Approved:

Chris Ward

Group Manager Community Services October 2017



S17A REVIEW OF SERVICES

| PART I: PRESENT ARRANGEMENTS | |
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| <i>Name of service and scope</i> | <p>Corporate Services</p> <p>The scope of this service includes the following components:</p> <ul style="list-style-type: none"> - Organisational Assurance - Finance - Customer Services - IT - GIS (GIS joined corporate services in February 2016) |
| <i>Rationale for service provision</i> | The service ensures that Council's day-to-day processes and procedures are appropriate, efficient and cost-effective. |
| <i>Present arrangements</i> | Governance and funding of the service is undertaken by Council. Delivery of the service is mainly in-house. Council relies on consultants for some of its IT requirements; Council shares "Top of the South Maps" with TDC. |
| <i>Last review</i> | This is the first review of the service. |
| <i>Performance</i> | The service reports to the Senior Leadership Team and the Audit Risk and Finance Committee. Each component of the service has its own service performance levels and targets which are reviewed annually. |
| <i>Cost</i> | The operational cost across these services for 2016/2017 is budgeted at \$7,617,661 and the capital cost is budgeted at \$1,097,314. |
| PART II: DECISION TO REVIEW | |
| <i>Why is the review required (S17A(2))</i> | The review is in response to the requirements of S17A. |
| <i>Does the cost of undertaking the review outweigh the benefits (s17A(3))</i> | <p>The cost of undertaking the review would outweigh the benefits:</p> <ul style="list-style-type: none"> • A full review of the service would be multi-layered and the cost of undertaking this review would not be justified as a model where this service sits wholly outside of the organisation is likely to be more costly and less effective than the current model • Efficiency/ Effectiveness – given nature of the work, it needs to be embedded in the organisation with expertise called upon when required • Current staff possess critical knowledge and experience; the service is being delivered efficiently and to a high standard. |

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| PART I: PRESENT ARRANGEMENTS | |
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| | It is estimated that no savings would be gained and anticipated that costs would increase using an alternative model. |
| <i>Recommendation whether or not to review this service more fully</i> | The recommendation is to retain the status quo for delivery and not undertake a more detailed review at this time. |
| <i>Place in review programme</i> | n/a |

Review Completed:

Michelle Joubert **Executive Officer** **10/10/17**

Review Approved:

Nikki Harrison **Group Manager Corporate Services** **11/10/17**



S17A REVIEW OF SERVICE DELIVERY – Founders Heritage Park

| PART I: PRESENT ARRANGEMENTS | |
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| <i>Name of the service and scope</i> | <p>Founders Heritage Park</p> <p>The scope of the activity covers the management of Founders Heritage Park ("the Park") owned by Council.</p> |
| <i>Rationale for service provision</i> | <p>The Local Government Act states that the purpose of Local Government is to deliver local, public services. The provision of the Park fulfils this purpose by offering exhibits, providing event venues, and delivering programmes at a local level which serve the wider community for the public good.</p> <p>Councils are required by the Local Government Act to have community outcomes, which are a statement of the outcomes Council is working to achieve in meeting the current and future needs of our community. In 2014 Nelson City Council (in cooperation with neighboring Tasman District Council) approved a list of community outcomes, to suit the community's needs and aspirations. These regional outcomes fit with the purpose of local government to guide delivery of services in a way that is efficient, effective and appropriate to present and anticipated future circumstances. Of the several outcomes listed, the one that Founders most contributes to is:</p> <p><i>"Our communities have opportunities to celebrate and explore their heritage, identity and creativity."</i></p> <p>Council strategies and plans that the services contribute to are:</p> <ul style="list-style-type: none"> • The Long Term Plan 2015-2025 - residents "are encouraged to explore our diverse heritage and historic places." • The Whakatu Nelson Heritage Strategy 2006 – "We value, protect and celebrate our distinctive heritage, recognising it |

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| | contributes to our identity and sense of belonging.” |
| <i>Present arrangements</i> | <p>Nelson City Council provides overall governance, funding and delivery of the Park.</p> <p>The Friends of Founders Heritage Park organise and implement a large annual Book Fair, which raises funds which they donate to Council for the Park.</p> |
| <i>Last review</i> | This is the first review of the service under section 17A of the LGA 2002. |
| <i>Performance</i> | <p>Levels of service and performance measures are provided in the Heritage Activity Management Plan 2015-2025.</p> <p>Measures include:</p> <ul style="list-style-type: none"> • Maintain or increase visitor/user numbers/bookings each year. • At least 80% of the ground floor in the Park areas either have heritage displays or are open during the Park’s opening hours. • 95% occupancy of available space maintained. |
| <i>Cost</i> | <p>The operating costs for the current year are \$376,489, and income for the current year is \$382,284. There are no major variations planned on these annual amounts, over the next 10 years.</p> <p>The capital costs for the current year are \$104,255. Total additional capital cost presently planned to be spent over the next 10 years is \$178,103.</p> |

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| PART II: DECISION TO REVIEW | |
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| <i>Why is the review required (S17A(2))</i> | This is the first review under S17A. |
| <i>Does the activity meet any of the exception rules to undertaking a review (s17A(3)):</i> a) <i>Is there legislation, contract or other binding agreement that cannot be reasonably altered within two years</i> b) <i>Does the cost of undertaking the review outweigh the benefits</i> | No |
| <i>Recommendation whether or not to review this service more fully</i> | A full review is recommended. |

| PART III: ANALYSIS OF OPTIONS S17A(4) | |
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| 1. Governance, funding and delivery by Nelson City Council | <p>This is the current model of delivery for this service.</p> <p>This is complete Council control for governance, funding and delivery. Council provide governance and decide on the amount and priorities for funding. Delivery is provided through Council officer time.</p> <p>Book Fair funds are donated to Council, which retains control over governance, spending and delivery regarding that donation.</p> |
| 2. Governance and funding by Nelson City Council with delivery by a CCO wholly owned by Nelson City Council | This option is not appropriate as the service is not a core service and establishing a CCO would incur additional costs. |
| 3. Governance and funding by Nelson City Council with delivery by a CCO partly owned by Nelson City Council and partly owned by other local authorities | <p>The service is located within the Nelson region and it is unlikely that TDC or any other local authority would agree to participate in governance, funding or delivery of this service.</p> <p>This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs.</p> |
| 4. Governance and funding by Nelson City Council with delivery by another local authority | The service is located within the Nelson region and it is unlikely that TDC or any other local authority would agree to participate in governance, funding or delivery of this service. |

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| | TDC does not possess the in-house skills and capabilities required to provide the service. |
| 5. Governance and funding by Nelson City Council with delivery by a person or agency not listed above. | No other persons nor agencies have been identified that possess the in-house skills and capabilities required to provide the service. |
| 6. Governance and funding by joint committee or other shared governance with delivery by Nelson City Council. | Formation of a joint committee would require agreement / willingness from TDC. As the service is located within the Nelson region, it is unlikely that TDC would wish to form a joint committee. |
| 7. Governance and funding by joint committee or other shared governance with delivery by a CCO wholly owned by Nelson City Council. | Formation of a joint committee would require agreement / willingness from TDC. As the service is located within the Nelson region, it is unlikely that TDC would wish to form a joint committee. This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs. |
| 8. Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Nelson City Council and partly owned by other parties. | Formation of a joint committee would require agreement / willingness from TDC. As the service is located within the Nelson region, it is unlikely that TDC would wish to form a joint committee. This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs. |
| 9. Governance and funding by joint committee or other shared governance with delivery by another local authority. | This option is unrealistic as it is dependent upon TDC's willingness to form a joint committee and deliver the service. As the service is located within the Nelson region, it is unlikely that TDC would wish to form a joint committee. |
| 10. Governance and funding by joint committee or other shared governance with delivery by a person or agency not listed above. | This option is unrealistic as it is dependent upon TDC's willingness to form a joint committee and deliver the service. As the service is located within the Nelson region, it is unlikely that TDC would wish to form a joint committee. No other persons nor agencies have been identified that possess the in-house skills and capabilities required to provide the service. |
| 11. Other reasonably practicable options (Identify in detail). | No further options have been identified through this review. |
| Conclusion: Which of the above options is most cost effective? | Option one: Governance, delivery and funding by Nelson City Council. |

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| Recommendations from the service delivery reviews | <p>The recommended option is the status quo, in option one: governance, delivery and funding by Nelson City Council.</p> <p>This is recommended as it is the most cost effective option. The Park is working well, in being run by Council over the past twenty years. It has a very good cost to income ratio, whilst meeting community outcomes and needs. Performance measures are being achieved under the current model.</p> |
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Review Completed:

Jay Robinson

Manager Libraries and Heritage

October 2017

Review Approved

Chris Ward

Group Manager Community Services October 2017



S17A REVIEW OF SERVICE DELIVERY

| PART I: PRESENT ARRANGEMENTS | |
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| <i>Name of the service and scope</i> | <p>Nelson City Solid Waste Activity</p> <p>Nelson City Council (NCC) provides Solid Waste services in Nelson.</p> <p>The scope of the solid waste activity is the street collection of recycling, the operation of a transfer station, delivery of waste to, and management of, the regional landfill.</p> <p>These services include:</p> <ol style="list-style-type: none"> 1. A joint Nelson Tasman regional landfill managed by the Nelson Tasman Regional Landfill Business Unit (NTRLBU) and administered by NCC. 2. Management and operation of the Pascoe Street Transfer Station 3. Kerbside recycling collection 4. Bin emptying and street litter collection 5. Green waste processing |
| <i>Rationale for service provision</i> | <p>The solid waste activity is provided because it is broadly a requirement of the Local Government Act 2002 "for local authorities to play a role in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions."</p> <p>The Waste Minimisation Act 2008 (WMA) states that the Council "must promote effective and efficient waste management and minimisation within its district". Under the WMA Council is required to prepare a Waste Management and Minimisation Plan (WMMP). This plan sets out the strategic direction of NCC for solid waste management and the services that the Council will provide. NCC elected to do this jointly with Tasman District Council (TDC). A review of the joint WMMP commenced in 2016/17.</p> <p>This service meets Council's Community Outcomes as follows;</p> |

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| | <ul style="list-style-type: none"> - <u>Our infrastructure is efficient, cost effective and meets current and future needs</u> – Waste and pollution are minimised so we have clean water, clean seas, clean air, and healthy flora, fauna and soils. Growth is well managed and there is little waste or pollution. - <u>Our unique natural environment is health and protected</u> – Nelson is a place where everyone can enjoy the natural environment while it is protected for the future. We recognise the importance of a healthy environment for tourism, and minimise the impacts of human activities on the environment. <p>This service is consistent with Nelson 2060 goals 3, 6 and 10. Primarily reducing consumption so that resources are shared more fairly by: reducing all types of waste and to encourage people to see waste as a resource.</p> <p>This activity is also provided to meets the requirements detailed in the following:</p> <ul style="list-style-type: none"> • The Nelson Plan • The Biodiversity Strategy |
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| <p><i>Present arrangements</i></p> | <p>Governance</p> <p>Council provides governance for the solid waste activity. The day to day governance of these activities are delegated to the Works and Infrastructure Committee and in the case of the NTRLBU through a joint Committee of the Nelson City and Tasman District Councils.</p> <p>Management</p> <p>The solid waste activity is the responsibility of the Business Unit Manager Roding and Utilities, who is a direct report to the Group Manager Infrastructure, who in turn reports to the Chief Executive.</p> <p>The Senior Asset Engineer Solid Waste reports to the Manager Roding and Utilities, with support from other Roding and Solid Waste Team Officers. These officers deliver asset management, operations, maintenance and renewal programmes.</p> <p>Significant capital works are delivered through the Capital Projects Business Unit which provides project management and engineering services to the Roding and Utilities team and report to the Group Manager Infrastructure. Design, specification and construction monitoring of capital and major renewal work is also provided by consultants engaged by Council.</p> <p>The Nelson Tasman Regional Landfill Business Unit (NTRLBU) is a business unit controlled by a Joint Committee of the Nelson City and Tasman District Council's which can make governance, management and operational decisions on the York Valley and Eve's Valley Landfills, including the setting of fees and the allocation of all local landfill waste to York Valley. This business unit was approved by both NCC and TDC and is based on a Terms of Reference with the NTRLBU.</p> <p>Funding</p> <p>The solid waste activity is a self-funding account. Income generated from fees, charges, levies and grants are used to fund all expenditure with any surpluses retained in the Solid Waste Special Reserve Fund.</p> |
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Surpluses generated and placed in the Reserve Fund can be drawn from at the discretion of Council to fund solid waste activities. (This includes unallocated Local Waste Disposal Levy contributions received from the NTRLBU.)

Solid waste activities, such as waste education or recycling, are funded from the National Waste Levy and the Local Waste Disposal Levy (Landfill Levy).

Fees and charges are set following the approval of either the Long Term Plan or the Annual Plan budget and makes up the largest part of the income stream for the solid waste activity.

Each Council has a 50% share in the Nelson Tasman Regional Landfill (NTRL) while TDC paid NCC \$4.2M on 1 July 2017 which reflected the higher value of the York Valley landfill

Delivery

Delivery is primarily through a variety of contracts and external contractors.

A summary of the present arrangements for contracts over \$100,000 is shown in the table below.

| Contract | Contractor | Contract Value | Expiry Date |
|----------------------------|-----------------------------|----------------|-------------|
| York Valley Operations | Downer Ltd | \$900,000 | 30 June 19 |
| Kerbside Recycling | Nelmac Ltd | \$978,000 | 30 June 23 |
| Transfer Station Operation | Nelmac Ltd | \$110,500 | 30 June 23 |
| Processing Green Waste | Greenwaste to Zero 2017 Ltd | \$103,000 | 30 June 24 |

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| <i>Last review</i> | <p>This is the first review of this service under S17a of the LGA 2002.</p> <p>The delivery of the solid waste activity is detailed in the Solid Waste Asset Management Plan (SWAMP) which informs the Nelson City Council Long Term Plan (LTP). These documents were last reviewed in 2014 for the 2015-2025 LTP. A review is currently underway by Council Officers for the 2018-2028 LTP.</p> <p>Previous S17A Reviews have been completed separately for the Transfer Station (A1657534) and Recycling (A1653316).</p> |
| <i>Performance</i> | <p>Performance is measured through the levels of service detailed in the SWAMP and Council's LTP. Performance is also monitored by Nelson City Council Residents Surveys.</p> <p>In the 2017 Residents Survey 61% percent of Nelson City residents were satisfied (44%) or very satisfied (17%) with waste management. There was a significant increase of 7% in satisfied ratings when compared with the 2014 survey. Reasons for dissatisfaction (14%) with waste management included recycling needs improvement (62%), the feeling Council were not doing enough (21%) and that it's expensive (21%). These survey results were considered as part of the AMP review.</p> |
| <i>Cost</i> | <p>The operating cost per annum for this activity in 2016/17 including staff costs and programmed maintenance was approximately \$3.9 million.</p> |
| PART II: DECISION TO REVIEW | |
| <i>Why is the review required (S17A(2))</i> | <p>The review is required under S17a of the LGA 2002.</p> |
| <p><i>Does the activity meet any of the exception rules to undertaking a review (s17A(3)):</i></p> <p>a) <i>Is there a contract or other agreement in place that cannot be reasonably changed within two years</i></p> <p>b) <i>Does the cost of undertaking the review outweigh the benefits</i></p> | <p>With the exception of the York Valley Operations Contract all services reviewed within this activity do meet the rules of exception a).</p> |

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| <i>Recommendation whether or not to review this service more fully.</i> | The recommendation is that all current arrangements remain in place and to not review this activity any further at this stage as all operational contracts are committed beyond two years. The exception of this is the NTRL which is now under the control of the NTRLBU. This Business Unit is preparing a new contract to be in place 1 July 2019 which includes the operation of York Valley and Eves Valley landfills. This was approved previously by both NCC and TDC as part of the formation of the NTRLBU. |
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Review Completed:

Peter Anderson - Manager Roading and Utilities - 16 October 2017

Review Approved

Alec Louverdis - Group Manager Infrastructure - 16 October 2017



S17A REVIEW OF SERVICE DELIVERY

| PART I: PRESENT ARRANGEMENTS | |
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| <i>Name of the service and scope</i> | <p>Saxton Field, Pavillion, Stadium and Oval funding and delivery.</p> <p>This excludes Governance as this has already been through a section 17A review which included the setup of the joint NCC/TDC Saxton Committee in 2016.</p> |
| <i>Rationale for service provision</i> | <p>Saxton Field is an important regional sports facility that provides good quality infrastructure to the Nelson and Tasman communities.</p> <p>It meets both councils' community outcomes of:</p> <ul style="list-style-type: none"> • Our communities have access to a range of social, educational and recreational facilities and activities and; • Our Council provides leadership and fosters partnerships, a regional perspective, and community engagement <p>Saxton Field also hosts international events that contribute to the outcome:</p> <ul style="list-style-type: none"> • Our region is supported by an innovative and sustainable economy • Saxton Field is managed in accordance with the Saxton Field Reserve Management Plan. |
| <i>Present arrangements</i> | <p>Delivery of services for facility management and field maintenance is managed through separate contracts. Delivery of field maintenance is undertaken by both Nelson City Council (NCC) and Tasman District Council (TDC). For Saxton Fields delivery NCC engages its CCTO (Nelmac) and TDC an independent contractor (Nelmac).</p> <p>Saxton Stadium, attached Netball Pavillion and Oval are managed by NCC through an external provider (Sports Tasman). The contract expired on 30 September 2015 but has been rolled over ever since pending the formation of the joint NCC/TDC Saxton Committee. This contract will be further extended to June 2018 to allow for a report to be considered by the Saxton Joint Committee that will</p> |

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| | <p>deal with the future management arrangement of this facility.</p> <p>The funding arrangement for operations and maintenance is split TDC 36.7% and NCC 63.3%. The funding split for capital projects is 47% TDC and 53% NCC. This model was based on population determining potential use. As of September 2018 this arrangement will change and the funding model for Saxton Field will be at 50% NCC and 50% TDC for both capital development projects, operations and maintenance operations.</p> |
| <i>Last review</i> | This is the first review of the service under section 17A of the LGA 2002. |
| <i>Performance</i> | Performance is measured through the levels of service detailed in the both the TDC and NCC Parks Asset Management Plans and the Saxton Field Reserves Management Plan and both Councils Long Term Plan. |
| <i>Cost</i> | <p>2016/17 operating budget for Saxton fields and cricket oval was \$482,277 (Nelmac)</p> <p>\$222,954 to manage Saxton Stadium and Netball Pavilion. (Sport Tasman)</p> <p>\$36,936 to manage the Saxton Oval Pavillion. (Sport Tasman)</p> |
| PART II: DECISION TO REVIEW | |
| <i>Why is the review required (S17A(2))</i> | <p>The review is required under s17A of the LGA 2002 which aims to determine whether the existing means for delivering a service remains the most efficient, effective and appropriate means of delivering that service.</p> <p>The contract for delivery of the service to the Pavillion, Stadium and Oval is due to expire by June 2018 and consideration needs to be given to contract administration options. These include:</p> <ul style="list-style-type: none"> • To continue the contract with Sport Tasman; • To incorporate into NCC's Venues Management contract (which incorporates the management of all of Councils venues excluding the Saxton facilities); • To take a Request for Proposal to the market. |

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| Does the activity meet any of the exception rules to undertaking a review (s17A(3)): a) Is there legislation, contract or other binding agreement that cannot be reasonably altered within two years b) Does the cost of undertaking the review outweigh the benefits | No |
| Recommendation whether or not to review this service more fully. | The recommendation is to fully review the Saxton field and funding delivery model |
| Place in review programme | N.A. |
| PART III: ANALYSIS OF OPTIONS S17A(4) | |
| 1. Governance, funding and delivery by Nelson City Council | Saxton Field Reserve is jointly owned by Nelson City and Tasman District Council and a shared Governance and funding model is currently in place. TDC/NCC have undertaken a Section 17A review of their parks and reserves and adopted to continue with the current model. Agreement has been reached to form a joint NCC/TDC Saxton Committee. Due to the joint ownership sole governance and funding is considered a variable option. |
| 2. Governance and funding by Nelson City Council with delivery by a CCO wholly owned by Nelson City Council | As above |
| 3. Governance and funding by Nelson City Council with delivery by a CCO partly owned by Nelson City Council and partly owned by other local authorities | As above |
| 4. Governance and funding by Nelson City Council with delivery by another local authority | As above |
| 5. Governance and funding by Nelson City Council with | As above |

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| delivery by a person or agency not listed above. | |
| 6. Governance and funding by the joint Saxton Field Committee or other shared governance with delivery by Nelson City Council. | While governance and funding is by Joint Committee, Tasman District Council have interest in delivery over their land and assets and as such as maintenance contracts over the land they have ownership of. Therefore this is not an option. |
| 7. Governance and funding by joint committee or other shared governance with delivery by a CCO wholly owned by Nelson City Council. | This option reflects the service delivery relating to the fields only. Joint Committee provides governance and funding and a CCO owned by Nelson City manages the delivery. Tasman District Council delivery is tendered via the market so this has potential to change in the future. |
| 8. Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Nelson City Council and partly owned by other parties. | This option best reflects the current practice of fields, Saxton Pavilion, Stadium and Oval. |
| 9. Governance and funding by joint committee or other shared governance with delivery by another local authority. | Tasman District Council would be the obvious provider of delivery if this option was to be explored further, they have completed a section 17A review of Parks and Reserves and opted to stay with the status quo. Therefore this is not the recommended option. |
| 10. Governance and funding by joint committee or other shared governance with delivery by a person or agency not listed above. | This is an option and would need to be discussed with the Committee. However given the TDC's recent s17A review determining to maintain the status quo this option is not recommended at this time. |
| 11. Other reasonably practicable options (Identify in detail). | |
| Conclusion: Which of the above options is most cost effective? | Governance and funding by Joint Committee or other shared governance with delivery by a CCTO partly owned by Nelson City Council and partly owned by other parties. |
| Recommendations from the service delivery reviews | It is recommended the current arrangement remains in place as outline in option 8. with a review or pavilion management by the Joint Saxton committee. |

Item 14: Section 17A Service Delivery Review progress report: Attachment 5

Review Completed:

Rosie Bartlett

Manager Parks and Facilities

9 October 2017

Review Approved

Alec Louverdis

Group Manager Infrastructure

9 October 2017



S17A REVIEW OF SERVICE DELIVERY

| PART I: PRESENT ARRANGEMENTS | |
|---------------------------------|---|
| Name of the service and scope | Waahi Taakaro Golf Course management |
| Rationale for service provision | <p><i>This service is delivered because it contributes to the following community outcomes:</i></p> <p><i>Our communities have access to a range of social, educational and recreational facilities and activities</i></p> <ul style="list-style-type: none"> • We have a good range of sports and recreation facilities for all ages, including youth and older residents. We protect, enhance and interpret Nelson's human heritage and historic sites. • There is a wide range of recreation, educational and leisure opportunities for everyone to take part in. • We have high quality and accessible recreation, education, health and community facilities. • We support and encourage all culturally diverse groups to demonstrate their unique recreational activities to the wider community. <p>The reason for the relationship between the Council and Waahi Taakaro Golf Club is to provide an affordable and friendly golf course in close proximity to Nelson city that is open to all Nelson residents and visitors.</p> <p>The Contract with the Golf Club outlines the community outcomes the Council and Club wish to achieve through the use and preservation of the Course:</p> <ol style="list-style-type: none"> 1. Provide an affordable opportunity for Nelson residents and visitors to play golf. 2. Provide a place where Nelson residents can go to exercise and relax, thereby encouraging a healthy lifestyle 3. Preserve the beautiful setting of the golf course and provide easy access to Nelson's parks and reserves |

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| | <ol style="list-style-type: none"> 4. Provide a public golf course close to the city 5. Encourage youth and other Nelson residents to learn to play golf. 6. Provide local businesses and groups with an opportunity to have days out close to the city 7. Generate sufficient revenue to not over burden the ratepayer 8. Continue the heritage and traditions of the Club 9. Provide a meeting place and social activities for a community of interest. |
| <i>Present arrangements</i> | <p>Council currently provides governance and funding off set by revenue from user fees with delivery via external contractors for both course management and fee collection/course administration.</p> <p>Under recent Council decision NCC have entered into an agreement with the Golf Course to operate the fee collection and administration services at the Course. This contract term is currently for one year with further rights of renewal. Potentially taking the contract through to 2023.</p> <p>Council leases the footprint of the Club house building to the Club. This lease is set at levels to support the Club and encourage public use.</p> <p>Council maintains the golf course through its sports grounds maintenance contract with Councils CCO Nelmac, currently let to until 2023.</p> |
| <i>Last review</i> | This is the first review under Section 17A of the Local Government Act 2002. |
| <i>Performance</i> | Performance is measured by the number of rounds played (817 for 2016/17 year), the income generated from green fees (113850.45 for 2016/17 year) and customer service levels. |
| <i>Cost</i> | The cost of this activity is \$271,616 per annum. \$125,000 of this is funded from rates with the rest received from user fees. This is in line with Councils' funding policy. |

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| PART II: DECISION TO REVIEW | |
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| <i>Why is the review required (S17A(2))</i> | <ul style="list-style-type: none"> Under s17A of the Local Government Act 2002 there is a requirement for Nelson City Council to conduct a service review which determines whether the existing means for delivering a service remains the most efficient and appropriate means for delivering that service. |
| <i>Does the cost of undertaking the review outweigh the benefits (s17A(3))</i> | There is a contract in place until 2023. |
| <i>Recommendation whether or not to review this service more fully</i> | The recommendation is to not fully review this service at this time. The Management of the Course has recently been reviewed and Council has agreed to have the course managed by the Golf Course. |
| <i>Place in review programme</i> | N.A. |
| PART III: ANALYSIS OF OPTIONS S17A(4) | |
| 1. Governance, funding and delivery by Nelson City Council | The Council does not currently have the skills or capability to undertake maintenance or administration tasks of the golf course. This would require capital investment in plant and equipment, and the employment of skilled staff. The relatively low volume of work undertaken does not make this option economically viable for the Council or sustainable in the longer term. |
| 2. Governance and funding by Nelson City Council with delivery by a CCO wholly owned by Nelson City Council | There is currently no CCO which could deliver day to day management of the golf course. The costs for establishing such a CCO would be unreasonable for the scale of the contract. The administration involves professional golf services (advice and coaching) which is not Nelmac core business. |
| 3. Governance and funding by Nelson City Council with delivery by a CCO partly owned by Nelson City Council and partly owned by other local authorities | There is currently no CCO which could deliver day to day management of the course. The costs for establishing such a CCO would be unreasonable for the scale of the contract. Specialist golf delivery is not part of Nelmac's core business. There could be an option for Nelmac to sub contract golf course administration. |
| 4. Governance and funding by Nelson City Council with delivery by another local authority | Due to the location of the Golf Course and the community outcomes it provides it is unlikely another local authority would see benefit in this model. |

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| 5. Governance and funding by Nelson City Council with delivery by a person or agency not listed above. | This option is possible as there are a number of suitably skilled contractors in the market in the Nelson area. However the relatively low volume of work would make this option uneconomical. |
| 6. Governance and funding by joint committee or other shared governance with delivery by Nelson City Council. | This option is not practicable for reasons given in analysis of option 1. |
| 7. Governance and funding by joint committee or other shared governance with delivery by a CCO wholly owned by Nelson City Council. | There is currently no CCO which could deliver day to day management of the course. The costs for establishing such a CCO would be unreasonable for the scale of the contract. |
| 8. Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Nelson City Council and partly owned by other parties. | This option is impractical for reasons stated in analysis of option 7. |
| 9. Governance and funding by joint committee or other shared governance with delivery by another local authority. | This is not considered viable for reasons stated in analysis of option 4. |
| 10. Governance and funding by joint committee or other shared governance with delivery by a person or agency not listed above. | This option is impractical for reasons stated in analysis of option 7. |
| 11. Governance and part funding by Council with delivery by a Council owned CCTO and other specialist contractors. | This option reflects the status quo as Council governs and funds this service with external delivery of maintenance undertaken by a CCTO (Nelmac) and the Waahi Taakaro Golf Club for fee collection and course administration. User fees contribute to funding the activity. It is recommended the current arrangement remains in place. |
| Conclusion: Which of the above options is most cost effective? | Option 11 whereby Council continues to govern and part fund the activity with technical aspects of the delivery outsourced to external contractors. |

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| Recommendations from the service delivery reviews | It is recommended the current arrangement remains in place. |
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Review Completed:

Rosie Bartlett

Manager Park and Facilities

October 2017

Review Approved

Alec Louverdis

Group Manager Infrastructure

October 2017



S17A REVIEW OF SERVICE DELIVERY

| PART I: PRESENT ARRANGEMENTS | |
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| <i>Name of the service and scope</i> | <p>Community Festivals and Events:</p> <ul style="list-style-type: none"> • Summer Events programme – free or low cost events produced annually from December to March • New Year's Concert • Opera in the Park – produced every 2 years in February • Other events that sit with the Festival team, such as China Week <p>The Summer Events programme is a series of events including Opera in the Park (biennial), Christmas and New Year's Eve events, outdoor movies, and a four day Buskers Festival. The purpose is to provide free entertainment to the local community and visitors over the busy summer period. Around 40,000 people attend an event as part of the Summer Events programme.</p> <p>Out of scope: Nelson Arts Festival including masked parade, readers & writers programme.</p> |
| <i>Rationale for service provision</i> | <p>The service contributes to the following community outcome:</p> <p>Our communities have opportunities to celebrate and explore their heritage, identity and creativity</p> <ul style="list-style-type: none"> • We have a strong sense of community, enhanced by activities, festivals, events and celebrations that reflect our distinct environment and people. <p>The vision and objective of the service is outlined in Council's Arts Policy 2010:</p> <p>4.1. Vision:</p> <p>The high quality and accessible festivals and events that Council delivers encourage participation in the arts by a wide cross-section of the community and contribute to a sense of belonging.</p> <p>4.2. Objective:</p> |

Festivals and events S17A Service Delivery Review 24Aug2017 (A1819898)

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| | Provision of a range of festivals and events that are inclusive, celebrate Nelson and encourage wide participation in and enjoyment of the arts. |
| <i>Present arrangements</i> | Currently the service is run in-house by Festivals staff, several events are contracted out for coordination. |
| <i>Last review</i> | This is the first review of the service under section 17A of the LGA 2002. |
| <i>Performance</i> | <p>Levels of service are outlined in the Arts Activity Management Plan and performance is measured through resident's surveys.</p> <p>2017 results:</p> <p>Residents' attendance at Council summer festival events has increased significantly this year (55% cf. 2016, 43%). Residents citing they have not attended any Council events has decreased (33% cf. 2016, 38%). (Opera in the Park was not held in 2016/17 so it not measured)</p> |
| <i>Cost</i> | <p>Operational budget for 2017/18 is:</p> <ul style="list-style-type: none"> • Summer Events \$79,195 income \$26,900 • New Year's Concert \$55,000 • Opera in the Park \$249,451, Income \$100,000 • China Week \$50,000 (\$25,000 allocated from 2016/17 FY) |
| PART II: DECISION TO REVIEW | |
| <i>Why is the review required (S17A(2))</i> | With the proposed change to the delivery of the Arts Festival, it is timely to review the remaining event services at this time. |
| <p><i>Does the activity meet any of the exception rules to undertaking a review (s17A(3)):</i></p> <p>a) <i>Is there legislation, contract or other binding agreement that cannot be reasonably altered within two years</i></p> <p>b) <i>Does the cost of undertaking the review outweigh the benefits</i></p> | No. |
| <i>Recommendation whether or not to review this service more fully.</i> | A full review is recommended. |

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| <i>Place in review programme</i> | n/a |
| PART III: ANALYSIS OF OPTIONS S17A(4) | |
| 1. Governance, funding and delivery by Nelson City Council | This option is not recommended as it would not be cost effective as it would require the employment of additional staff to operate events that are currently contracted out at a more cost effective rate. |
| 2. Governance and funding by Nelson City Council with delivery by a CCO wholly owned by Nelson City Council | This option is a possibility but will come at an extra cost to Council for Audit of the CCO and remuneration of Trustees. There is currently no existing CCO that could deliver this service. |
| 3. Governance and funding by Nelson City Council with delivery by a CCO partly owned by Nelson City Council and partly owned by other local authorities | This is not an option as no CCO currently exists that could deliver this service. |
| 4. Governance and funding by Nelson City Council with delivery by another local authority | This option is not applicable as it is only a service being provided by Nelson City Council in the Nelson district. |
| 5. Governance and funding by Nelson City Council with delivery by a person or agency not listed above. | This option is would be possible where events can be wholly contracted out, however they would still require officer oversight, e.g. China Week. In some cases where Council are the deliverer of the event, such as Teddy Bear's Picnic, it forms part of a wider programme and requires detailed oversight from officers. In some cases there is no service provider available that would take on these contracts without officer involvement. This option is not possible within the current event coordinator/contractor market as there is limited capacity for services to be wholly contracted out. |
| 6. Governance and funding by joint committee or other shared governance with delivery by Nelson City Council. | This option is not applicable as it is only a service being provided by Nelson City Council in the Nelson district. |
| 7. Governance and funding by joint committee or other shared governance with | There is no jointly owned CCO that could deliver this service. |

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| delivery by a CCO wholly owned by Nelson City Council. | |
| 8. Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Nelson City Council and partly owned by other parties. | This option is not applicable as it is only a service being provided by Nelson City Council in the Nelson district. |
| 9. Governance and funding by joint committee or other shared governance with delivery by another local authority. | This option is not applicable as it is only a service being provided by Nelson City Council in the Nelson district. |
| 10. Governance and funding by joint committee or other shared governance with delivery by a person or agency not listed above. | This option is not applicable as it is only a service being provided by Nelson City Council in the Nelson district. |
| 11. Other reasonably practicable options (identify in detail). | <p>The current model is a mix of option 1 and 5 - Governance and funding by Nelson City Council with delivery by Nelson City Council or contracted out to event coordinators/providers.</p> <p>It varies per event but for example Opera in the Park is coordinated by officers in terms of marketing, sponsors, communications, financial, while contracting out technical direction, artistic direction. There wouldn't be a person or agency able to deliver the entire event.</p> <p>On the contrary, China Week event is entirely contracted out, the entire budget goes to a service provider to deliver. Council officers are involved at a contract management level.</p> <p>This option provides Council with the ability to implement a diverse programme of events whilst utilising the skill of Council event staff as well as specialist providers. Being able to engage other providers is important as it allows staff to be involved at the management level, coordinating the overall programme and marketing as well as ensuring Council requirements are adhered to, as opposed to organising the detailed operational aspects of events.</p> |

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| Conclusion: Which of the above options is most cost effective? | The most cost effective option is option 11 as this provides for flexibility depending on whether the event is able to be contracted out or not, therefore reducing the level of officer time involved. Flexibility of delivery is important as it allows Council to focus where it can have the greatest impact in the most cost effective manner. |
| Recommendations from the service delivery reviews | The recommended option is option 11 – status quo. |

Review Completed:

Shanine Raggett

Manager Community Partnerships

24 August 2017

Review Approved

Chris Ward

Group Manager Community Services

August 2017



S17A REVIEW OF SERVICE DELIVERY

| PART I: PRESENT ARRANGEMENTS | |
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| <i>Name of the service and scope</i> | <p>Nelson Marina</p> <p>The scope of this activity is the Nelson Marina Facilities Management. Excluding the hardstand and travel lift which have already had Section 17A undertaken.</p> |
| <i>Rationale for service provision</i> | <p><i>The service is provided because:</i></p> <ul style="list-style-type: none"> •It contributes to the community outcome that "our infrastructure is efficient, cost-effective and meets current and future needs" •Nelson is a popular destination for yachts and provides many opportunities for sea based activities. The marina and haul-out and repair facilities provide maintenance facilities for craft that provide ready access to the waters of Tasman Bay and the Marlborough Sounds and adds to the region's attractions of National parks, beaches, arts, crafts, cafes, and outdoor activities. •Nelson Marina is a place of work for commercial and industrial activities, including small commercial fishing vessels and large international exporters |
| <i>Present arrangements</i> | <p>The Marina facility is owned, governed and funded by Council, is overseen by Council officers and run under a management contract by Nelmac, an entity fully owned by NCC. This contract expires on 30 June 2023. The Marina is funded by users.</p> |
| <i>Last review</i> | <p>This is the first review of the Marina Facilities management.</p> |
| <i>Performance</i> | <p>Performance is measure by Levels of Services as set out in the facilities Asset management Plan being:</p> <ul style="list-style-type: none"> • Our communities have access to a range of social, educational and recreational facilities and activities • Fees and chargers are competitive. • Marina berths are managed to demand • Responsive and helpful on-site service staff • Infrastructure meets the needs of Marina users |

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| | <ul style="list-style-type: none"> Marina is managed to protect the environment. |
| Cost | <p>The current Marina management contract with Nelmac is \$307,180/year and expires in 2023.</p> <p>For 2016/17 the financial year Operating expenses were:\$1,166,481 Capital expenses were: \$77,299</p> |
| PART II: DECISION TO REVIEW | |
| <i>Why is the review required (S17A(2))</i> | The review is required under S17A of the Local Government Act 2002. |
| <i>Does the activity meet any of the exception rules to undertaking a review (s17A(3)):</i> <ol style="list-style-type: none"> <i>Is there legislation, contract or other binding agreement that cannot be reasonably altered within two years</i> <i>Does the cost of undertaking the review outweigh the benefits</i> | The services reviewed within this activity do meet the rules of exception as there is a contract in place until 2023. |
| <i>Recommendation whether or not to review this service more fully.</i> | The recommendation is to not fully review the Marina activities in detail at this time. |
| Recommendations from the service delivery reviews | It is recommended to stay with the status quo governance, funding and maintenance delivery model. |

Review Completed:

Rosie Bartlett

Manager Parks and Facilities

9 October 2017

Review Approved

Alec Louverdis

Group Manager Infrastructure

9 October 2017



S17A REVIEW OF SERVICE DELIVERY – Commercial Property Portfolio

| PART I: PRESENT ARRANGEMENTS | |
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| Commercial Property Portfolio | <p>Commercial Property Portfolio Management</p> <p>Commercial property can be defined as property that is intended for use by commercial, retail or wholesale businesses. It can include buildings or land intended to generate a profit, either from capital gain or rental income. These are generally leased rather than rented.</p> <p>Commercial properties are not identified as a distinct grouping in any Council plan. For the purposes of this review the Commercial Property Portfolio has been defined as the properties for which a commercial leasing approach has been adopted in the MagiQ Leases and Property Management module.</p> <p>Street stalls, road reserve licences and carpark and footpath dining licences have been excluded from the review. The residential properties, mostly held for future transport corridor developments and managed by Summit Property Management under a management contract have also been excluded, as have community leases.</p> <p>The community housing portfolio is the subject of a separate s17A Review.</p> <p>The 143 leasable 'areas' included in the review vary widely from airspace leases above Council roads to the multi-level Millers Acre complex to the land and facilities provided by Tahunanui Camp Ground. They include land, buildings and spaces within buildings leased to other parties and a small number of pieces of land where Council is the lessee.</p> <p>Four buildings included in the definition are currently vacant – three are included in the Haven Redevelopment area and the fourth is 23 Halifax Street (ex-Mediterranean Foods) which is earthquake prone and partially used by Council for storage.</p> |

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| <p><i>Rationale for service provision</i></p> | <p>There are multiple reasons for this activity including (but not exclusively);</p> <ul style="list-style-type: none"> • Future roading/transport development • City to sea development • Central CBD development • Tourism promotion • For future reserve requirements <p>Overall they contribute to a number of community outcomes:</p> <p>Our urban and rural environments are people-friendly, well planned and sustainably managed</p> <ul style="list-style-type: none"> • Urban and rural areas are designed to be child-, family- and people-friendly • We think and plan regionally and act locally within that context <p>Our infrastructure is efficient, cost effective and meets current and future needs</p> <ul style="list-style-type: none"> • We have good quality, sustainable, integrated, affordable and effective public transport, infrastructure, energy-use and transport networks <p>Our communities have access to a range of social, educational and recreational facilities and activities</p> <ul style="list-style-type: none"> • There is a wide range of recreation, educational and leisure opportunities for everyone to take part in. • We have high quality and accessible recreation, education, health and community facilities. <p>Our region is supported by an innovative and sustainable economy</p> <ul style="list-style-type: none"> • We all participate in the regional economy and it meets people's needs. • We are a business-friendly region, and economic activity is sensitive to the environment, heritage and people of Nelson. |
| <p><i>Present arrangements</i></p> | <p>The commercial properties are managed by Council's Property Services Team. All new leases require Council approval and Council stakeholders are heavily involved in decision making processes throughout the leasing process. Rental revenue is around \$1.8m per annum.</p> |

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| | <p>Property Services also manage 11 commercial leases where Council is the lessee paying \$201,000 per annum to other parties.</p> <p>The future ownership and use of a number of the commercial properties is uncertain.</p> <p>The Haven Precinct properties – 300 Wakefield Quay (Plant and Food), 258 Wakefield Quay (Anchor), 250 Wakefield (Four Seasons) and 236 Haven Road (Reliance) are all vacant and are currently being considered by Council as part of the Haven Redevelopment Project.</p> <p>23 Halifax Street (Mediterranean Foods) is vacant and may form part of a Library redevelopment proposal for the next LTP.</p> <p>Residential portfolio (excluded from this review)</p> <p>Council also owns six residential properties, mostly held for future transport corridor developments. These are managed by Summit Property Management under a management contract. Summit provide full property management services – tenant selection and management, rent collection and reactive maintenance. Repairs, maintenance and the management fees are funded from rent.</p> |
| <i>Last review</i> | This is the first review of the service under section 17A of the Local Government Act 2002. |
| <p><i>Performance</i></p> <p><i>Describe how the council knows or is able to assess the effectiveness of the current arrangements in achieving the rationale for service delivery.</i></p> <p><i>Consider levels of service and performance measures for the activity. You might also consider any benchmarking information that is available.</i></p> | <p>There are no formal performance measures or targets for these properties. Property Services manage them to ensure:</p> <ul style="list-style-type: none"> • Vacancy of leaseable property is minimal • Market rent based on valuation and Council resolution • Rent and outgoings recovered in line with Council's debt recovery processes • Leases deliver on community outcomes • Landlord responsibilities are met • Annual tenancy inspections completed |
| <i>Cost</i> | <p>Staff salary and overhead costs of 1 FTE devoted to commercial leases and property management approximately \$110,000 p a.</p> <p>Outgoings and landlords costs are recovered according to individual lease agreements and vary</p> |

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| | due to negotiations, decisions of Council and changes in policy and approach over the years. |
| PART II: DECISION TO REVIEW | |
| <i>Why is the review required (S17A(2))</i> | This is the first review of the Commercial Property Portfolio. |
| <i>Does the activity meet any of the exception rules to undertaking a review (s17A(3)):</i> <i>a) Is there legislation, contract or other binding agreement that cannot be reasonably altered within two years</i> <i>b) Does the cost of undertaking the review outweigh the benefits</i> | No. |
| <i>Recommendation whether or not to review this service more fully.</i> | A full review is recommended. |
| <i>Place in review programme</i> | N/A |
| PART III: ANALYSIS OF OPTIONS S17A(4) | |
| 1. Governance, funding and delivery by Nelson City Council | <p>This option is the status quo as Council currently governs and funds this service with delivery and management undertaken by Council officers.</p> <p>Delivery and management by Council allows for changes in policy or approach to be actioned as required. It also ensures that the service delivers on Nelson City's Community Outcomes.</p> <p>The Council's need or desire to continue to own some of the Commercial Portfolio properties is unknown making a change of delivery mechanism uneconomic at this time.</p> |
| 2. Governance and funding by Nelson City Council with delivery by a CCO wholly owned by Nelson City Council | This is not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs. |
| 3. Governance and funding by Nelson City Council with delivery by a CCO partly owned by Nelson City Council and partly owned by other local authorities | The service is located within the Nelson region and subject to commercial sensitivities. It is unlikely that other local authorities would agree to participate in the delivery of this service. |

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| 4. Governance and funding by Nelson City Council with delivery by another local authority | The service is located within the Nelson region and subject to commercial sensitivities. It is unlikely that another local authority would be able to achieve cost efficiencies while delivering this service on Council's behalf. |
| 5. Governance and funding by Nelson City Council with delivery by a person or agency not listed above. | <p>This is an option as a property management company could deliver some or all of this service on Council's behalf. However, due to the uncertainty about the future of many buildings in the Commercial Property portfolio the likelihood of attracting good interest in the management of the properties at this time is low.</p> <p>The cost of management and delivery of the commercial portfolio by a property management company is estimated to be in the region of \$140,000 (8% of revenue of \$1.8m) plus outgoings and GST which exceeds the costs of Council directly delivering the services. A property management company would also add an overhead cost to any maintenance undertaken on Council's behalf. This option would still require contract management by Council.</p> <p>Outsourcing also risks knowledge and experience of the service being lost to Council.</p> |
| 6. Governance and funding by joint committee or other shared governance with delivery by Nelson City Council. | <p>This could be a possible option. However a shared governance model may be inappropriate given the commercial sensitivities and potential conflicts regarding approach and desired outcomes</p> <p>Formation of a joint committee would require agreement and willingness from TDC or another local authority. Establishing a joint committee would incur additional costs.</p> |
| 7. Governance and funding by joint committee or other shared governance with delivery by a CCO wholly owned by Nelson City Council. | <p>As in 6 above.</p> <p>This is also not an appropriate option as the service is not a core service and establishing a CCO would incur additional costs.</p> |
| 8. Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Nelson City Council | As in 7 above. |

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| and partly owned by other parties. | |
| 9. Governance and funding by joint committee or other shared governance with delivery by another local authority. | This option is unrealistic as it is dependent on another local authority's willingness to form a joint committee and to fund and deliver the service. It is unlikely that TDC, or any other local authority, would wish to form a joint committee for a non-core service. |
| 10. Governance and funding by joint committee or other shared governance with delivery by a person or agency not listed above. | As in 6 above. |
| 11. Other reasonably practicable options (Identify in detail). | None. |
| Conclusion: Which of the above options is most cost effective? | Status quo – governance, funding and delivery by Nelson City Council. |
| Recommendations from the service delivery review | Retain the status quo – governance, funding and delivery by Nelson City Council. |

Review Completed:

Peter Hunter

Team Leader Property Services

October 2017

Review Approved

Nikki Harrison

GM Corporate Services

October 2017

Tax Risk Management Strategy

1. Purpose of Report

- 1.1 To adopt the Tax Strategy as recommended by the Tax Governance Framework.

2. Recommendation

That the Subcommittee

Receives the report Tax Risk Management Strategy (R8585) and its attachments (A1847439 and A1847460).

Recommendation to Council

That the Council

Adopts the Tax Risk Management Strategy (A1847439).

3. Background

- 3.1 On June 22 2017, Council adopted the Tax Risk Governance Framework (Attachment 2), as recommended by this subcommittee at its meeting of 18 May2017.
- 3.2 The report noted that a tax risk management strategy would be presented to a future meeting of this subcommittee.

4. Discussion

- 4.1 The finance department has a number of process and procedures detailing how tax is calculated and when and how it is paid. While there is a small risk that these processes are not followed or that the payments are not made on time, there are well established controls in place to minimise that risk.

Item 15: Tax Risk Management Strategy

- 4.2 The tax risk management strategy seeks to address the complexity of tax compliance. This is an area that is constantly evolving, and remaining fully up to date with the intricacies is challenging.
- 4.3 The strategy outlines the mechanisms that we have in place for managing that challenge, and when those mechanisms will be implemented.
- 4.4 The strategy is a formal understanding of some things we already do to mitigate our tax risk (such as seeking external advice and having our tax return reviewed), along with some recommendations from our tax advisors to keep us on the front foot.
- 4.5 Where additional costs are likely to be incurred as a result of the strategy, this will be assessed as part of the annual/long term planning process.

Options

- 4.6 It is recommended that the Tax Risk Management Strategy is adopted. The strategy formalises our approach to managing tax risk, is a key component of the Tax Risk Governance Framework that was adopted in June, and supports the expectation that Council will maintain exemplary tax compliance standards. There are no disadvantages to adopting the strategy.
- 4.7 If the strategy is not adopted, tax risk would continue to be managed in an ad hoc manner, contrary to the recommendations of the Tax Risk Governance Framework.

Tracey Hughes
Senior Accountant

Attachments

Attachment 1: Tax risk management strategy (A1847439) [↓](#)

Attachment 2: Tax governance framework (A1847460) [↓](#)

| | |
|--|--|
| Important considerations for decision making | |
| 1. Fit with Purpose of Local Government | The Tax Risk Management Strategy promotes transparency of Council's tax operations to all stakeholders including the community. |
| 2. Consistency with Community Outcomes and Council Policy | Supports the community outcome "Our Council provides leadership and fosters partnerships, a regional perspective and community engagement". |
| 3. Risk | Adoption of this strategy mitigates tax risk in line with Council's low tax risk profile. |
| 4. Financial impact | Adoption of this strategy may result in minor costs over time for cyclical compliance reviews. Failing to conduct such reviews may be more expensive in the long run. |
| 5. Degree of significance and level of engagement | The decision to adopt the framework is of low significance as it is an administrative matter that enhances and formalises existing processes. |
| 6. Inclusion of Māori in the decision making process | There has been no consultation with Maori on this item. |
| 7. Delegations | The Audit, Risk and Finance Subcommittee has the responsibility for considering financial and other risk management, internal control and statutory compliance. The Audit, Risk and Finance Subcommittee has the power to make a recommendation to Council on this matter. |

Nelson City Council's Tax risk management strategy

| Risk management mechanism | Financial year ending 30/06/2018 | Financial year ending 30/06/2019 | Financial year ending 30/06/2020 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Tax helpdesk facility | ✓ | ✓ | ✓ |
| Access to online taxation policies | ✓ | ✓ | ✓ |
| Tax compliance reviews undertaken: | | | |
| • GST | ✓ | | |
| • PAYE/withholding taxes | | ✓ | |
| • FBT | | | ✓ |
| Income tax return independently reviewed | ✓ | ✓ | ✓ |
| Tax disclosure notes independently reviewed | ✓ | ✓ | ✓ |
| Tax agency – income tax | ✓ | ✓ | ✓ |
| External advice sought on major tax issues | ✓ | ✓ | ✓ |
| Tax training provided to staff | As required | | |



Nelson City Council

Tax Governance Framework

*Adopted by the
Audit, Risk and
Finance
Subcommittee
May 2017*

Tax - Tax Governance Framework - 13Oct2017 (A1847460).docx

Item 15: Tax Risk Management Strategy: Attachment 2

1. Purpose

This document establishes the tax governance framework for Nelson City Council's (Council) Audit, Risk and Finance Subcommittee.

1.1. Background

Council is a large, high profile, organisation that is responsible for providing services to the New Zealand public. As such, Council must maintain exemplary governance and tax compliance standards.

Although Council is largely exempt from paying corporate income tax, it is required to correctly account for Goods and Services Tax, Fringe Benefit Tax, PAYE, and a range of other withholding taxes. These taxes make up a significant portion of the New Zealand Government's annual tax take. Accordingly, the tax obligations of Council cannot be taken lightly.

Inland Revenue has signalled its expectation that all large organisations should have tax risk management incorporated within their governance framework. This is consistent with international best practice; tax authorities in foreign jurisdictions, including Australia and the United Kingdom, have been advocating this approach is taken by large Public and Private sector organisations.

1.2. Risk management

The Audit, Risk and Finance Subcommittee is, along with other responsibilities, tasked to:

- Assist Council to determine its appetite for risk.
- Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of Council's significant risks.
- Consider whether appropriate action is being taken by management to mitigate Council's significant risks.
- Ensure that management is kept apprised of Council's governance body's views on uncontrolled risk.
- Ensure management are keeping the Audit, Risk and Finance Subcommittee fully apprised of all independent sources of assurance, via the risk management framework.

Proactive tax risk management can facilitate mitigation of:

- Operational risk – by way of reducing the potential for reputational damage befalling Council as a result of non-compliance, and the possible negative impacts on various stakeholders, such as employees and suppliers.
- Financial risk – through minimising the financial impact of non-compliance, and the costs associated with over- or under-paying tax by Council.
- Compliance risk – in terms of ensuring areas of non-compliance are identified, thereby minimising any penalties or interest being imposed by Inland Revenue and reducing the risk of Council being subject to an Inland Revenue audit.

2. Tax risk profile

Council has an obligation to fulfil its tax compliance obligations as required by tax legislation, including the Income Tax Act 2007, Goods and Services Tax Act 1985 and Tax Administration Act 1994.

Item 15: Tax Risk Management Strategy: Attachment 2

Given the high profile and public nature of Council, there is a need to adopt a conservative approach towards tax compliance. Accordingly, Council will adopt a "LOW" tax risk profile such that it has an open and honest working relationship with Inland Revenue.

3. Tax risk management strategies

The following strategies will be adopted by Council to ensure that it maintains a low tax risk profile and effectively manages its tax obligations and potential tax risks.

Council will develop a tax risk management plan to be formally adopted by the Audit, Risk and Finance Subcommittee. The plan will be reviewed *at least* every three years. The plan will:

- Identify key areas of tax compliance risk that are faced by Council
- Establish the steps required to effectively manage or mitigate each risk area
- Provide clear and realistic time frames to carry out the steps.

3.1. Responsibility for tax issues

The Group Manager Corporate Services has overall responsibility for the management of the tax issues of Council. As appropriate, the Group Manager Corporate Services may delegate responsibility for tax issues to another appropriately qualified person.

3.2. Reporting tax risks to Audit, Risk and Finance Subcommittee

Any 'significant tax risks' will be reported in the first instance to the Group Manager Corporate Services as soon as they are identified and where appropriate, to the chair of the Audit, Risk and Finance Subcommittee within two weeks of being identified.

A 'significant tax risk' to Council may be where an incorrect interpretation is made that results in:

- A situation where penalties and interest in excess of \$5,000 may be imposed against Council
- A situation where a tax liability is required to be settled that is in excess of \$20,000
- A situation where Council could be subject to prosecution
- A situation where an accusation of tax avoidance could be levied.

Council will report on all tax risk management matters to the Audit, Risk and Finance Subcommittee at least once a year. As part of that report, a summary should be prepared and presented to the Audit, Risk and Finance Subcommittee setting out key issues, and may include the following:

- Key financial information including any outstanding taxes due, and any interest or penalties imposed during the year
- Particulars of any proposed legislative tax changes which could impact on Council
- Details of any significant outstanding taxes in dispute with Inland Revenue
- Details of advice sought and future matters to consider
- A table of tax tools and services used and whether each aligns with Council's 'LOW' risk tax profile;
ie Strategy vs Achievement.

Item 15: Tax Risk Management Strategy: Attachment 2

3.3. Tax awareness and training

Council will ensure that all relevant staff are provided with adequate training and resources to effectively identify and manage its tax obligations and risks. Where appropriate, this may involve sending selective staff on external courses or engaging an external speaker to conduct in-house training.

3.4. Meetings and correspondence with Inland Revenue

Council will endeavour to maintain strong working relationships with Inland Revenue, other government bodies, and related third parties. All dealings with external parties will be undertaken in a professional and timely manner.

Apart from routine PAYE, FBT and GST returns and payments, all other correspondence, meeting requests or queries from Inland Revenue must be immediately referred to the Group Manager Corporate Services. The Group Manager Corporate Services is the only person authorised to correspond or meet with Inland Revenue to discuss the tax matters of Council – although they may delegate this responsibility to others where appropriate.

3.5. Tax advice and rulings

Council will maintain detailed information and computations supporting all tax return filing positions. If there is any uncertainty in respect of a filing position where the amount of tax exceeds \$10,000, Council will seek written advice from external tax advisors.

In some instances, the degree of uncertainty over a particular tax issue may warrant seeking a Binding Ruling from Inland Revenue. No approach should be made for a Binding Ruling without the prior approval of the Group Manager Corporate Services. However, the Group Manager Corporate Services may obtain agreement from the Audit, Risk and Finance Subcommittee if considered appropriate.

3.6. Tax returns and payments

Council will file all returns and pay any resulting tax liability on, or before, the stipulated due dates. When preparing and filing tax returns, Council will be transparent, and fully disclose all relevant information supporting a tax position in a tax return. Council will only adopt tax positions that are highly likely to be correct based on current law. Notwithstanding this, Council will endeavour to ensure that the most tax efficient position is adopted.

Any tax payments in excess of \$25,000 must be authorised by the Group Manager Corporate Services. However, the Group Manager Corporate Services may delegate this in accordance with Council's delegation authorities.

Tax payments must be supported by detailed tax computations and explanations which are initialled by the preparer and then countersigned by that person's superior prior to payment.

3.7. Filing and record keeping

In terms of the Tax Administration Act 1994, Council is required to retain tax records for several years. To assist in archiving and the subsequent retrieval of relevant tax records, Council will separately file each tax return and supporting computation and advisory correspondence based on the year of assessment and tax type.

In addition, Council will maintain a detailed index of the relevant tax files to enable their efficient retrieval should they be requested by Inland Revenue in later years. Specifically, the index should contain details relating to the file reference, relevant tax period, tax type, subject of the document on file and location of the file, and evidence of review by the Group Manager Corporate Services. This index should be maintained irrespective of whether the information is in electronic or hard copy format.

3.8. Regular reviews

The tax risks of Council potentially increase over time through a combination of personnel and legislative changes. To ensure the tax compliance procedures of Council are kept up to

Item 15: Tax Risk Management Strategy: Attachment 2

date and accurate, reviews of GST, PAYE/Withholding Taxes and FBT will be undertaken at regular intervals. These review will tend to be undertaken in a 'rolling' format.

3.9. Penalties and voluntary disclosures

Wherever possible Council should endeavour to minimise any penalties and Use of Money Interest. Accordingly, any tax discrepancies identified should be addressed and disclosed to Inland Revenue as soon as possible. Unless the discrepancy has been identified pursuant to a (current) tax investigation, Council (in consultation with the Audit, Risk and Finance Subcommittee) should always consider making a Voluntary Disclosure as a means of minimising any potential penalties.

3.10. Tax policies

To assist staff with the day to day tax treatment of issues specific to Council and to ensure a consistent tax treatment of items across the organisation, Council currently subscribes to Online Tax Policies. A third party maintains PAYE, GST, FBT, and KiwiSaver tax policies, and are regularly updated for legislative changes. These tax policies will provide an outline of common tax issues arising and how they should be treated in the various tax returns of Council.